

Alcohol and Gaming Commission of Ontario (AGCO)

# 2023–24 Annual Report

July 2024

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# Chair's Message

This year saw further expansion of consumer choice for Ontarians through the growth of the legal online gaming market and the announcement that beer, wine and ready-to-drink beverages would be sold in convenience and grocery stores across the province. Our mandate is to ensure that consumers have safe access to our regulated sectors – alcohol, cannabis, and gaming – with the freedom to make choices for themselves. And the team of talented, creative and hard-working employees at the Alcohol and Gaming Commission of Ontario is delivering this for Ontarians.

The Government of Ontario set the following priorities for the Agency this year:

**Safe and responsible sale of alcohol in convenience and grocery stores across Ontario.**

At the time of writing, we will have issued over 3,500 licences to grocery store and convenience store owners, representing an 11% increase<sup>1</sup> in the options to purchase alcohol for Ontarians. We require robust training to ensure alcohol is not sold to minors or people who are intoxicated. The AGCO will be taking strong measures with respect to social responsibility infractions and may inspect a location at any time. Licence holders will be required to let AGCO inspectors access the business and conduct their inspections.

**Keeping our communities safe and protecting youth by combatting illegal cannabis**

**sales.** We have worked with the Ontario Cannabis Store and the government to support legal cannabis retailers in our robust and open market retail system, while cracking down on illegal cannabis stores. We will continue to work with the police and government to keep communities safe.

This Annual Report provides details on how the AGCO has delivered on these priorities and others over the past fiscal year. As an agency that's firmly committed to accountability and transparency, the Board has continued its oversight of the AGCO's response to recommendations made by the Auditor General of Ontario in the 2020 audit of the organization.

This past year saw the retirement of AGCO's former CEO and Registrar Tom Mungham. Throughout his 17-year career at the AGCO, including three as its chief executive, Tom provided exceptional leadership to the agency as its mandate expanded and the sectors it regulates continuously evolved. Following Tom's retirement, we were pleased to welcome Dr. Karin Schnarr as CEO and Registrar in September 2023. Karin brings a wealth of experience from the academic, public, and private sectors, and has already made a strong and immediate impact on the agency as it continues to forge ahead with its important mandate.

I conclude by acknowledging and thanking my predecessor, Lalit Aggarwal, for his four years of outstanding service to the AGCO as outgoing Chair. Lalit was a steady hand for the Board and AGCO through the difficult days of the pandemic and provided important leadership in several key initiatives including the launch of Ontario's iGaming market. In additional changes to our Board of Directors, I also congratulate AGCO's former Vice-Chair and current Board Member, Heidi Reinhart, on her appointment as Chair of iGaming Ontario in July 2023 and Board

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<sup>1</sup> 3,574 Convenience Store Licences and Grocery Store Licences as of July 24, 2024. 11% increase is based on 31,240 licences in 2022-23 (2022-23 AGCO Annual Report, Table 7: Total number of Liquor Licences)

Member Paul Stoyan on his appointment as Vice-Chair in August 2023.

On behalf of the Board, I'd like to extend our sincere thanks to the staff of the AGCO. This agency's workforce is a dedicated and hard-working group of public servants who are committed to supporting the sectors we regulate while protecting the interests of the people of Ontario.

Dave Forestell, Chair

## CEO's Message

The 2023-2024 fiscal year saw yet another transformative period for the AGCO. I was honoured to join this organization as Registrar and CEO in September 2023, following the retirement of my esteemed colleague Tom Mungham. Throughout his remarkable 17-years at the AGCO, Tom provided exceptional leadership as the agency's mandate expanded, taking on new initiatives to respond to and support the evolving needs in each of the sectors we regulate. I join our Board of Directors in expressing sincere thanks to Tom for his legacy of outstanding contributions to the AGCO and to the Ontarians we serve.

A significant milestone marked the start of this fiscal year in April 2023 - the first anniversary of Ontario's open, regulated internet gaming (igaming) market. In partnership with iGaming Ontario, we conducted an Ipsos study to coincide with the new market's one year anniversary. It revealed that over 85 per cent of respondents who gambled online in Ontario were now doing so on regulated sites. This represents considerable success in shifting players from gambling on unregulated sites to choosing regulated sites that provide Ontario's high standards of game integrity and player protections. The regulated market has also provided gaming industry participants with a clear framework to enter the market, fostering innovation and economic opportunities for businesses.

The agency's accomplishments were not only noted here in Ontario, but once again on the world stage. In June 2023, the AGCO was recognized by the North American Gaming Regulators Association's Excellence in Gaming Regulation Award for our world class efforts in developing and implementing the regulatory framework for Ontario's igaming market.

This fiscal year, we strengthened our support of the charitable gaming sector by creating improved fundraising opportunities. Following a sector consultation, the AGCO approved an expansion of hospital foundation charitable 50/50 electronic raffle ticket sales to permit them to be sold in Ontario convenience stores by retail staff. In addition, the maximum number of online raffles that charities can conduct and manage at the same time increased, from a maximum of two to four. These changes reflect our commitment to provide added flexibility and fundraising opportunities to charitable organizations, improving the lives of Ontarians.

In December 2023, the Government of Ontario announced that alcohol sales would soon be expanded to provide more choice and convenience to Ontarians. This marks a significant upcoming change to the alcohol sector, with thousands of new retail stores in Ontario eligible to sell alcohol in this future marketplace. The AGCO will play a pivotal role in delivering this

government initiative and has been working to develop a regulatory framework and implementation plan that ensures effective safeguards for the responsible sale of alcohol and facilitates market participation for eligible retailers that wish to join the sector.

In the evolving cannabis sector, the agency continued to play a critical role in ensuring the safe, responsible and lawful sale of cannabis. This is an industry that continues to evolve. In April 2023, the City of Mississauga opted in to permit authorized cannabis retail stores. The AGCO ensured that resources were in place to support applicants through the licensing process and residents through this change. To help reduce burden on cannabis retailers, we worked with the Ontario Cannabis Store to implement a new Point-of-Sale Data Reporting Platform. The new system enables automated regulatory reporting, helping to reduce reporting burden for retailers while increasing data accuracy.

Throughout 2023-2024, the AGCO continued to work closely with horse racing industry experts on equine welfare reforms, including making changes within the Rules of Racing to promote the welfare of equine athletes, such as to restrict the use of potentially harmful medications for horses. We also made several updates to the temporary COVID-19 rule amendments for Standardbred and Thoroughbred Rules of Racing, reflecting the lifting of public health restrictions in this sector.

Diversity, Inclusion, and Accessibility (DI&A) remained a priority for the AGCO, as we continued to carry out a multi-year DI&A strategy. In July 2023, a dedicated DI&A Office was created to operationalize this work and to ensure that the AGCO can continue to support its culture of inclusion as an employer, and deliver inclusive, accessible, and responsive services as a service provider.

Our current Strategic Plan comes to its conclusion at the end of this fiscal year and we are currently working to establish the agency's next Strategic Plan. As part of the development, we've broadly consulted with our internal and external stakeholders on their perspectives and priorities of strategic goals that align with AGCO's vision and mandate. Work continues to finalize the goals, initiatives, and outcomes to begin implementing the plan next year.

Over the year, we also continued to prioritize our Digital Strategy and the digital enablement of our work to strengthen our ability to make evidence-based decisions that support our risk-based compliance model and enhance regulatory effectiveness.

This fiscal year closed with a significant distinction for the AGCO, as we were selected as one of Greater Toronto's Top 2024 Employers. This annual designation recognizes employers for providing outstanding workplaces and best practices for their employees. The entire organization rightfully took great pride in this recognition.

Looking forward, we will continue our journey to be a world-class regulator that is innovative, proactive, inclusive, and socially responsible. We will continue to work closely with our government partners including the Ministry of the Attorney General, as well as our diverse sectors of stakeholders, to develop and uphold outcomes-based standards in the interest of Ontarians.

Dr. Karin Schnarr, Registrar and CEO

# About the AGCO

## Introduction

The Alcohol and Gaming Commission of Ontario (AGCO) is an Ontario provincial regulatory agency reporting to the [Ministry of the Attorney General](#) (MAG). It is a corporation under the [Alcohol and Gaming Commission of Ontario Act, 2019](#).

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 208/2024.

## AGCO Subsidiary

iGaming Ontario (iGO) was established as a subsidiary corporation of the AGCO in 2021. iGO is responsible for conducting and managing igaming through private operators in Ontario. The AGCO's role as a regulator is kept separate from iGO's commercial role. The AGCO continues to be responsible for regulatory oversight of all gaming activities in Ontario, including private igaming operators, suppliers and iGO. 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 Annual Report must contain the Annual Report of its subsidiary. As such, the iGO Annual Report is appended.

## 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 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 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 is responsible for ensuring the agency has an effective governance framework and is carrying out its responsibilities and

fulfilling its legislative mandate. 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, 2024, including their original appointment dates.

Total per diems of all appointees for 2023–24: **\$123,309.90**

**Fiscal Year 2023-24 Remuneration: Board of Directors**

<b>Member</b>	<b>Date First Appointed</b>	<b>Most Recent Appointment Term</b>	<b>Total Remuneration FY 2023-24</b>
Dave Forestell Chair	December 12, 2018	July 20, 2023 – July 19, 2024	\$29,678.31
Lalit Aggarwal (Former Chair)	June 6, 2019	June 6, 2020 – July 14, 2023	\$18,225.31
Paul Stoyan Vice-Chair	July 29, 2021	July 29, 2023 – July 28, 2026	\$15,645.01
Cara Vaccarino Member Chair of Strategic, Governance and Oversight Committee	February 14, 2020	February 14, 2022 – February 13, 2025	\$13,212.75
Douglas McLarty Member Chair of Finance, Audit and Risk Management Committee	February 20, 2020	February 20, 2022 – February 19, 2025	\$14,613.54
Neil Desai Member	September 17, 2020	September 17, 2022 – September 16, 2025	\$18,145.39
Heidi Reinhart Member <sup>2</sup>	October 29, 2020	September 16, 2023 – September 15, 2026	\$13,789.59

The AGCO organizational structure is appended.

<sup>2</sup> Heidi Reinhart is the current Chair of the iGaming Ontario Board.

# 2023-24: Year in Review

## Strategic Goals

The AGCO's strategic plan outlines the strategic goals for the organization. The AGCO is in its final year of its current five-year strategic plan and development is underway for the upcoming multi-year Strategic Plan.

The graphic features the AGCO logo and the text 'AGCO Alcohol and Gaming Commission of Ontario' on the left, followed by the title 'STRATEGIC PLAN' in large white letters on a dark blue background. Below this, three colored boxes represent the strategic goals: a green box for 'Modern Regulator', a blue box for 'Service Excellence', and an orange box for 'People First'. Each box contains an icon and a list of bullet points. To the left of these boxes, the text 'Our Strategic Goals' and 'Our Key Commitments' is displayed with a horizontal line connecting them.

Our Strategic Goals	Modern Regulator	Service Excellence	People First
Our Key Commitments	<ul style="list-style-type: none"><li>• Serve the public interest through effective and innovative approaches to regulation in the alcohol, gaming, cannabis and horse racing sectors</li><li>• Make evidence-based decisions to regulate in the public interest</li><li>• Strengthen our organizational foundation to support the agency's expanding priorities and business strategies</li></ul>	<ul style="list-style-type: none"><li>• Continuously ensure a deep understanding of our stakeholders to anticipate and respond to their evolving needs</li><li>• Provide a positive experience through the delivery of services that are clear, timely and that meet the expectations of those we serve</li></ul>	<ul style="list-style-type: none"><li>• Champion an inclusive workplace by implementing recommendations from the AGCO's DI&amp;A strategy to further develop employee's wellbeing and best serve the people of Ontario</li><li>• Develop our talent to empower employees and nurture our internal talent succession pool</li></ul>

The 2023-24 AGCO's achievements highlight its commitment to deliver on each of its three strategic goals: Modern Regulator, Service Excellence, and People First. These achievements are attributable to the key core activities, projects and initiatives being undertaken at the AGCO.

### Modern Regulator

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

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. The AGCO continues to focus on the ongoing optimization of the iAGCO service portal to increase the number of users who can complete their transactions online.

### 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.

Improvements in key customer facing technologies, including both the AGCO website and Contact Centre, were made to better meet the demands of licensees, registrants, and the public we serve. The new site, that will launch early in 2024-25, is intended to be more task based, to better support the user journey by creating a seamless service experience between the public website and iAGCO.

## People First

The AGCO remains dedicated to nurturing the potential of its workforce and recognizes the critical nature of cultivating this organizational emphasis. Embracing a priority on people and maintaining a steadfast dedication to diversity, inclusivity, and accessibility are integral to advancing toward this strategic objective.

The AGCO has made significant progress in fostering a supportive and engaging workplace culture over the past year. It has focused on implementing comprehensive organizational development frameworks and initiatives aimed at talent development and recognition. It remains dedicated to employee engagement and accommodating individuals' needs, ensuring fairness and transparency throughout.

The number of staff who believe the AGCO is making progress on its Diversity, Inclusion and Accessibility (DI&A) commitment has risen this year, in part due to the demonstrated commitment of the AGCO in transitioning DI&A from a corporate project to an operational program. In 2023-24 employee attendance at learning events featuring guest speakers surpassed previous years. DI&A principles and practices are being embedded into AGCO operations, for example recruitment processes and leadership development programs. Employees are regularly invited to share feedback and ideas, and to collaborate in the planning and implementation of DI&A activities.

### Performance Measurement

Performance measurement at the AGCO continues to evolve evidence-based evaluation practices to support the effectiveness of the agency's activities and initiatives, while also demonstrating the AGCO's progress towards delivering on its strategic goals and mandate. As part of the next strategic plan, the agency will be identifying measures and targets to measure success against each goal and enhance insights to support strategic decision making.

Performance Measures	Outcome Metric	Performance
<b>Modern Regulator</b>		
Digital First: The AGCO provides user-based services and information through multiple windows and service channels anytime and anywhere. The number of digital applications and complaints	% of users using digital options to transact with the AGCO meets or exceeds target of 85%	<b>95%</b>

received by the AGCO are used to calculate this total.		
<b>Service Excellence</b>		
Value for Money: Ensuring value per transaction with a focus on streamlining process and reducing regulatory burden.	% of applications for Special Occasion Permits auto-issued meets or exceeds target of 90%.	<b>93%</b>
<b>People First</b>		
Employee Experience: The degree of involvement and empowerment correlates directly with productivity, motivation, and job satisfaction.	% of AGCO staff who would recommend AGCO as a place to work meets or exceeds target of 75%.	<b>89%</b>
	% of AGCO staff who believe their suggestions and ideas count <sup>3</sup> meets or exceeds target of 70%.	<b>80%</b>
Diversity, Inclusion and Accessibility Strategy: measuring progress the AGCO's goal to build an inclusive workplace culture, free from discrimination and harassment.	% of AGCO staff who believe the AGCO is making progress on its DI&A commitment meets or exceeds 91%.	<b>93% (May)<sup>4</sup></b>
	% of AGCO staff who feel able to bring their "whole selves" to work meets or exceeds 92%.	<b>92% (Feb)<sup>3</sup></b>

## Key Achievements by Sector

### Alcohol

Throughout fiscal year 2023-24, the AGCO advanced a range of initiatives aimed at supporting Ontario's dynamic liquor sector. These activities aligned with key government priorities while continuing to ensure alcohol is sold, served, and delivered responsibly.

<sup>3</sup> The language of this measure has been updated to reflect the survey question language.

<sup>4</sup> The measures above reflect one point in time and are sourced from surveys conducted in May 2023 and February 2024.

- On December 14, 2023, the Government reaffirmed its commitment to modernizing the alcohol sector, with plans for liquor retail expansion in Ontario.<sup>5</sup> This expansion, the largest in almost a century, aims to introduce a surge of new retailers into the market to offer consumers greater convenience and choice, all while ensuring the sector operates with honesty, integrity and in the broader public interest. Acting as a critical leader in facilitating a stable transition of an expanded market, the AGCO continues to collaborate with the government in the development of a new regulatory framework.
- In recognition of the national and international significance of the 2023 FIFA Women’s World Cup, the AGCO extended operating hours for the sale and service of alcohol, providing support to the hospitality and tourism sector.
- The AGCO continues to administer the Police Report and Last Drink Programs in partnership with the police. This is part of supporting a coordinated approach to compliance activities, which places significant emphasis on working with local community partners, including police, fire services, municipal by-law, and public health units.
- 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 2023–24, the AGCO expanded the Mystery Shopper Program to cover all liquor licensees operating within the province.

## Gaming

Throughout fiscal year 2023-24, the AGCO advanced a range of initiatives to support Ontario’s evolving gaming sector, including charitable gaming, Land-Based Commercial Gaming, igaming, and lottery. These activities support key government priorities, supporting healthy and sustainable gaming industry while maintaining a focus on responsible gambling and player protection.

### Charitable Gaming

The AGCO implemented several initiatives to provide new opportunities for eligible organizations, responding to the evolving needs of stakeholders in the sector. These included:

- Increasing the number of online raffles that charities can conduct and manage at the same time from two to four.
- Establishing a framework permitting hospital foundation charitable electronic 50/50 raffle (e-affle) tickets to be sold in person in Ontario convenience stores, by convenience store retail staff.

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<sup>5</sup> Prior to the publication of this report, on May 24, 2024, the Government announced that authorized grocery stores will be able to sell an expanded selection of liquor as of August 1, 2024, convenience stores as early as September 5, 2024, and new grocery stores and big box stores as of October 31, 2024.

- Ontario and Nova Scotia collaborated to establish Canada's first inter-provincial charitable raffle lottery licence, a milestone in the AGCO's efforts to modernize charitable gaming.

## **Land-Based Commercial Gaming**

Over the course of 2023-2024, the AGCO has undertaken a range of activities to advance its Gaming Modernization Strategy:

- Numerous workshops were held on significant reforms to the AGCO's casino eligibility and casino compliance models, which have been identified for potential implementation in 2024/25.
- The requirements, data access and analytical feasibility of a Regulatory Anti-Money Laundering (AML) Operational Dashboard were all confirmed this fiscal year. The Dashboard will be used to better focus agency resources and the current target for the launch of the alpha version is Q1-2024/25, with subsequent versions to be iterative in nature and launched at appropriate intervals.

## **iGaming**

Since the launch of Ontario's regulated igaming market in April 2022, the AGCO has maintained focus on ensuring the regulatory model continues to meet the objectives of supporting a competitive igaming market that protects consumers and provides them with choice.

- In August 2023, the AGCO announced changes to the Registrar's Standards for iGaming to further restrict the use of athletes, celebrities and other figures likely expected to appeal to minors in igaming advertising and marketing activities. These changes were implemented to build on the existing regulatory framework for igaming by further safeguarding children and youth who can be particularly susceptible to advertising content featuring prominent athlete and celebrity endorsements. AGCO further released, in early-February 2024, a supplementary guidance document setting out additional clarity with respect to the amended Standard, helping support a smooth implementation of the changes.
- For the one year anniversary of the Ontario igaming market, the AGCO partnered with iGaming Ontario to conduct an Ipsos study. The study showed over 85 per cent of respondents who gambled online in Ontario were now doing so on regulated sites.
- Collaboration with international jurisdictions on tackling the Unregulated iGaming Market continued in 2023-24 and a comprehensive strategy is in the process of being drafted to limit industry access to the unregulated market and increase public awareness by delivering a second generation of high impact, coordinated and relevant regulatory activities.

## **Lottery**

In September 2022, the Ontario Lottery and Gaming Corporation (OLG) announced plans to implement new self-serve terminals (SSTs) in lottery retail locations. Throughout 2023, the

AGCO supported the implementation of SSTs, including making changes to the Registrar's Standards for Gaming: Lottery Sector to enable the launch of SSTs starting in February 2024, with the rest of the SSTs launching across the province in 2024/25.

## Horse Racing

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, AGCO announced and implemented a number of equine welfare reforms in 2023-24. These reforms included:

- Banning certain medications and substances in horses participating in an Official Workout (Thoroughbred and Quarter Horse) or in a Qualifying Race (Standardbred);
- A new rule requiring licensed trainers to report all stabling locations they operate under their licence, including any location changes to the Registrar within five (5) calendar days.
- A revision of 22.19 of the *Standardbred Rules of Racing* to 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.
- Reinstated breathalyzer testing for horseracing participants in Safety Sensitive Positions, including drivers, jockeys, valets, and track maintenance personnel and resumed testing for the Human Alcohol and Drug Program, given that COVID-19 public health restrictions are no longer in effect.
- The AGCO made permanent a number of temporary COVID-19 rule amendments to provide additional flexibility and positive impact to the sustainability of the industry.

## Cannabis

In 2023-24 The AGCO focused on supporting cannabis retailers by fostering innovation and flexibility, reducing burden, and by seeking opportunities to combat the illicit market.

- The AGCO is working collaboratively with provincial partners, including the Ontario Cannabis Store (OCS), Ontario Provincial Police, and government to better understand the illicit market and identify areas where the AGCO can support the government's objective of combating the illicit cannabis market. While authorized cannabis retailers and the OCS have made substantial inroads in Ontario as the only legal sources of recreational cannabis, illicit cannabis continues to be an issue in the province and is estimated to make up approximately 40 per cent of Ontario's cannabis market<sup>6</sup>.
- Since 2019, the AGCO has been working with the OCS to implement a new Point-of-Sale (POS) Data Reporting Platform to automate and standardize monthly regulatory reporting processes for licensed cannabis stores. In 2023, the AGCO announced that starting in July 2024, all cannabis retailers will have their sales data automatically

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<sup>6</sup> [2022-23 Ontario Cannabis Store Annual Report](#)

submitted directly to the OCS data platform and will be subject to new Standards for their regulatory reporting requirements.

- An internal Data Driven Compliance application has been developed to make better use of data to support the inspectors' ability to focus their activities on entities that present the highest risk of non-compliance. Work is under way to launch the application in the cannabis sector in 2024/25.
- 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 2023, Eligibility and Major Investigations conducted 468 cannabis-related investigations and noticed a significant decrease in the identification of problematic applications. This is attributed to the registered cannabis market maturing and the message being conveyed within the cannabis industry that the OPP was conducting thorough background investigations on applicants and entities.
- 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.
- To better support cannabis retailers as the market evolves, the AGCO supported the Ministry of the Attorney General in making legislative changes to the *Cannabis Act, 2018* to enable the transfer of Retail Store Authorizations from one licensed operator to another, and to allow the sale of cannabis from one operator to another in prescribed circumstances. These amendments received Royal Assent in Spring 2023 and will be followed by regulatory amendments to establish the framework for authorization transfers and inventory sales.

## Achievements in Accordance with Mandate

The AGCO is committed to delivering on the Ontario government's priorities and fiscal objectives. We continue to ensure our strategic priorities and operations align with government direction and ensure cost-effective, customer-focused service delivery. Government priorities are embedded in our strategic direction and day to day approach. As evidenced in our work, the AGCO has been focused on liquor modernization, igaming, burden reduction, combatting the illegal cannabis market to keep our youth and communities safe, and our ongoing response to the Auditor General of Ontario's Value for Money Audit.

The AGCO also received a mandate letter from the Attorney General outlining a series of priorities including: competitiveness, expenditure management, transparency and accountability, risk management, workforce management, diversity and inclusion, data collection, and digital delivery and customer service.

To address these priorities AGCO pursued the following initiatives.

### *Competitiveness, Sustainability, and Expenditure Management*

The AGCO continued its work on a funding framework review with the Ministry of the Attorney General 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.

The objective is to identify opportunities to bring greater consistency in legal authorities and processes to recover costs across the sectors the AGCO regulates and aims to reduce the AGCO's annual net allocation from government to the greatest extent possible. During the year, the AGCO developed and submitted recommendations to support its objective and continues to work with the Ministry to determine how best to move forward.

The AGCO remains committed to its Value for Money action plan and recognizes the value of the Auditor General of Ontario's recommendations to enhance its effectiveness as a modern regulator. The AGCO has continued to deliver steady progress over the past fiscal year, providing regular updates to the Auditor General, and it remains a priority for 2024–25.

### *Transparency and Accountability*

For fiscal year ended March 31, 2024, the AGCO Chair, CEO and Chief Administrative Officer have attested to government that the AGCO is in 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, 2024.

### *Risk Management*

The AGCO uses an Enterprise Risk Management (ERM) framework to support the organization in identifying areas of risk 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 the organization.

The framework sets out a process for identifying and assessing risks and highlighting and reviewing controls and mitigation strategies. The final key risks are reviewed and approved by C-Suite, the Finance, Audit and Risk Management Committee and the Board of Directors.

*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, staff education, policies, and protocols to mitigate current and emerging cyber threats and increase the security maturity of existing controls.

*Regulatory Effectiveness Risk* – The AGCO regularly reviews and augments its regulatory effectiveness to ensure changes in the sectors it regulates, and stakeholder expectations are addressed in a timely and effective manner.

### *Diversity, Inclusion, and Accessibility*

For the AGCO, it is important to have a workforce which reflects the public we serve. Confidence in public services is enhanced when the public sees itself represented in its service provider. The AGCO is committed to delivering services to the public in a way that considers the diverse and evolving needs of Ontarians.

The AGCO understands that building and cultivating an inclusive workplace culture that fosters communication, collaboration, flexibility, respect, and fairness to leverage diversity empowers all individuals to contribute to their full potential and enhances employees' work life.

In 2023, a permanent DI&A Office was established and is comprised of a new Senior Manager of DI&A and a DI&A Advisor position. As we operationalize diversity, inclusion, and accessibility throughout the AGCO, a DI&A lens is being applied to all Human Resources and Organizational Development policies, programs, and initiatives.

### *Workforce Management*

Collaborative efforts across the AGCO have led to the creation of innovative programs and strategies aimed at identifying and nurturing talent within the organization, thereby contributing to its growth and success. The AGCO has placed a strong emphasis on continuous improvement, utilizing a risk-based methodology to ensure effectiveness and responsiveness to evolving needs.

The AGCO maintains a people-first approach and leverages a hybrid work model to support the needs of employees to balance their work and home lives, while maintaining an engaged, productive workforce.



### *Data Collection*

The AGCO is in its second year of implementing its enterprise Data and Analytics Program, in alignment with its enterprise Digital Strategy. Year two of the Data and Analytics Program focused on leveraging strategic partnerships across the enterprise to enhance regulatory compliance activities and elevate the customer experience. There was continued development and deployment of the Data Governance Framework, ensuring that data used for analytics and decision making is well defined and managed, including where it could drive improvements in compliance activities and consumer interactions.

- The AGCO introduced the Data Governance by Design Framework to embed governance, such as Privacy Impact Assessments and Data Definition at project inception, ensuring data is secure and defined for use.
- A Records and Information Management Program are underway, which will ensure the proper management of information assets throughout their lifecycle.
- The AGCO continues to facilitate the processing of large datasets and enabling advanced analytics capabilities like Machine Learning through the internal Data Driven Compliance App.

The AGCO continues to look at data sharing opportunities with various ministries and other crown corporations within the broader public sector, such as Supply Ontario. Currently, the AGCO is prioritizing data sharing initiatives that will help with its compliance and regulatory activities such as those related Liquor Retail Expansion.

### *Digital Delivery and Customer Service*

The AGCO relies on digital platforms to deliver accessible, reliable, secure, and customer-centric services to Ontarians. The AGCO met its established enterprise-wide service standards for service transactions last fiscal, at a 92 per cent average, surpassing the 80 per cent target. AGCO is also working towards establishing new service standards for application turnaround times for high volume applications in the year ahead.

The AGCO also uses service insights such as customer satisfaction surveys and complaints, inquiries, and service performance measures from iAGCO to identify opportunities for customer service improvement.

In line with the Government of Ontario's focus and commitment to deliver simpler, faster, better services to Ontarians, the AGCO recognized the need for an enterprise Digital Strategy to guide and prioritize the agency's digitalization efforts. Beginning this work in 2022-23, a Digital Vision was established to set an aspirational, desired future state for the agency. During 2023-24, guided by the Digital Vision as a strategic compass, the AGCO embarked on the development of its enterprise Digital Strategy and the resulting transformation effort will become firmly integrated into both the AGCO's strategic long-term planning efforts and effectively support its current operations. It will span across all of AGCO's key commitments, strengthen its organizational foundation, and help the AGCO:

- Build toward a resilient digital future,

- Optimize digital assets and operational capacity, and
- Enable strategic decision-making and continued momentum.

## Operational Performance

### ***Licensing & Registration Activities***

The AGCO provides services to a wide group of licensees, registrants, and authorization holders. The 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.

Highlights for licensing and registration activities in 2023-24 include the continued processing of steady volumes of applications related to cannabis retail operators and retail store authorizations including changes of ownership. In addition, several net new registrations were issued to internet gaming operators and gaming-related suppliers to support the competitive and open internet gaming market in Ontario.

	Current active licences, authorizations, and registrations as of March 2024	Number of licences, authorizations, and registrations issued, renewed and amended
Alcohol (Special Occasion Permits excluded)	32,889	13,565
Gaming	25,120	22,292
Lottery	1,900	1,924
Horse Racing	13,574	13,532
Cannabis	4,634	2,212
Special Occasion Permits	N/A	51,721

### ***Education and Compliance Activities***

The AGCO promotes compliance with relevant legislation, regulations, and Registrar’s Standards to protect public interest and align with government and ministry priorities. 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* emphasizes the results that regulated sectors are meant to achieve, rather than prescriptive activities that must be carried out.

The AGCO proactively provides education to stakeholder and licence-holders in all sectors to increase their understanding of regulatory obligations and improve overall compliance.

The following tables reflects the compliance activities undertaken in 2023-24 across the indicated sectors.

	Inspection Activity	Consultation	Education	Miscellaneous Compliance Activity <sup>7</sup>	Violations Cited
<b>Alcohol</b>	14,130	592	1,710	2,050	4,084
<b>Cannabis</b>	2,820	567	203	300	937
<b>Horse Racing</b>	431	13	8	5	49
<b>Land-based Gaming</b>	427	50	1	40	206
<b>Charitable Gaming</b>	145	9	2	1	19
<b>Lottery Retailers</b>	1,873	10	1	7	650
<b>Raffles</b>	2	2	0	0	1

Internet gaming compliance conducts a full suite of modern compliance assurance activities that provide reasonable assurance of compliance for regulated entities and technology.

	Compliance Reviews	Inspections	Third Party Report Assessments	Miscellaneous Compliance Activity <sup>6</sup>	Violations Cited
<b>igaming</b>	363	129	106	52	278

In 2023-24, AGCO focused on the following igaming compliance priorities:

- **Responsible Advertising:** Oversight of potentially harmful public advertising and messaging, and advertising that is appealing to minors.
  - Ontario prohibits the broad, public advertising of bonuses, credits, and other gambling inducements, and as of February 28, 2024, prohibits the use of individuals who would likely be expected to appeal to minors and athletes except for the exclusive purpose for advocating for responsible gambling practices.
  - In the fall of 2023, AGCO conducted broad industry consultations to inform the development of guidance for this new advertising standard and has since been working with operators to support them in their ongoing compliance.
- **Responsible Gambling:** Protection of players from experiencing harm from gambling.
  - AGCO conducts proactive reviews of operator controls for minimizing harm from gambling, which can prompt compliance investigations where risks are identified.

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<sup>7</sup> The category “Miscellaneous Compliance Activity” may include, but is not limited to, compliance activity driven by intelligence or investigation activity, the Mystery Shopper Program (where applicable) or criminal charges.

When these investigations uncover violations, AGCO works with operators to bring them into compliance.

- **Sport and Event Betting:** Ensuring that integrity safeguards are in place to address risks of match fixing and insider betting.
  - AGCO performs regulatory reviews to ensure that betting markets being offered in Ontario are adequately safeguarded against match-fixing and insider betting. One such review resulted in AGCO requiring Ontario gaming operators to stop offering World Boxing Association (WBA) events.
- **Game Integrity:** Requiring certification of all games and critical gaming systems linked to determination of game outcome.
  - AGCO conducts random spot testing of certified games to ensure that games are designed with integrity, games are not misleading, and game designs meet the intent of the standards. The AGCO works with game manufacturers and independent test labs to ensure all parties are interpreting standards correctly and meeting regulatory expectations.

### **Gaming Technology Regulation**

Ontario’s public confidence in gaming is largely based upon the integrity and fairness of the games and gaming systems in play. AGCO ensures the technical integrity of gaming technology by developing minimum technical standards for gaming products testing and providing approvals of games and related gaming systems. This technology is used throughout the province in all gaming industries and sectors regulated by the AGCO, including casino gaming, charitable gaming, lotteries, and internet gaming.

In 2023–24, the AGCO’s in-house and internationally accredited testing laboratory conducted its annual survey of regulated entities, reaching out to Gaming-Related Suppliers to request their anonymous evaluation and feedback. 92 per cent of respondents indicated they are satisfied or very satisfied with the overall service they receive from the testing laboratory. The following chart captures the various product testing activities conducted by the AGCO.

<b>Product Testing</b>	<b>2023-24</b>
Electronic gaming-related products requested for approval	1,574
Low-risk electronic gaming products that were pre-approved	71
Products with regulatory issues discovered by the AGCO that were consequently not approved	52
Average turnaround time for approval	26 calendar days

For internet gaming, the AGCO has modernized the approach for 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.

***Investigation & Enforcement Activities***

The Investigation and Enforcement Bureau (IEB) conducts investigations across all sectors regulated by the AGCO. The Bureau 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. IEB also focuses on critical strategic priorities such as Anti-Money Laundering and Anti-Human Trafficking initiatives.

The IEB Anti-Human Trafficking Working Group collaborates with the OPP Anti-Human Trafficking Unit, Criminal Intelligence Service Ontario, and municipal partners to proactively focus on these activities. Members of IEB continue to provide training to service providers at all casino locations across the province on an ongoing basis.

The following tables represent the number of investigations the Bureau conducted in 2023-24.

<b>Eligibility Investigations</b>	<b>2023–24</b>
Gaming and Lottery	403
Cannabis	468
Horse Racing	92
Outside Agency Assist Checks	361

<b>IEB Investigations</b>	<b>2023–24</b>
Internet Gaming	638
Charitable Gaming	2
Lottery	211
Casino & Slot Machine Facilities	7,636
Cannabis	468
Horse Racing	237
Liquor Licence Holders and Applicants	48

**Customer Service Activities**

The AGCO’s Contact Centre handles over 100,000 customer interactions yearly across a range of channels. It provides oversight of the agency’s inquiries and complaints handling policy and ensures the customer experience is monitored, measured and managed. The following tables show interactions via the AGCO’s customer service channels, communications with stakeholders, and members of the Ontario public as of March 2024.

<b>Interactions with AGCO Customers</b>	<b>2023–24</b>
AGCO website visits	1,482,046
Telephone Contacts (Contact Centre)	92,325
Self-Help (using automated voice messaging system)	32,326
Web Chat	3,519
Inquiries: Total number of general inquires received in iAGCO (new, cancelled excluded)	25,388
Complaints: Total number of complaints received in iAGCO (new, cancelled excluded)	7,903
% of complaints that were addressed within 30 days (cancelled complaints excluded)	83%

## Financial Performance

Expense Category (In \$000s)	2022-23 (excluding iGO*)	2023-24 (excluding iGO*)	Increase/ (Decrease)
<b>Expenditures</b>			
Salaries and Wages	68,738	79,808	11,070
Services	12,756	13,296	540
Benefits	15,077	18,640	3,563
Capital Amortization	1,942	2,117	175
Transportation and Communications (T&C)	1,386	1,303	(83)
Supplies and Equipment (S&E)	747	1,148	401
<b>Sub-Total Gross Expenditures</b>	<b>100,646</b>	<b>116,312</b>	<b>15,666</b>
Less: Revenue	84,308	94,881	10,573
<b>Annual Deficit</b>	<b>(16,338)</b>	<b>(21,431)</b>	<b>(5,093)</b>
<b>Capital Assets</b>	<b>795</b>	<b>1,327</b>	<b>532</b>

\* Of the \$11,360 in cost recoveries from iGaming Ontario (iGO) as recorded on AGCO's financial statements, \$10,827 relates to direct expenditures (salaries/benefits of iGO employees and vendor invoices) that AGCO incurred on behalf of iGO and was subsequently reimbursed. These costs (along with the corresponding recovery of these costs) are excluded from the chart above.

Overall increase in FY 23-24 Salaries and Wages and Benefits Expenditures is mainly due to increases in the number of employees and employee salary increases. Increase in Services, and Supplies and Equipment is mainly due to additional spending on projects including the implementation of a new Enterprise Resource Planning system, the AGCO's Funding Framework Review and the AGCO's Digital Strategy.

Revenue comprises of licence and registration fees, regulatory charges and cost recoveries. Decrease in fees and charges in FY 23-24 is due to timing of licence renewals as well as new revenue recognition criteria implemented as of April 1, 2023 also resulting in timing differences. Increase in FY 23-24 regulatory charges and cost recovery is attributed to an increase in regulatory work done in gaming sector, as well as increased overall gross expenditures.

Capital spending in FY 23-24 can be attributed to increase on iAGCO enhancements to improve flexibility, simplify integration with diverse platforms, and promote more efficient processes. In addition, the increase is also attributed to the refresh of IT Hardware and Network Equipment.

Increase in FY 23-24 amortization expenses is due to correlating increase in capital spending on refresh of IT Hardware and Network Equipment.



## Appendix I: Audited Financial Statements

# Alcohol and Gaming Commission of Ontario

Financial Statements

March 31, 2024

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## Management's Statement of Responsibility for Financial Reporting

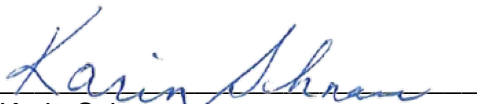
The accompanying financial statements of the Alcohol and Gaming Commission of Ontario have been prepared by management in accordance with the Canadian public sector accounting standards and, where appropriate, include amounts based on management's best estimates and judgements. The financial statements 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)
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	<a href="#">3</a>	\$ 18,198	\$ 9,465
Unearned Revenue	<a href="#">4</a>	11,479	10,844
Other Employee Future Benefits	<a href="#">5</a>	9,613	7,876
Customer Deposits	<a href="#">6</a>	1,320	1,086
		<b>40,610</b>	<b>29,271</b>
<b>Financial Assets</b>			
Cash		—	—
Accounts Receivable		51	13
Due from the Province	<a href="#">13</a>	25,813	12,472
Due from iGaming Ontario	<a href="#">14</a>	1,316	2,703
		<b>27,180</b>	<b>15,188</b>
<b>Net Debt</b>		<b>(13,430)</b>	<b>(14,083)</b>
<b>Non-Financial Assets</b>			
Tangible Capital Assets	<a href="#">7</a>	12,277	13,067
Prepaid Expenses		1,153	1,016
		<b>13,430</b>	<b>14,083</b>
<b>Accumulated Deficit</b>		<b>\$ —</b>	<b>\$ —</b>

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)
<b>Revenue</b>				
Licence and Registration Fees	<a href="#">8</a>	\$ 63,393	\$ 43,622	\$ 43,948
Regulatory Charges - Gaming Sector	<a href="#">9</a>	61,046	43,510	31,277
Cost Recoveries from iGaming Ontario	<a href="#">14</a>	13,124	11,360	9,474
Regulatory Charges - Horse Racing Sector		9,578	7,185	7,180
Other Revenue		151	31	96
		<b>147,292</b>	<b>105,708</b>	<b>91,975</b>
<b>Expenditures</b>				
Salaries and Wages		85,418	88,678	74,805
Services		30,790	13,296	13,064
Employee Benefits	<a href="#">5</a>	18,019	20,597	16,366
Amortization of Tangible Capital	<a href="#">7</a>	2,405	2,117	1,942
Transportation and Communications		1,546	1,303	1,386
Supplies and Equipment		968	1,148	750
		<b>139,146</b>	<b>127,139</b>	<b>108,313</b>
<b>Annual Deficit from Operations</b>			<b>(21,431)</b>	<b>(16,338)</b>
<b>Contribution by the Province</b>	<a href="#">13</a>		<b>21,431</b>	<b>16,338</b>
<b>Annual Deficit</b>			<b>—</b>	<b>—</b>
<b>Accumulated Deficit, Beginning of Year</b>			<b>—</b>	<b>—</b>
<b>Accumulated Deficit, End of Year</b>			<b>\$ —</b>	<b>\$ —</b>

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)
<b>Annual Deficit</b>		\$	—	\$ —
Acquisition of Tangible Capital Assets	<a href="#">7</a>	(2,557)	(1,327)	(795)
Amortization of Tangible Capital Assets	<a href="#">7</a>	2,405	2,117	1,942
(Increase) in Prepaid Expenses		—	(137)	(644)
		<b>(152)</b>	<b>653</b>	<b>503</b>
<b>Decrease in Net Debt</b>		<b>(152)</b>	<b>653</b>	<b>503</b>
<b>Net Debt, Beginning of Year</b>		<b>(14,083)</b>	<b>(14,083)</b>	<b>(14,586)</b>
<b>Net Debt, End of Year</b>		<b>\$ (14,235)</b>	<b>\$ (13,430)</b>	<b>\$ (14,083)</b>

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)
<b>Operating Transactions</b>		
Annual Deficit	\$ —	\$ —
<b>Non-Cash Items:</b>		
Amortization of Tangible Capital Assets	7 2,117	1,942
<b>Changes in Non-Cash Balances:</b>		
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)
<b>Cash Provided by Operating Transactions</b>	<b>1,327</b>	<b>795</b>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	7 (1,327)	(795)
<b>Cash Applied to Capital Transactions</b>	<b>(1,327)</b>	<b>(795)</b>
<b>Net Increase (Decrease) in cash</b>	<b>—</b>	<b>—</b>
<b>Cash, Beginning of Year</b>	<b>—</b>	<b>—</b>
<b>Cash, End of Year</b>	<b>\$ —</b>	<b>\$ —</b>

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

	<b>For the Year Ended March 31, 2023</b>	
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	<b>\$</b>	<b>—</b>

##### (ii) Impact on assets and liabilities

<b>As at April 1, 2022</b>	<b>As previously reported</b>	<b>PS 3400 adjustments</b>	<b>As restated</b>
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

<b>As at March 31, 2023</b>	<b>As previously reported</b>	<b>PS 3400 adjustments</b>	<b>As restated</b>
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:

	<b>2024</b>			
	<b>Balance, beginning of year</b>	<b>Received during year</b>	<b>Recognized during year</b>	<b>Balance, end of year</b>
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
	<b>\$ 9,303</b>	<b>\$ 43,529</b>	<b>\$ (43,622)</b>	<b>\$ 9,210</b>

	<b>2023 Restated (Note 2b)</b>			
	<b>Balance, beginning of year</b>	<b>Received during year</b>	<b>Recognized during year</b>	<b>Balance, end of year</b>
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
	<b>\$ 13,856</b>	<b>\$ 39,395</b>	<b>\$ (43,948)</b>	<b>\$ 9,303</b>

##### Monetary penalties

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

	<b>2024</b>		<b>2023</b>	
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	<b>\$</b>	<b>2,269</b>	<b>\$</b>	<b>1,541</b>



## 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.

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

##### (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
<b>Cost</b>				
Opening balance	\$ 17,679	\$ 4,607	\$ —	\$ 22,286
Additions	—	619	708	1,327
Disposals	—	(891)	—	(891)
Transfer from construction in progress	—	—	—	—
<b>Closing balance</b>	<b>17,679</b>	<b>4,335</b>	<b>708</b>	<b>22,722</b>
<b>Accumulated amortization</b>				
Opening balance	6,413	2,806	—	9,219
Additions	1,487	630	—	2,117
Disposals	—	(891)	—	(891)
<b>Closing balance</b>	<b>\$ 7,900</b>	<b>\$ 2,545</b>	<b>\$ —</b>	<b>\$ 10,445</b>
<b>Net book value</b>	<b>\$ 9,779</b>	<b>\$ 1,790</b>	<b>\$ 708</b>	<b>\$ 12,277</b>
<b>2023</b>				
	Business application software	Information technology hardware	Construction in progress	2023
<b>Cost</b>				
Opening balance	\$ 17,679	\$ 3,785	\$ 181	\$ 21,645
Additions	—	532	263	795
Disposals	—	(154)	—	(154)
Transfer from construction in progress	—	444	(444)	—
<b>Closing balance</b>	<b>17,679</b>	<b>4,607</b>	<b>—</b>	<b>22,286</b>
<b>Accumulated amortization</b>				
Opening balance	4,927	2,504	—	7,431
Additions	1,486	456	—	1,942
Disposals	—	(154)	—	(154)
<b>Closing balance</b>	<b>\$ 6,413</b>	<b>\$ 2,806</b>	<b>\$ —</b>	<b>\$ 9,219</b>
<b>Net book value</b>	<b>\$ 11,266</b>	<b>\$ 1,801</b>	<b>\$ —</b>	<b>\$ 13,067</b>

## 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:

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

#### 9. Regulatory charges - gaming sector

The table below presents regulatory charges disaggregated by major type:

	<b>2024</b>	<b>2023 Restated (Note 2b)</b>
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
	<b>\$ 43,510</b>	<b>\$ 31,277</b>

#### 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:

## Alcohol and Gaming Commission of Ontario

### 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.

## Alcohol and Gaming Commission of Ontario

### 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.

## Alcohol and Gaming Commission of Ontario

### 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.

## Alcohol and Gaming Commission of Ontario

### 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.

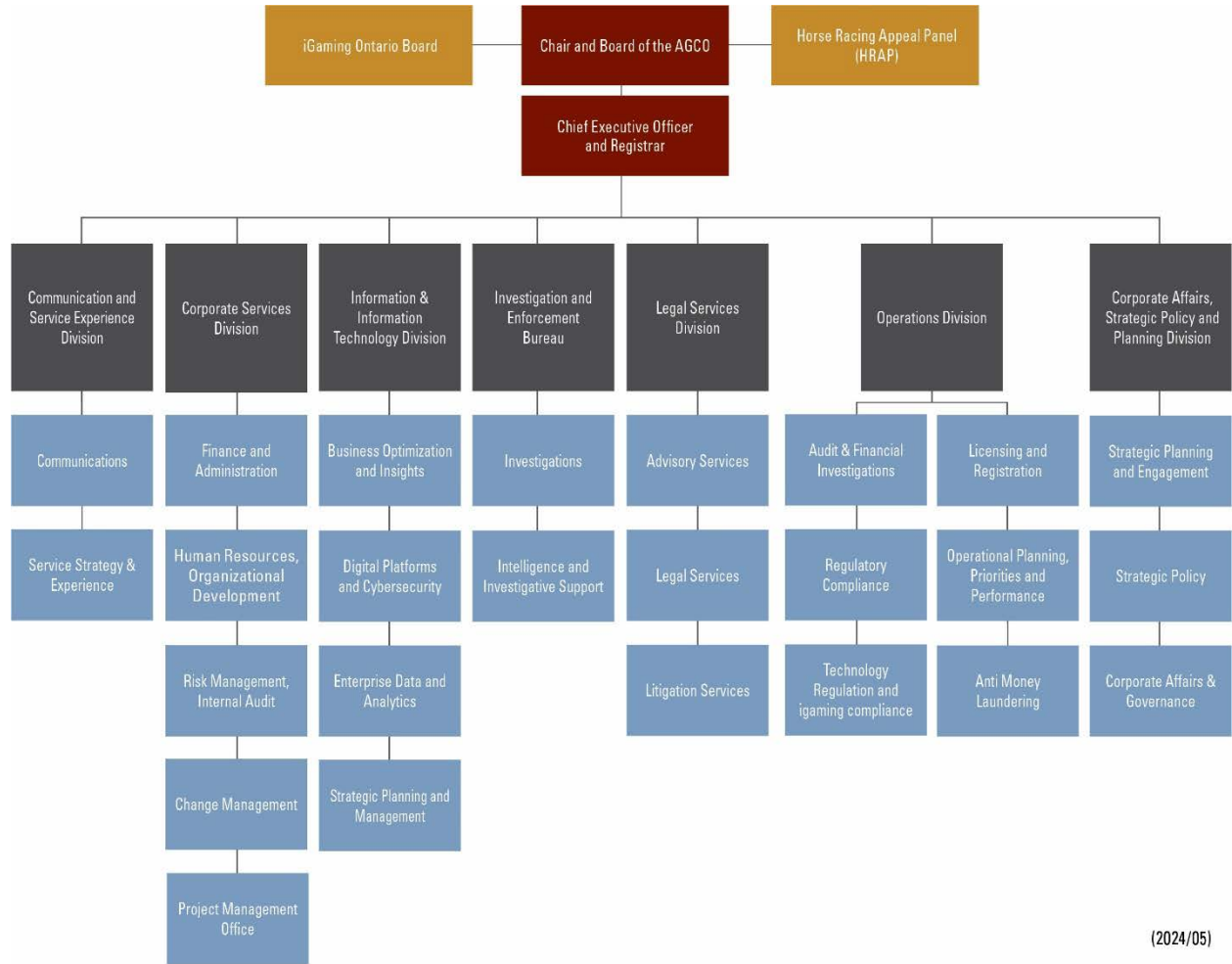
The AGCO is responsible for regulating alcohol sale and service in Ontario, including licensing eligible grocery stores and convenience stores. The AGCO begins accepting applications for the new Convenience Store Licence and Grocery Store Licence on June 17, 2024.

#### 16. Comparative figures

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



# Appendix II: AGCO's Organizational Structure



## Appendix III: Horse Racing Appeal 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.

<p><b>Stanley Sadinsky</b> CHAIR First Appointed: April 1, 2016 Term Expires: March 31, 2025</p>	<p><b>Brian Newton</b> MEMBER First Appointed: April 1, 2016 Term Expires: March 31, 2026</p>
<p><b>Sandra Meyrick</b> VICE-CHAIR First Appointed: April 1, 2016 Term Expires: March 31, 2026</p>	<p><b>Bruce Murray</b> MEMBER First Appointed: April 1, 2016 Term Expires: March 31, 2025</p>
<p><b>John Charalambous</b> MEMBER First Appointed: April 1, 2016 Term Expires: March 31, 2025</p>	<p><b>Eric Anthony Clear (Tony) Williams</b> MEMBER First Appointed: July 22, 2020 Term Expires: March 31, 2025</p>
<p><b>Dr. John Hayes</b> MEMBER First Appointed: April 1, 2016</p>	<p><b>Dan McMahon</b> MEMBER First Appointed: February 12, 2024</p>

Term Expires: March 31, 2026	Term Expires: February 11, 2027
	<b>Troy Rossignol</b> MEMBER First Appointed: February 12, 2024 Term Expires: February 11, 2027

### Year in review

Throughout 2023-24, hearings continued to be offered primarily through a virtual format. All “A” level hearings are automatically scheduled as virtual, while “B” hearing parties have the option to have the matter in-person or virtual. Out of 67 hearings held in the fiscal year only two (2) were in-person. 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.

The HRAP received seventy-one (71) Notices of Appeal and held sixty-seven (67) hearings, plus 15 additional matters, totaling eighty-two (82) 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.

### Statistical report for 2023–24

<b>Motions</b>	
Stay Motions	44
Orders	25
Other Types of Orders	5
Total	74

<b>Hearings</b>	
Virtual Hearings	67
In-person Hearings	2
Additional Matters (virtual)	15
Stay Hearings	10
Motion Hearings	9



# Annual Report 2023-24



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

**From:** Heidi Reinhart  
Chair

**Subject:** iGaming Ontario 2023-2024 Annual Report

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Minister,

I am pleased to present iGaming Ontario's Annual Report covering the period April 1, 2023 to March 31, 2024.

A handwritten signature in black ink, appearing to read "Heidi Reinhart".

Heidi Reinhart  
Board Chair

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## Letter from the Chair

Last year, iGaming Ontario celebrated the opening of the regulated, safe, and legal internet gaming market in Ontario. In 2023-24 we celebrate the continued success of the market and the positive impacts for Ontarians. In its second year, Ontario's open and regulated igaming market continued to exceed our expectations for growth and economic development, generating nearly 15,000 full-time jobs and contributing almost \$2.7 billion to the province's GDP.<sup>1</sup> iGaming Ontario's strong foundation and market growth means Ontario can anticipate further innovation and investment as the market continues to evolve and grow.

Since my appointment to Chair of the Board of Directors, I have enjoyed the opportunity to get to know and work alongside iGaming Ontario's committed employees and other industry stakeholders to advance the agency's strategic priorities, such as sustaining the market for players and operators in a way that provides longevity, and continued success, while also providing tools and awareness for safer play. I am pleased that over 86% of Ontario's online gamblers play on regulated sites, although more needs to be done in order to continue to increase the number of players who choose regulated sites over unregulated ones.<sup>2</sup>

In addition, last year iGaming Ontario was recognized by Vixio, a leading global regulatory intelligence company, as their 2023 Regulatory Initiative of the Year.<sup>3</sup> This award is a testament to the operators who have chosen Ontario but also highlights the success and global recognition that Ontario's open and competitive igaming market is receiving.

The Board continues to work with iGaming Ontario's senior leadership team to advance operational priorities and mandated objectives, while providing strategic guidance on long-term objectives such as a market strategy, driving economic growth and protecting the player.

As I look toward 2024-2025 and beyond, I am excited by what the Board of Directors, Executive Director Martha Otton and the iGaming Ontario team can and will accomplish in the igaming industry and how we will evolve to meet the needs of players, operators and Ontarians.



Heidi Reinhart  
Chair, iGaming Ontario

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<sup>1</sup> <https://igamingontario.ca/en/deloitte-economic-contribution-ontarios-regulated-igaming-market>

<sup>2</sup> <https://www.agco.ca/en/news/over-86-ontarios-online-gamblers-play-regulated-sites-study>

<sup>3</sup> <https://gamblingcomplianceawards.com/history/global-regulatory-awards-2023/2023-global-regulatory-award-winners>

## Letter from the Executive Director

The 2023-24 fiscal year was one of growth for iGaming Ontario as we continued to build on the strong foundations and successes of our first year. In the last 12 months, iGaming Ontario has seen the total number of operators rise to 49, the most of any North American jurisdiction, providing more than 80 gaming sites and catering to more than 2.1 million active player accounts.

iGaming Ontario contributed over \$261 million<sup>4</sup> to the province for provincial priorities, such as infrastructure, healthcare, and education, resulting from over \$63 billion in total wagers, and \$2.2 billion in Total Gaming Revenue accepted by operators.

iGaming Ontario's employees have been instrumental to creating and developing the framework and conditions that are leading to our success. An integral part of iGaming Ontario's achievements and market successes are the strong relationships we've built over the past two years with our operators, as evidenced by the results from our first operator feedback satisfaction survey. While I am proud of our accomplishments, we know the work to provide the best possible experience for players and operators does not stop.

### Leading the World's Best Gaming Market:

Part of the value in an open and regulated igaming market is better consumer protections. In 2023-24, we worked with operators and our colleagues at the Ontario Lottery and Gaming Corporation to launch a competitive procurement process for a centralized self-exclusion program, based on the future requirement set out by the Alcohol and Gaming Commission of Ontario in Standard 2.14 for Internet Gaming. We expect this to conclude in the first half of 2024-25 as we continue to work with our operators and stakeholders to strengthen player safety and protections in the market.

Throughout the fiscal year we have looked to our established four key values of – Fun, Respect, Empowerment, and Excellence – to orientate ourselves as we charted the path towards our vision 'to lead the world's best gaming market.' iGaming Ontario's focus on a lean, nimble and responsive organization has allowed us to address challenges, capitalize on our successes, while continuing to foster economic growth and development, support operators and suppliers, and enhance player protections – all within a safe, competitive and regulated environment.

Throughout this annual report, we will detail the actions taken during the 2023-24 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

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<sup>4</sup> 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.



## 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).

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.

iGO was established on July 6, 2021, and the launch of Ontario's legal, regulated, and safe igaming market occurred on April 4, 2022. At the end of the second year of market operations, iGO had onboarded more than 49 operators and oversaw over \$63.3 billion in total wagers resulting in \$2.2 billion in Total Gaming Revenue from over 2.1 million player accounts. To achieve these results, iGO used four pillars to guide its work: growing the economy, breaking down barriers, empowering our customers, and building iGO up.

### *Breaking Down Barriers*

The world's best gaming market is one that is seamless for players and operators, enabling new and innovative products and constantly reducing unnecessary barriers to innovation. For iGO, that work started with ensuring a modern, customer-focused service offering. From day one and continuing throughout the 2023-24 fiscal year, iGO has provided a hands-on, direct approach to prospective operators to help guide them through the process as quickly and efficiently as possible. In two years, iGO has onboarded more than 49 operators – making Ontario the most competitive jurisdiction in North America. Ontario's ability to attract multiple operators in just two years is benefiting iGO's channelization and player protection goals.

iGaming Ontario continues to build a solid technology foundation focused on agile practices, cloud services, strong external partnerships, and data-driven decisions. As such, the focus for the next two years will be to develop a strong data governance program and partner with external vendors, where applicable, to procure and implement anti-money laundering, contract management and centralized self-exclusion services. In addition, iGO will continue to establish and operationalize a centralized centre of excellence for process improvements and automation. This work will be supplemented by growing our cybersecurity program beyond outsourced managed detection and response (MDR) services, implementing the necessary backup and system redundancy strategy, and further developing IT policies and procedures. In addition, we will dedicate the necessary time for staff to research the use of evolving technologies such as machine learning and generative AI.

iGO is uniquely positioned as the recipient of a large volume of gaming related data. This data, which poses a unique advantage for our organization, can be analyzed and used to create a world-leading gaming market with in-depth insights into consumer behaviour. iGO has provided quarterly data reports for operators and the general public, strengthened our data governance strategy and worked to achieve a series of key performance indicators (KPIs) to track performance and seek continual improvement.

### *Growing the Economy*

If iGO is to lead the world's best gaming market, that means ensuring the gaming industry 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 has continued to take steps to help grow the local gaming economy here

in Ontario. To grow the gaming economy, iGO has worked to ensure the open and competitive market is stable by establishing clear policies, practical guidelines and strong governance. Working with government partners, iGO supported responsible gambling (RG) initiatives and worked to reduce the illegal market and increase channelization, in addition to creating opportunities for growth and new initiatives, to support the market's long-term success.

The results of the economic impact of Ontario's regulated igaming market are evident, as shown by Deloitte's Economic Contributions – Year 2 report which highlighted the broad economic benefits, and contributions of Ontario's igaming market, including an estimated \$1.24 billion in gaming and tax revenues to federal, provincial and municipal governments, and sustaining almost 15,000 full-time equivalent jobs.<sup>5</sup> The report, which measured the job, revenue, and GDP benefits of Ontario's igaming market, showed how Ontario's igaming market is already achieving or has surpassed many of Deloitte's 5- and 10-year market projections.<sup>6</sup>

### *Empowering Customers*

Without satisfied and returning customers – be those operators or players - Ontario cannot lead the world's best gaming market. To empower iGO's customers, the organization has continued to ensure players and operators have the supports they need.

For players, that meant continuing to raise awareness of the legalized market and its regulated operators through the iGO website and public facing communications – including the release of quarterly data reports, market insights, media outreach and a social media presence. In 2023-24 iGO established a baseline of Operator feedback and is currently conducting an analysis of the results to enhance accountability and respond to our operators' needs.

As shown in an IPSOS study jointly commissioned by iGO and the AGCO in March 2024, this work culminated in 86% of Ontario players playing on a regulated gaming site in the province, a substantial channelization rate after just two years.<sup>7</sup>

### *Building iGO Up*

iGO cannot lead the world's best gaming market without having strong foundational governance while also providing value for money. To ensure a lean, efficient, and effective organization, iGO focused its efforts in the 2023-24 fiscal year on creating a positive work culture, embodying service excellence, and developing staff through training and professional development.

In 2023-24, iGO moved to a new, cost-efficient physical workspace which enabled us to implement a hybrid workplace approach and welcome staff back to the workplace in 2024-25. We have also continued with a regular cadence of in-person events including town halls and all-management meetings among other regular in-person meetings and social activities. iGO also undertook training initiatives with guest speakers and industry leaders to better educate employees and provide insights about Ontario's igaming market and industry trends. Additionally, iGO continues its positive relationship with Ontario Public Sector Employees Union Local 565 as we prepare to negotiate our first collective bargaining agreement.

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<sup>5</sup> Deloitte considered direct, indirect and induced economic benefits to the province, and the associated contributions to government revenue, when making their estimates. As such, their estimates include but are not limited to the direct revenue contributions that iGaming Ontario makes to government.

<sup>6</sup> <https://igamingontario.ca/en/deloitte-economic-contribution-ontarios-regulated-igaming-market>

<sup>7</sup> <https://www.agco.ca/en/news/over-86-ontarios-online-gamblers-play-regulated-sites-study>

To embody service excellence, iGO has worked to incorporate the voice of the player, undertook enhancements to our operator engagement activities and engaged with key stakeholders on proposed policy changes.

iGaming Ontario has worked with operators to empower players to make safer, healthier and more informed choices about their play. A component of this is that operators must allocate a portion of their gaming revenue to advertising and educational campaigns that exclusively focus on building player awareness of RG tools, tips and strategies that promote safer and more responsible play.

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*"It has been a pleasure working alongside iGaming Ontario to take our brands live in the province. The remarkable success of Ontario proves what is achievable when everyone works together towards a unified goal. In our opinion, Ontario is the industry benchmark in regulations done right." - Apollo Entertainment Ltd*

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## Operational Performance

During the 2023-2024 fiscal year, iGO designed and released its second business plan which contains a number of operational priorities guided by 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
<b>Breaking Down Barriers</b>		
1. Grow channelization rate of players between 2022-23 and 2026-27 by 5 percentage points a year to an overall rate of 90%	<p>The 2023-24 IPSOS survey reported a channelization rate of 86.4%. This exceeded iGO's target of 75%.</p> <p>The IPSOS definition of channelization in the study was limited to which sites players use without considering how much money or time players spent on these sites. iGO is developing a more comprehensive definition of channelization as part of its fiscal 2023-24 market sizing research plan.</p>	<p>2024 IPSOS Survey – 86.4%</p> <p>Passing/Passed</p>
<b>Growing the Economy</b>		
2. Achieve 5% annual average growth in net income before stakeholder expenses between 2023-2024 and 2025-2026	<p>The 2022-23 fiscal year served as a baseline for this KPI. That baseline totalled \$230 million from which iGO looks to grow by an annual average of 5% between the 2023-24 fiscal year and the 2025-26 fiscal year.</p> <p>In the 2023-24 fiscal year, iGO is on track to surpass this target with growth of 87%, or \$200M, from last fiscal.</p> <p>Note: iGO plans to adjust the baseline for this KPI to be the income figure for the 2023-24 fiscal year. This adjustment will better reflect the true market size.</p>	Passing/Passed

KPI	Description	Performance
<b>Empowering Our Customers</b>		
3. Establish baseline of operator evaluation to be used for future KPIs and evaluations	<p>Our first operator evaluation framework was completed in Q3 of 2023-24 and established a baseline at roughly 80%.</p> <p>iGO staff and senior leadership regularly engage and consult with operators and iGO has hosted a series of operator roundtables to better determine opportunities to improve the operator experience.</p>	<p>Baseline: 80%</p> <p>Passing/Passed</p>
4. Increase iGO player awareness of responsible gambling tools by 5% points annually.	<p>iGO has established a baseline for player awareness of RG tools at 65.4% based on a Leger survey.</p> <p>With a baseline now established iGO will work year-over-year to increase the target by 5% annually. iGO is monitoring operator compliance for responsive gambling advertisements.</p>	Baseline: 65.4%
<b>Building iGO Up</b>		
5. Maintain employee satisfaction target of 80%	<p>iGO has set a base target of 80% of employees recommending iGO as a place to work.</p> <p>iGO's second employee engagement survey held in September 2023, indicated a satisfaction rate of 83%, exceeding iGO's target. iGO will continue to measure engagement as employee tenure and the nature of our work evolves.</p>	<p>Passing/Passed</p> <p>September 2023 Employee Engagement: 83%</p>

## Risk Events

Throughout the 2023-24 fiscal year, several risks were identified as important 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 directly. Rather, iGO enters into operating agreements with private gaming operators who operate internet gaming sites on behalf of iGO in accordance with the requirements of those agreements. As operators are located across the globe, a number of external factors create risk for operators, and by extension iGO, such as: global economic conditions, the shifting consumer spending preferences, global political instability, talent/equipment sourcing, continued pressure from the illegal market, and fast-moving cyber security/privacy incidents. Market competition and consolidation also present risks for iGO to develop and maintain a healthy, attractive and stable regulated igaming market.

iGO took a number of steps to help mitigate these risks. These included increased account management touchpoints and training for operators to understand their obligations and reduce compliance issues. iGO's departments of Contract Oversight, Finance and Market Insights conducted regular analysis to monitor operator activities. iGO's contact centre managed and monitored player complaints to ensure player issues were addressed fairly and timely. Moreover, iGO monitored the economic and market conditions and consulted with operators regularly so that iGO could adjust its business strategies to maintain a healthy market. To address cyber security risks, iGO implemented security tools and services for its cloud-based infrastructure and assets. In addition, iGO delivered mandatory cybersecurity awareness training program to

its employees. These mitigation efforts have been an effective tool to reduce the impact of external risks to operators and iGO.

In addition, given iGO's conduct and manage model, there are also legal risks associated with the model. In the 2023-24 fiscal year, the Mohawk Council of Kahnawa:ke initiated an application in the Ontario Superior Court, seeking a declaration that Ontario, and its agents does not "conduct and manage" online lottery as required under s. 207(1)(a) of the Criminal Code. Early in 2024-25, the Ontario Superior Court delivered a judgement which confirmed that the province's model is consistent with the Criminal Code and that iGO is conducting and managing igaming in the province. iGO welcomes this ruling, which allows us to continue to deliver on our mandate.

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 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). iGO has begun working to assess options for an automated anti-money laundering system, to expedite reporting and analysis thereby strengthening these safeguards. In addition, iGO monitors operator risk and oversees operator compliance with iGO AML requirements. In its second year of market operations, iGO has reviewed and filed over 52,000 regulatory reports, an increase of 50%, 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 has mandatory RG 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. In addition, all legal operators in Ontario are required to have a self-exclusion program that is well-promoted, easily accessible, and includes resources and information about gambling support services. Operators will also participate in iGaming Ontario's future centralized self-centralized exclusion program once launched. iGO has established a baseline for player awareness of responsible gambling tools and has begun reporting on this Key Performance Indicator.

### *Internal Risks*

During the 2023-24 fiscal year, iGO continued to develop its hybrid work environment with a combination of remote and in-person work arrangements, consistent with broader government expectations. This can create internal risks related to employee satisfaction, retention, and communication. To help with this hybrid environment, iGO has worked to institute in-person events such as town halls, monthly updates and management meetings, along with regular touchpoints to ensure communications both between and within departments. Additionally, iGO secured a new office location that is fully compliant with government requirements and supports the hybrid work environment by providing modern meeting and collaboration space.

The fast-growing business increased risks for iGO structure and resources to scale up to support the growth. During the 2023-24 fiscal year, iGO grew responsibly, bringing on additional staff to support our core functions and expand iGO's ability to serve its customers. These hires have helped iGO achieve an employee satisfaction rate of 83%, surpassing iGO's target. iGO's focus on a lean, efficient and nimble organization has meant iGO has delivered over \$3.7 million in provincial contribution per full-time equivalent employee in the 2023-24 fiscal year, a key gauge of taxpayer value.

The success of iGO depends on employees with the desired skills, experience and diversity. To address the risks related to employee recruitment and talent retention, iGO developed onboarding and orientation for new employees and provided ongoing trainings to support employee professional development. Moreover, iGO implemented several process automation and improvement initiatives to improve the efficiency and support better employee resource allocations.

As a data driven organization, iGO recognizes the risks associated with its data quality and integrity. iGO has been in a process of developing a comprehensive data governance framework which will improve the integrity and reliability of the information used for business strategies and operations.

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*“Over the past two years, we’ve reached remarkable milestones in Ontario’s regulated and competitive igaming market. We at FanDuel are proud of the success that has seen a growing economy filled with diverse talent, partnerships across the industry, and trusted products for Ontario Sports fans to safely engage in their favourite moments. We look forward to our continued collaboration with iGaming Ontario and the Alcohol and Gaming Commission of Ontario and to future growth as more provinces look to introduce a regulated market that protects consumers while bringing fans closer to the game than ever before.” – Dale Hooper, General Manager, FanDuel Canada*

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## 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 2023-2024 fiscal year and their terms are noted below. All Board members serve part-time roles.

### Current Board Members:

Chair: HEIDI REINHART  
27-Jul-2023 - 26-Jul-2025 Toronto

Vice-Chair: ALAN GERTNER  
29-Aug-2023 - 03-Oct-2025 Toronto

Member: MIKE BUNN  
18-Jan-2024 - 17-Jan-2027 Ramara

Member: GIOVANNI (JOHN) TRIVIERI  
09-Apr-2024 - 08-Apr-2027 St. Catharines

## Former Board Members:

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

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

## Achievements in Accordance with Mandate

iGO's mandate is detailed in its establishing 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.

Since the launch of the safe, legal, and regulated market on April 4, 2022, iGO has executed operating agreements and onboarded 54 operators, with some operators subsequently having made decisions to exit the Ontario market. In its second year, Ontario's open and competitive igaming market has supported nearly 15,000 full-time jobs while contributing an estimated \$1.24 billion in gaming and tax revenues to federal, provincial and municipal governments, and nearly \$2.7 billion to the province's GDP.<sup>89</sup>

iGO continues to achieve its mandate to promote responsible gambling through a variety of effective and innovative projects and programs including: mandatory operator accreditation through RG Check, and continuing to advance work toward a centralized self-exclusion (CSE) program.

In addition to the mandate laid out in regulation, iGO also receives a letter of direction annually from the Attorney General outlining 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, collaborating with other governments and agencies on common interests, supporting relationships with First Nation partners, and promoting consumer choice and protection in the online gaming market.

To address these priorities iGO pursued the following initiatives:

*Competitiveness, Sustainability, and Expenditure Management* – iGO's market grew to over \$2.2 billion in Total Gaming Revenue and more than \$261 million in total financial contributions to the province once HST remittance to the province is accounted for.

*Transparency and Accountability* – iGO continues to comply with applicable government directives, policies and laws. iGO has acted on the recommendations from the Office of the Auditor General of Ontario's 2022-2023 audit, including a review of the Finance Policy, providing new financial reporting guidelines, updating

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<sup>8</sup> Deloitte considered direct, indirect and induced economic benefits to the province, and the associated contributions to government revenue, when making their estimates. As such, their estimates include but are not limited to the direct revenue contributions that iGaming Ontario makes to government.

<sup>9</sup> <https://igamingontario.ca/en/deloitte-economic-contribution-ontarios-regulated-igaming-market>



the onboarding process for new operators, and improving data collection and monitoring.

*Risk Management* – iGO's Finance, Audit & Risk Management (FARM) Committee reviews risk management initiatives and has worked alongside staff to develop the risk management framework.

*Workforce/Labour Management* – iGO has prioritized a value-driven, engaged, and efficient team that aims to provide the best net-income-to-FTE ratio among Government Business Enterprises. iGO has been preparing for the negotiation of its first collective bargaining agreement, to begin in 2024-25.

*Diversity and Inclusion* – iGO continues to promote an equitable, diverse, accessible, and anti-racist workplace, monitored through employee engagement surveys. iGO is committed to fostering a workplace culture that celebrates employee contributions and allows everyone to bring their whole self to work.

*Data Collection, Sharing and Use* – iGO has expanded data sharing and revised public quarterly reporting to continue providing reliable, accurate data for public and industry consumption.

*Digital Delivery and Customer Service* – In 2023, iGO adopted an Accessible Customer Service Policy aimed at improving accessibility in customer service for the public and operators. The launch of player focus groups will inform further improvements to customer service initiatives as iGO works with players and operators to determine how to best meet their needs.

*Collaborating with Other Governments and Agencies on Common Interests* – iGO continues to develop relations with other governments, including the Government of Alberta's Ministry of Service Alberta and Red Tape Reduction on the growth of the igaming market in Canada. Provincially, iGO is proud of the collaborative work done with the AGCO, OLG and other partners on the promotion of safe play and responsible gambling, anti-money laundering tracing automation and market expansion.

*Supporting Relationships with First Nation Partners* – A total of \$24.0M was expensed as revenue share to the Ontario First Nations (2008) Limited Partnership in the 2023-2024 fiscal year. In alignment with the Ontario Public Service, iGO observes the National Day for Truth and Reconciliation as a statutory holiday.

*Enhancing Consumer Choice and Protection* – The AGCO recently reported that more than 86.4% of Ontarians who gamble online are using regulated sites<sup>10</sup>, showing growth in legal market channelization. iGO also launched its Voice of the Player focus groups to better understand how and why players are interacting with the igaming market.

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*“Under the leadership of iGaming Ontario, the province’s regulated internet gaming market has emerged as a safe and competitive environment while enhancing the experience for Ontarians to enjoy responsibly.” - Rhea P. Loney, Chief Compliance Officer, BetMGM*

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## Financial Highlights

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<sup>10</sup> <https://www.agco.ca/en/news/over-86-ontarios-online-gamblers-play-regulated-sites-study>



In iGO's second year of market operation, Ontarians wagered nearly \$63.3 billion and generated \$2.2 billion in total gaming revenue, which represented 78% and 75% increases, respectively from prior year 2022-23. The total gaming revenue was driven by three main product lines: casino, betting (including sports, novelty, e-sports, and proposition bets), and peer-to-peer poker. Peer-to-peer bingo products and betting exchange products made incremental amounts and are included in these figures. In total, \$1.6 billion in revenue was generated from online casino play, \$523 million from betting, and \$60 million from peer-to-peer poker. iGO saw significant revenue growth across all its major product lines in fiscal 2023-24. This significant revenue growth was primarily driven by igaming market growth. When the Ontario igaming market launched in 2022, it had 12 operators; since then that number has grown by 37 over the past two years to a total of 49, helping Ontario become one of the most competitive markets in North America.

Casino products, including slots, live and computer-based table games, attracted the most interest from players with Casino revenue representing 73% of the total gaming revenue in the year. Betting saw 42% revenue growth year-over-year. Major sports including basketball, football, hockey and baseball, contributed to the increase in wagering activities in the year.

The 2023-2024 fiscal year saw wagers placed by more than 2.1 million active player accounts. According to a joint study released by the AGCO and iGO, 86.4% of Ontario players reported playing on a regulated site between January and March of 2024. This channelization rate is in large part due to the highly competitive and open nature of the Ontario market, greater awareness of the Ontario igaming market, dynamic sports betting products, and more than 5,000 casino games being available to Ontario players.

In total, these numbers mean that once again Ontario is one of the most competitive igaming jurisdictions in North America and keeps Ontario in the top 5 igaming jurisdictions based on wagering and revenue statistics.

iGO ended the fiscal year with \$176 million net income, an almost 83% increase from fiscal 2022-23. During fiscal year 2023-24, iGO generated \$175 million cashflow from its operating activities and made dividend payments of \$149 million to the Province of Ontario, which supported provincial priorities.

## Management's Discussion and Analysis

### For the year ended March 31, 2024

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, 2024.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements represent iGO's second year of revenue generation, with last year being the first year after the launch of the new legalized 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 July 31, 2024.

### 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 \$438 million for the year.

### Financial Summary: (in Millions)

	Fiscal 2023-24	Fiscal 2022-23
<b>REVENUE</b>		
Gaming Revenue	2,199.9	1,259.9
Less Operator Payments	1,761.9	1,020.0
<b>Net Gaming Revenue</b>	<b>438.0</b>	<b>239.9</b>
Other Income	7.2	4.9
<b>EXPENSES</b>		
Stakeholder Expenses	254.4	133.7
Salaries & Benefits	11.4	8.8
General Operating, Administration & Other	2.0	4.7
Information Technology & Infrastructure Services	0.8	1.1
Marketing & Promotion	0.5	0.2

	Fiscal 2023-24	Fiscal 2022-23
Depreciation <sup>1</sup>	0.1	0.0
<b>Net Income</b>	<b>175.9</b>	<b>96.2</b>
Provincial Portion of GST/HST Refunded to Province	85.2	49.5
<b>Total iGO Contribution to Province</b>	<b>261.1</b>	<b>145.7</b>

<sup>1</sup> Depreciation expense of \$84,000 and \$29,000 was incurred for fiscal 2023-24 and 2022-23 respectively.

Total gaming revenue increased 75% to \$2.2 billion in fiscal 2023-24 with net gaming revenue hitting \$438 million. The revenue increase was mainly driven by the increase of number of operators in the market as well as the continued market growth in wagering activities.

Net income was \$176 million in fiscal 2023-24, 83% increase from last year. Including the GST / HST amount recovered by the Province, iGO contributed \$261 million to the Province, representing \$115 million increase from last year.

Stakeholder expenses represented the largest expenses in iGO operations. Stakeholder expenses included GST/HST expense and revenue share with Ontario First Nations (2008) Limited Partnership (OFNLP). GST/HST expense is 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. Total GST/HST expense was \$230 million in fiscal 2023-2024, compared to just \$134 million in fiscal 2022-23. For the year ended March 31, 2024, OFNLP revenue share of \$24 million was incurred and recorded in stakeholder expenses.

Salaries and Benefits expenditures increased by \$2.6 million, to \$11.4 million, primarily due to incremental hires to support iGO's rapid business growth, as well as reduced reliance on shared AGCO resources. To support more operators in the market as well as the market growth, iGO increased its number of employees during the year to scale up its operations. At the end of the year, the total headcount of iGO was 77. In addition, iGO reduced the utilization of AGCO shared resources during the fiscal year as iGO established its functions, such as a human resources department. The use of AGCO shared Full-Time-Equivalent (FTE) resources declined to approximately 4.5 FTEs in fiscal 2023-24 compared to 10 FTEs in fiscal 2022-23.

General Operating, Administration and Other expenses decreased year over year by \$2.7 million primarily due to lower banking fees compared to the last fiscal year.

Financial Statements of

# **iGaming Ontario**

Year ended March 31, 2024

# 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 Reporting Standards. The Independent Auditor's Report outlines the scope of the Auditor General's examination and opinion.



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Martha Otton  
Executive Director  
Date: July 31, 2024



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Jerry Zhang  
Director, Strategic Business Services  
Date: July 31, 2024



## INDEPENDENT AUDITOR'S REPORT

To iGaming Ontario

### Opinion

I have audited the financial statements of iGaming Ontario, which comprise the statement of financial position as at March 31, 2024, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of iGaming Ontario as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### 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 iGaming Ontario 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 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.
- 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 audit.



# iGaming Ontario

## Statement of Financial Position

As at March 31, 2024 and 2023  
(In thousands of dollars)

	Note	2024	2023
<b>Assets</b>			
Current assets			
Cash		\$ 164,056	\$ 130,017
Restricted cash	5	8,520	9,802
Accounts receivable	6	65,920	35,749
Prepaid assets		523	121
Total current assets		239,019	175,689
Non-current assets			
Property and equipment	7	401	116
Right-of-use assets	9(a)	122	-
Other long-term assets	9(c)	30	-
Total assets		\$ 239,572	\$ 175,805
<b>Liabilities and Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	8	67,199	42,353
Current portion of lease liabilities	9(b)	88	-
Due to Alcohol and Gaming Commission of Ontario	11	1,316	2,703
Due to Government of Canada	14	22,712	18,162
Due to Ontario First Nations Limited Partnership	15	7,356	-
Due to Gaming Operators	5	8,520	9,802
Derivative liabilities	16	17,700	15,130
Total current liabilities		124,891	88,150
Non-current liabilities			
Non-pension employee benefits	12	215	178
Lease liabilities	9(b)	46	-
Total liabilities		125,152	88,328
Equity			
Retained earnings		114,420	87,477
Total equity		114,420	87,477
Total liabilities and equity		\$ 239,572	\$ 175,805

Commitments (Note 20)

Contingencies (Note 21)

Subsequent events (Note 22)

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Heidi Reinhart \_\_\_\_\_ Chair

\_\_\_\_\_  \_\_\_\_\_ Director



# iGaming Ontario

## Statement of Income and Comprehensive Income

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

	Note	2024	2023
Gaming revenue	10	\$ 2,199,891	\$ 1,259,865
Operator payments		(1,761,918)	(1,019,996)
Net gaming revenue		437,973	239,869
Other income		7,206	4,894
Expenses			
Stakeholder expenses	17	254,402	133,721
Salaries and benefits	11, 12	11,440	8,768
General operating, administration and other	9(b), 11	2,037	4,719
Information technology and infrastructure services	11	764	1,104
Marketing and promotion	11	509	221
Depreciation	7, 9(a)	84	29
		269,236	148,562
Net income and comprehensive income		\$ 175,943	\$ 96,201

See accompanying notes to financial statements.

# iGaming Ontario

## Statement of Changes in Equity

Years ended March 31, 2024 and 2023

(In thousands of dollars)

	Note	2024	2023
Equity (deficit) at beginning of year		\$ 87,477	\$ (8,724)
Net income for the year		175,943	96,201
Dividends declared during the year	13	(149,000)	-
Equity at end of year		\$ 114,420	\$ 87,477

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

# iGaming Ontario

## Statement of Cash Flows

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

	2024	2023
Operating activities:		
Net income for the year	\$ 175,943	\$ 96,201
Adjustments for:		
Depreciation of property and equipment	62	29
Depreciation of right-of-use assets	22	-
Interest expense on leases	1	-
Change in fair value of derivative liabilities	2,570	15,130
Interest income	(7,206)	(2)
Changes in working capital:		
Increase in accounts receivables	(30,171)	(35,749)
Increase in prepaid assets	(402)	(121)
Increase in other long-term assets	(30)	-
Decrease in due to Alcohol and Gaming Commission of Ontario	(1,387)	(5,181)
Increase in due to Government of Canada	4,550	17,541
Increase in due to Ontario First Nations Limited Partnership	7,356	-
Increase in accounts payables and accrued liabilities	24,846	42,192
(Decrease) / increase in due to Gaming Operators	(1,282)	9,802
Increase in non-pension employee benefits	37	51
Cash provided by operating activities	174,909	139,893
Investing activities:		
Additions to property and equipment	(347)	(79)
Interest received	7,206	2
Cash provided by (used in) investing activities	6,859	(77)
Financing activities:		
Payment of dividend to the Province of Ontario	(149,000)	-
Additions to right-of-use assets	(11)	-
Cash used in financing activities	(149,011)	-
Net increase in cash and restricted cash during the year	32,757	139,816
Cash and restricted cash, beginning of year	139,819	3
Cash and restricted cash, end of year	\$ 172,576	\$ 139,819
Cash	164,056	130,017
Restricted cash	8,520	9,802
Cash and restricted cash, end of year	\$ 172,576	\$ 139,819

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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### 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 online gaming, to promote responsible gambling with respect to online gaming, and to conduct and manage the online gaming in accordance with the *Criminal Code (Canada)* and the *Gaming Control Act, 1992* and the regulations made under those Acts. iGO makes payments out of the revenue that it receives from all online gaming and that it generates from its conduct and management of those online gaming in the order of priority established in the Regulation. iGO transfers most of its earnings in the form of a dividend to the Province’s Consolidated Revenue Fund. Refer to related parties (Note 13) and subsequent events (Note 22).

The AGCO is responsible for overseeing iGaming Ontario’s conduct and management of online gaming. The AGCO’s Board of Directors provide recommendations to the Attorney General regarding appointments to the board of iGaming Ontario. The Attorney General is responsible for appointing board members to iGaming Ontario based on these recommendations.

The financial results of iGaming Ontario are not included in the AGCO’s financial statements as iGaming Ontario is controlled by the Province of Ontario and is included in the consolidated financial statement of the Province by the modified equity method.

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

The Corporation’s head office and corporate office, respectively, are located at: 4711 Yonge Street, Suite 602, North York, Ontario, Canada, M2N 6K8.

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 and obtained registration with the AGCO began to offer their games to players in Ontario.

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 online 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.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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### 1. Reporting entity (continued)

As at March 31, 2024, iGO has entered into Operating Agreements with 49 (2023 – 46) Gaming Operators.

These financial statements were authorized for issue by the Board of Directors of iGO on July 31, 2024.

### 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).

(b) 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.

(c) 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 4(a))
- Due to the Government of Canada (Note 14)
- Due to Ontario First Nations Limited Partnership (Note 15)
- Derivative liabilities (Note 16)
- Contingencies (Note 21)

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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### 3. New accounting standards and interpretations

Adoption of new accounting pronouncements:

#### *Amendments to IAS 1 - Presentation of Financial Statements*

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) and Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The adoption of the new amendments has been applied to the disclosure of material accounting policies in note 4 of these financial statements however the amendments did not result in any change to the Corporation's accounting policies or application thereof.

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

Amendments to IAS 8, issued in February 2021, introduced 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 adoption of the new standard did not materially impact the financial statements of the Corporation.

Standards issued but not yet effective:

The Corporation has not yet applied the following new interpretation and amendment to the standard that have been issued but is not yet effective. Unless otherwise stated, the Corporation does not plan to early adopt the amended standard and interpretation.

#### *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 counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. The amendments are not expected to have a material impact on the Corporation.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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#### 4. Material accounting policies

(a) Gaming revenue:

The Corporation earns revenue from offering online games through a network of 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 10:

- *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.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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#### 4. Material accounting policies (continued)

(a) Gaming revenue (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 16.

(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



# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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### 4. Material 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 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
- Furniture and fixtures                      5 years
- Video equipment                              5 years
- Leasehold improvements                      Lease term

(f) Leases:

The Corporation assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognizing a right-of-use asset and a lease liability at the commencement date except for leases of low value assets and short-term leases with a lease term of 12 months or less.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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#### 4. Material accounting policies (continued)

(f) Leases (continued):

The right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, increased for lease payments made at or before commencement, and increased for any initial direct costs incurred. They are subsequently measured at cost less any accumulated depreciation. The right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Corporation's incremental borrowing rate, unless the implicit interest rate in the lease can be readily determined. Subsequently, the lease liability is measured by increasing the liability to reflect interest on the lease liability (using the effective interest method) and decreasing the liability to reflect the lease payments made.

Variable rent payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occur and are included in the general operating, administration and other expenses in the Statement of Income and Comprehensive Income.

(g) 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 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:

Subsequent to 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.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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#### 4. Material accounting policies (continued)

(g) Financial instruments (continued):

(i) Financial assets (continued):

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.

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.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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#### 4. Material accounting policies (continued)

(g) Financial instruments (continued):

(ii) Financial liabilities (continued):

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, due to Ontario First Nations Limited Partnership, 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.

(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.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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#### 4. Material accounting policies (continued)

(j) Impairment:

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.

(k) 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 reviewed at each reporting date and adjusted to reflect current best estimates. The Corporation has a provision for gaming revenue sharing payments to the Ontario First Nations Limited Partnership. Refer to Note 15 for further disclosure.

(l) 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.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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#### 4. Material accounting policies (continued)

(I) Employee benefits (continued):

(i) Defined benefit pension plan (continued):

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.

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.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
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#### 4. Material accounting policies (continued)

(l) Employee benefits (continued):

(iv) 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.

(l) Shared resources costs:

AGCO provides certain resources to iGO including the provision of goods, or services 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.

(m) General operating, administration and other:

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

(n) Other income:

Other income represents interest income earned on bank account balances which is recognized when deposited, and imputed interest income on the refundable office lease security deposit.

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

The Corporation calculates and remits GST/HST for gaming related operations 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*.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
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### 5. Restricted cash

Restricted cash represents cash received from Gaming Operators as performance security and held by iGO in a segregated bank account (Note 4(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, 2024. 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 \$65,920 (2023 – \$35,749) are due from Gaming Operators and consist of gaming revenues receivable as at March 31, 2024.

### 7. Property and equipment

<b>Cost</b>	Computer Equipment	Audio-video Equipment	Office Furniture	Leasehold Improvements	Total
Balance at March 31, 2022	\$ 82	\$ -	\$ -	\$ -	\$ 82
Additions	60	19	-	-	79
Balance at March 31, 2023	142	19	-	-	161
Additions	57	133	113	44	347
Balance at March 31, 2024	\$ 199	\$ 152	\$ 113	\$ 44	\$ 508

<b>Accumulated depreciation</b>	Computer Equipment	Audio-video Equipment	Office Furniture	Leasehold Improvements	Total
Balance at March 31, 2022	\$ 16	\$ -	\$ -	\$ -	\$ 16
Depreciation for the year	29	-	-	-	29
Balance at March 31, 2023	45	-	-	-	45
Depreciation for the year	50	8	2	2	62
Balance at March 31, 2024	\$ 95	\$ 8	\$ 2	\$ 2	\$ 107

Carrying amounts at March 31, 2023	97	19	-	-	116
Carrying amounts at March 31, 2024	\$ 104	\$ 144	\$ 111	\$ 42	\$ 401



# iGaming Ontario

Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

## 8. Accounts payable and accrued liabilities

	2024	2023
Accounts payable – Gaming Operators	\$ 66,290	\$ 40,155
Accounts payable and accrued liabilities – general	567	1,938
Short-term employee benefits	342	260
	\$ 67,199	\$ 42,353

Accounts payable to Gaming Operators consists of \$52,723 (2023 – \$29,679) relating to the 80% revenue share of gaming revenue and eligible deductions of \$13,567 (2023 – \$10,476) as at March 31, 2024. The Corporation's accounting policy and exposure to liquidity risks related to accounts payable and accrued liabilities is disclosed in Note 18.

## 9. Leases

The Corporation entered into an office sublease effective January 1, 2024. The sublease term is for 20 months. The lease payments were discounted using the Corporation's incremental borrowing rate of 4.35%, which is the applicable rate of the Ontario Financial Authority ("OFA") at the lease commencement).

### (a) Right-of-use assets:

The following table presents the changes in the carrying amount of right-of-use asset for the year ended March 31, 2024:

<b>Costs</b>	Office premises
Balance at March 31, 2023	\$ -
Additions	144
Balance at March 31, 2024	\$ 144

<b>Accumulated depreciation</b>	Total
Balance at March 31, 2023	\$ -
Depreciation for the period	22
Balance at March 31, 2024	\$ 22

Carrying amount at March 31, 2023	-
Carrying amount at March 31, 2024	\$ 122

Depreciation expense for the year ended March 31, 2024 was \$22 (2023 – Nil) recorded in Statement of Income and Comprehensive Income.

# iGaming Ontario

Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

## 9. Leases (continued)

### (b) Lease liabilities:

The following table presents the changes in the lease liability for the year ended March 31, 2024:

		Office premises
Balance at March 31, 2023	\$	-
Additions		133
Interest expense		1
Balance at March 31, 2024	\$	134

	2024	2023
Current portion	\$ 88	\$ -
Long-term portion	46	-
	\$ 134	\$ -

Interest expense on this lease obligation for the year ended March 31, 2024 was \$1 (2023 – Nil) recorded in Statement of Income and Comprehensive Income. Total cash outflow for the year ended March 31, 2024 was \$11 (2023 – Nil).

The following table sets out a maturity analysis of lease liabilities reflecting the future contractual lease payments that are expected to be made over the next five years and thereafter:

	As at March 31
2025	\$ 92
2026	46
Total undiscounted lease payments	138
Less: Imputed interest on lease	4
Total discounted lease payments	\$ 134

### (c) Other long-term assets:

Other long-term assets of \$30 (2023 – Nil) is the present value of refundable office lease security deposit. The refundable office lease security deposit was discounted using the Corporation's incremental borrowing rate, which is the applicable rate of the OFA at the lease commencement.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
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### 10. Gaming revenue

The following table details the disaggregation of the Corporation's gaming revenue by product for the year ended March 31, 2024:

	Casino	Betting	Peer-to-Peer Poker	Total
Wagers	\$ 51,919,931	\$ 9,731,594	\$ 1,623,749	\$ 63,275,274
Less: Winnings and eligible deductions	(50,303,207)	(9,206,025)	(1,563,581)	(61,072,813)
Less: Net change in fair value of derivative liabilities	-	(2,570)	-	(2,570)
Gaming revenue	\$ 1,616,724	\$ 522,999	\$ 60,168	\$ 2,199,891

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)
Less: Net change in fair value of derivative liabilities	-	(15,130)	-	(15,130)
Gaming revenue	\$ 854,786	\$ 368,145	\$ 36,934	\$ 1,259,865

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

On April 1, 2023, AGCO and iGO entered into a Shared Resources Agreement (the "Agreement"), pursuant to which AGCO provides payroll, procurement, facilities, communication, customer service, call centre, and website-related services on a cost recovery basis ("Shared Resources"). The total cost of these Shared Resources was \$555 (2023 – \$1,808), plus HST of \$68 (2023 – \$235), and is included within the related expense categories on the Statement of Income and Comprehensive Income and balances on the Statement of Financial Position. The Agreement expired on March 31, 2024 and was renewed on April 1, 2024 for another year.

The AGCO also paid the salaries and benefits of iGO employees of \$10,795 (2023 – \$5,611) and is included in salaries and benefits in the Statement of Income and Comprehensive Income, and other direct expenses of \$10 (2023 - \$2,055), plus HST of \$0 (2023 - \$38), and is included within the related expense categories on the Statement of Income and Comprehensive Income. These costs are fully recovered by AGCO.

As at March 31, 2024, \$1,316 (2023 – \$2,703) is outstanding, inclusive of HST, and is included in Due to the Alcohol and Gaming Commission of Ontario in the Statement of Financial Position.

# iGaming Ontario

## Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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### 12. Employee benefits

(a) Defined benefit pension plan:

The Corporation's required contributions of \$721 (2023 – \$464) is included in salaries and benefits expenses on the Statement of Income and Comprehensive income. The expected contribution to the plan for the next fiscal period amounts to \$904.

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

The present value of the Corporation's unfunded other post-employment benefit plans is \$215 (2023 – \$178).

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 4.6% to 5.0% (2023 – 3.5% to 4.2%) 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 \$9 (2023 – \$6) or increase of \$18 (2023 – \$8) to the liability, respectively.
- Future general salary levels were assumed to increase at 3.5% (2023 – 3.5%) per annum.
- Cost of living adjustments ("COLA") were assumed to increase at 2.0% (2023 – 1.0%) per annum.

### 13. 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:

- Dividends issued to the Province of Ontario (paid to Ministry of Attorney General) of \$149 million during the year ended March 31, 2024 (2023 – Nil) recorded within the Statement of Changes in Equity;
- Transactions with the AGCO (Note 11);
- Contributions to the Public Service Pension Fund (Note 4(k)(i) and Note 12(a));
- Key management personnel compensation; and
- Recovery of AGCO's regulatory costs.

# iGaming Ontario

Notes to Financial Statements

Years ended March 31, 2024 and 2023  
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## 13. Related parties (continued)

### *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:

	2024	2023
Salaries and short-term employee benefits	\$ 2,235	\$ 1,804
Post employment benefits	163	138
Directors' fees	12	14
	\$ 2,410	\$ 1,956

### *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, 2024, an amount of \$5,543 (2023 – \$4,254) was billed and collected from the Gaming Operators directly by the AGCO.

## 14. 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 recorded as Stakeholder expenses on the Statement of Income and Comprehensive Income (Note 17).

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 4(o)).

# iGaming Ontario

## Notes to Financial Statements

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### 15. Due to Ontario First Nations Limited Partnership

The Gaming Revenue Sharing and Financial Agreement (GRSFA) exists between the Province of Ontario and its agents (including the Corporation and the Ontario Lottery and Gaming Corporation), the Ontario First Nations Limited Partnership and the Ontario First Nations (2008) Limited Partnership (OFNLP). Pursuant to the GRSFA, the Corporation's gaming revenues are subject to revenue sharing payments to the OFNLP. Each fiscal year, monthly payments are to be made aggregating to an amount equal to 1.7 per cent of the prior fiscal year's Gross Revenues of the Corporation, as defined in the GRSFA.

The Province of Ontario directed the Corporation to pay the OFNLP, commencing in April 2023, monthly payments aggregating to an amount equal to 1.7 per cent of the prior fiscal year's unadjusted gross gaming revenue (wagers less winnings) as defined by the Operating Agreements between the Corporation and Gaming Operators. For certain gaming product categories, the determination of what constitutes Gross Revenues is subject to an ongoing dispute and no revenue sharing payments relating to those matters in dispute are currently being made until the dispute is resolved. There is measurement uncertainty relating to the amount and timing of revenue sharing payments for the contested gaming product categories.

As at March 31, 2024, the Corporation recorded a provision for \$7,356, which is recorded in Due to Ontario First Nations Limited Partnership in the Statement of Financial Position. For the year ended March 31, 2024, the Corporation expensed \$24,021, which is recorded in Stakeholder expenses in the Statement of Income and Comprehensive Income (Note 17).

### 16. Derivative liabilities

Derivative liability of \$17,700 (2023 - \$15,130) represents the net liability position of all bets placed and open as of March 31, 2024. 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. A fair value adjustment of \$2,570 (2023 - \$15,130) was recorded in revenue on the Statement of Income and Comprehensive Income for the year ended March 31, 2024.

A 1% increase or decrease in hold percentage would result in \$188 (2023 - \$161) decrease or increase in the fair value of derivative liability at March 31, 2024 and corresponding increase or decrease in net income and comprehensive income for the year ended March 31, 2024.

### 17. Stakeholder expenses

Stakeholder expenses includes:

	Note	2024	2023
GST/HST expense	14	\$ 230,381	\$ 133,721
OFNLP's share of gaming revenue	15	24,021	-
Stakeholder expenses		\$ 254,402	\$ 133,721

# iGaming Ontario

Notes to Financial Statements

Years ended March 31, 2024 and 2023  
(In thousands of dollars)

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## 18. Financial risk management and financial instruments

The carrying values of cash, restricted cash, accounts receivables, due to AGCO, due to Government of Canada, due to Ontario First Nations Limited Partnership, due to Gaming Operators, and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments. Lease liability is carried at amortized cost using the effective interest method which approximates fair value.

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 Ontario First Nations Limited Partnership, due to Government of Canada, derivative liability, and due to Gaming Operators, which are all contractually due within one year. Refer to Note 9 for the undiscounted contractual maturity of lease liability. The Corporation maintains the required balance in a segregated bank account for amounts due to Gaming Operators (Note 5).

## 19. 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, 2024, capital under management was equity of \$114,420 (2023 - \$87,477).

# iGaming Ontario

Notes to Financial Statements

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## 20. Commitments

Below is a summary of the Corporation's future payments for contractual commitments that are not recognized as liabilities as at March 31, 2024:

	HST on lease commitments (a)	Suppliers (b)	Total
2025	\$ 24	\$ 331	\$ 355
2026	12	111	123
2027	-	100	100
2028	-	100	100
	\$ 36	\$ 642	\$ 678

(a) HST on lease commitments:

The Corporation has entered into an agreement to sublease office space. The non-recoverable HST and the additional imputed tax payable to the Government of Canada (Note 14) on the future lease payments (Note 9(b)) are approximated as summarized above.

(b) Suppliers:

The Corporation has contractual obligations under service contracts with various suppliers with future payments as at March 31, 2024. The future payments are approximated as summarized above.

Refer to Note 15 for information on Corporation's commitment to make monthly revenue share payments to OFNLP.

## 21. 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" The application was heard on February 20 and 21, 2024. On May 13, 2024, the Ontario Superior Court dismissed the MCK's application. On May 22, 2024, MCK publicly announced that it did not intend to appeal the decision.
- (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.



# iGaming Ontario

Notes to Financial Statements

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## **22. Subsequent events**

The Corporation declared and paid a dividend of \$44 million on April 24, 2024, and \$46 million on July 11, 2024 to the Province of Ontario.

The Corporation made monthly interim revenue sharing payments to OFNLP of \$2,611 on April 12, 2024, April 25, 2024, May 30, 2024, June 27, 2024, and July 25, 2024.

Refer to Note 21 for an update on the MCK litigation subsequent to year end.