

2020-2021 Annual Report
New Brunswick Lotteries and Gaming Corporation

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

We are pleased to submit to you the Annual Report of the New Brunswick Lotteries and Gaming Corporation for the fiscal year ended March 31, 2021.



David Nowlan
Director



Cheryl Hansen
Vice-Chair

NEW BRUNSWICK LOTTERIES AND GAMING CORPORATION

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

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

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

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

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

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

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

GOVERNANCE

Board of Directors

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

At March 31, 2021, the members of the board of directors were:

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

Officers and Support Staff

There are three officers of the corporation as established by the by-laws:

- Chief Operating Officer (COO)
- Secretary
- Treasurer

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

2020-2021 HIGHLIGHTS

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

COVID-19 and Gaming in New Brunswick

In response to the COVID-19 global pandemic, the Government of New Brunswick declared a state of emergency under the *Emergency Measures Act* on March 19, 2020.

As a result, both casinos and video lottery siteholders were required to close, though both casinos had closed voluntarily as of March 15, 2020. Grey Rock Casino remained closed until June 25, 2020 as well as from January 15 2021 to March 9, 2021. Casino New Brunswick remained closed until September 28, 2020. It was also closed from October 9, 2020 to October 23, 2020 and from January 19, 2021 to February 12, 2021 in compliance with the provincial COVID alert system at the time. Video lottery siteholders experienced different levels of impacts depending on their location within the province, however, all were closed until at least May 22, 2020.

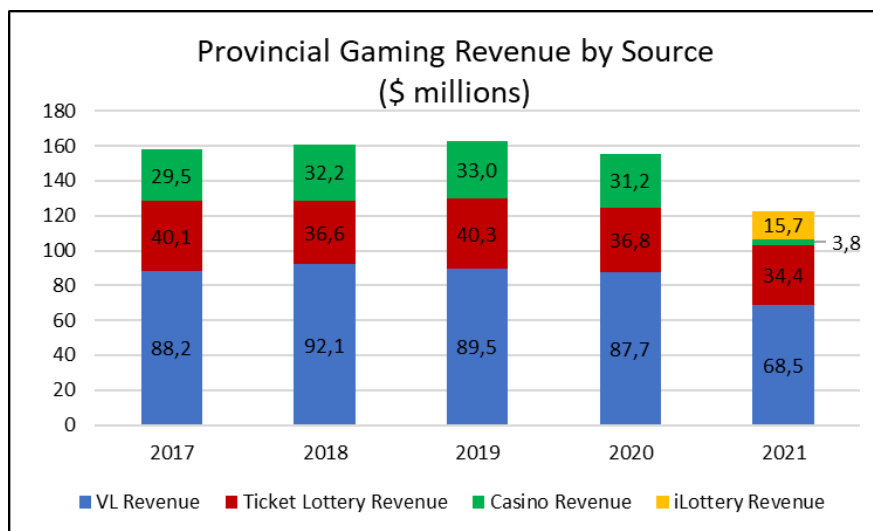
In addition to periods of closure, gaming operators faced significant and prolonged business impacts due to the continued COVID-19 pandemic and associated Public Health guidance. As the situation evolved, businesses across the province were required to limit capacity, enforce social distancing and perform active or passive screening for COVID-19 symptoms, to name a few.

iCasino

In June 2020, the NBLGC board approved the launch of iCasino, a new line of business through ALC. New Brunswick became the first province in Atlantic Canada to launch iCasino on August 6, 2020, providing a legal and regulated alternative to unauthorized online gambling. As of March 31, 2021, there were 59 iCasino games available on ALC.ca.

Gaming Revenue

A total of \$122.8 million in gaming revenue was received in 2020-2021.



In 2020-2021:

NBLGC's casino gaming revenue was \$3.8 million, a significant decrease from the previous year due to pandemic restrictions.

NBLGC's revenue from video lottery, iLottery and traditional lottery was \$118.6 million, which is \$6 million less than the previous year.

With the introduction of iCasino, the iLottery line of business, previously included under Ticket Lotteries, increased significantly to \$15.7 million.

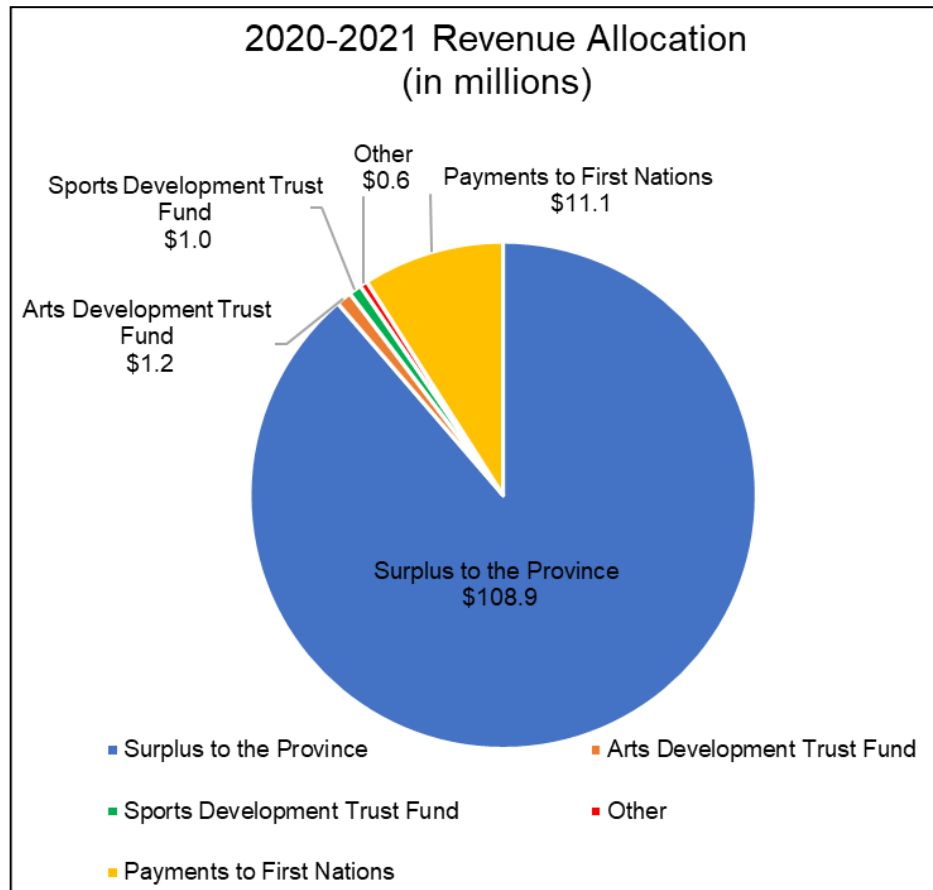
Under section 78 of the *Act*, the cost of administering the *Act* shall be paid out of proceeds (i.e., revenues) of the NBLGC. Costs include the administration and regulation of the *Act* (Department of Finance and Treasury Board and Department of Public Safety, respectively).

Where does the money go?

In 2020-2021, the annual surplus of \$108.9 million was provided to the Province of New Brunswick and used to fund important provincial programs such as health care and education programs.

First Nations across the province received \$11.1 million through Gaming Revenue Sharing Agreements.

In May 2020, the *New Brunswick Lotteries and Gaming Corporation Regulations* under the *Gaming Control Act* were amended to increase the contributions to the Arts Development Trust Fund and the Sports Development Trust fund to \$1.2 million and \$1 million respectively.



Additional details can be found in the NBLGC’s 2020-2021 Financial Statements included in this report.

Video Lottery and Traditional Lottery

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

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

The ALC also handles and markets the products of the ILC. In 2020-2021, in the New Brunswick market, the ALC offered the following products:

- **Video Lottery games:** various games including Royal Spins, Wild Life and Bonus 7s Wild
- **National draw games:** Lotto Max, Lotto 6/49 and Daily Grand
- **Regional draw games:** Atlantic 49, TAG, KENO Atlantic, BUCKO, Salsa Bingo, Twist, Lotto 4 and Poker Lotto and Hit or Miss
- **Sports games:** PRO•LINE, PRO•LINE Stadium Bets, PRO•LINE Fantasy and PRO•LINE Futures
- **Scratch’n Win games** at various price points, including Lucky 7, Bingo, Crossword, Set for Life! and Super Pack

- **Breakopen games** at various price points, including Super Bar, Criss Cross, Bar 10 Bonus and Flaming 7's
- **Digital Instant games** at various price points including Jungle Tumble, Prospector's Gold, Winter Tumble, Leprechaun Wishes
- **iBingo**: various games such as Kitchen Party Bingo, Turbo Bingo and Oceanside Bingo
- **iCasino**: various games at various price points such as The Wild Life, Lucky Larry's Lobstermania 2, Elephant King and DaVinci Diamonds

Responsible Gaming

The NBLGC is responsible for the development and implementation of the Province's responsible gaming policy and ensures that partners are upholding their responsible gaming obligations through their contractual relationship. In addition, the NBLGC is a member of the Responsible Gambling Counsel of Canada. Responsible gaming activities in 2020-2021 included:

Funding to Addiction and Mental Health Services

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

Responsible Gaming Information Area at Grey Rock Casino

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

Responsible Gaming Information Centre (RGIC)

The RGIC is located at Casino New Brunswick and is a service established by the NBLGC through a contracted service provider, Morneau Shepell, which staffs and manages the RGIC.

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

In 2020-2021, a total of 441 people visited the RGIC.

Staff Training

Staff who have interactions with patrons at both casinos are required to have responsible gaming training, including myths and facts about problem gambling and behavioral red flags. Staff with advanced training may approach patrons to discuss their gaming habits and make healthy gaming suggestions.

RGIC at Casino New Brunswick

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

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

Atlantic Lottery Corporation

The ALC has a wide variety of responsible gaming programs and initiatives both corporately and for players.

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

The ALC has a variety of responsible gaming tools and mechanisms incorporated into their player experience. For example:

ALC.ca	
<p>Education</p> <ul style="list-style-type: none"> • Age verification • Mandatory weekly deposit limit • Optional daily wager limit • Optional daily time limit • Session timer displayed • Pop-up reminders: every 60 minutes • Forced log out • Playwise program including quizzes and myth busting 	<p>Support</p> <ul style="list-style-type: none"> • 24 hour pause • Self-exclusion & reinstatement program <ul style="list-style-type: none"> ○ Player reinstatement only upon successful completion of a tutorial • Access to community support information • Access to customer care centre/Chimo • Playwise rating: low, moderate & high rating
Destination and Video Lottery	
<p>Education</p> <ul style="list-style-type: none"> • Maximum cash-in limits: \$60.00 • Clock continuously displayed on every screen • Screen displays in cash, not credits • Pop-up play reminders: 30, 60 & 90 minutes • Forced cash-out: 150 minutes • Player service management tool: time & money settings • Healthy play pamphlets onsite: Game Odds & Facts 	<p>Support</p> <ul style="list-style-type: none"> • Mandatory retailer training • NB gambling support line information on terminals (always on screen) • Support line materials throughout facility • Access to customer care centre/CHIMO

Revenue Sharing with First Nations

The NBLGC shares gaming revenue with First Nations as provided for in section 24 of the *Gaming Control Act*. The object of the revenue sharing agreement is to encourage compliance with provincial gaming policy and to foster economic and community development. The NBLGC is responsible for the management of the gaming revenue sharing agreements with First Nations. In 2020-2021, First Nations received \$11.1 million in gaming revenue.

Summary of recommendations from the office of the Auditor General: Section 1

Name and year of audit area	Recommendations
	Total
Audit of the NBLGC Financial Statements 2019-2020, 2020-2021	3

Recommendations	Current Status
We again recommend the Department of Finance and Treasury Board and NBLGC resolve recovery of the unauthorized overpayments that were made to First Nations prior to January 1, 2016 as a result of an error in the calculation of gaming revenue.	Direction has been provided from Government for the Department of Finance and Treasury board to ensure the overpayment issue is considered as a part of the larger First Nations strategy.
We again recommend that the NBLGC (with the Department of Justice and Public Safety) direct Grey Rock Entertainment Center to arrange for an audit of internal control systems as required by the <i>Gaming Control Act</i> .	The NBLGC will work with Department of Justice and Public Safety and GREC to ensure the regulator requirements for a review of internal control systems is satisfied prior to the next audit cycle.
We again recommend NBLGC perform a robust analysis to estimate uncollectible amounts due from Grey Rock Entertainment Center. We recommend information used to prepare the analysis be retained for audit purposes.	The NBLGC will continue to monitor payments and other financial indicators from Grey Rock Entertainment Center and will again determine the collectability of the Grey Rock Entertainment Center accounts receivable balance at year end.

Summary of Recommendations from the Office of the Auditor General Previous Years: Section 2

Name and year of audit area	Recommendations	
	Total	Implemented
Audit of the NBLGC Financial statements 2018-2019	2	1
Audit of the NBLGC Financial statements 2017-2018	2	1
Audit of the NBLGC Financial statements 2016-2017	3	2

FINANCIAL STATEMENTS

NEW BRUNSWICK LOTTERIES AND GAMING CORPORATION

31 MARCH 2021

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of New Brunswick Lotteries and Gaming Corporation (the Entity), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, change in accumulated surplus, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and the results of its operations, changes in its net financial assets, changes in its accumulated surplus, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Emphasis of Matter

I draw users' attention to Note 2(f) - Impact of Coronavirus COVID-19 - Measurement Uncertainty describing the impact of the COVID-19 global pandemic on the Entity's financial statements. My opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Janice Leahy, CPA, CA, CIA
Acting Auditor General

Fredericton, New Brunswick, Canada
December 21, 2021

Management Report

March 31, 2021

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

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

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



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



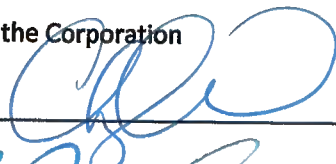
Ian Holohan
Chief Operating Officer, NBLGC


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

Financial Assets	2021	2020
Due from Province of New Brunswick - Note 4a	\$ 2,050,101	\$ 2,376,357
Accounts Receivable - Note 4b	3,816,670	2,824,608
Investments:		
Investment in Atlantic Lottery Corporation Inc. - Note 6	24,902,264	17,684,492
Investment in share capital of Interprovincial Lottery Corporation	1	1
Total Financial Assets	\$ 30,769,036	\$ 22,885,458
Liabilities		
Accounts Payable - Note 5	\$ 5,653,177	\$ 4,942,852
HST Payable	107,513	129,113
Deferred revenue	106,081	129,000
Total Liabilities	\$ 5,866,771	\$ 5,200,965
Net Financial Assets	\$ 24,902,265	\$ 17,684,493
Accumulated Surplus	\$ 24,902,265	\$ 17,684,493
Contingent Liabilities - Note 12		

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

Approved by the Corporation


 _____ Director


 _____ Director

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

Revenues	2021 Budget- Note 13	2021	2020
Investment Income from ALC Inc. - Note 6	\$ 134,900,000	\$ 118,605,909	\$ 124,614,361
Casino New Brunswick - Note 7	31,000,000	3,340,957	29,157,905
Grey Rock Casino - Note 7	2,000,000	457,781	2,040,876
Other revenue	500,000	369,129	525,980
Total Revenues	\$ 168,400,000	\$ 122,773,776	\$ 156,339,122
Expenses			
Payments to First Nations under Revenue Sharing Agreements - Note 8	\$ 14,500,000	\$ 11,128,635	\$ 14,218,661
Contribution to Arts Development Trust Fund - Note 9	700,000	1,200,000	700,000
Contribution to Sports Development Trust Fund - Note 9	500,000	1,000,000	500,000
Taxes - Note 10	5,200,000	607,098	4,731,089
Compliance and Admin	100,000	40,000	42,027
Distribution to the Province of New Brunswick - Note 11	147,400,000	108,908,025	133,747,606
Total Expenses	\$ 168,400,000	\$ 122,883,758	\$ 153,939,383
Annual (Deficit) Surplus - Note 2c	\$ -	\$ (109,982)	\$ 2,399,739

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

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

	2021 Budget- Note 13	2021	2020
Net Financial Assets - Beginning of Year	\$ 17,684,493	\$ 17,684,493	\$ 11,315,471
Changes in Year			
Annual (Deficit) Surplus	\$ -	\$ (109,982)	\$ 2,399,739
Change in ALC Accumulated Other Comprehensive Income - Mark to Market Fair Value - Note 6	-	163,445	(677,468)
Change in ALC Accumulated Other Comprehensive Income - Employee Future Benefits - Note 6	-	7,164,309	4,646,751
Increase in Net Financial Assets	<u>\$ -</u>	<u>\$ 7,217,772</u>	<u>\$ 6,369,022</u>
Net Financial Assets - End of year	<u><u>\$ 17,684,493</u></u>	<u><u>\$ 24,902,265</u></u>	<u><u>\$ 17,684,493</u></u>

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

	2021 Budget- Note 13	2021	2020
Accumulated Surplus - Beginning of Year	\$ 17,684,493	\$ 17,684,493	\$ 11,315,471
Annual (Deficit) Surplus	\$ -	\$ (109,982)	\$ 2,399,739
Change in ALC Accumulated Other Comprehensive Income - Mark to Market Fair Value - Note 6	-	\$ 163,445	(677,468)
Change in ALC Accumulated Other Comprehensive Income - Employee Future Benefits - Note 6	-	\$ 7,164,309	4,646,751
Accumulated Surplus - End of Year	<u>\$ 17,684,493</u>	<u>\$ 24,902,265</u>	<u>\$ 17,684,493</u>

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

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

	2021	2020
Cash and Cash Equivalents Generated by (used in):		
Operating Activities		
Annual (Deficit) Surplus	\$ (109,982)	\$ 2,399,739
(Increase) Decrease to Accounts Receivable	\$ (992,062)	\$ 1,306,314
Increase (Decrease) to Accounts Payable	710,325	(1,369,080)
Decrease to HST Payable	(21,600)	(364,187)
Decrease to Deferred Revenue	(22,919)	(31,095)
Net Cash Used in Operating Activities	\$ (436,238)	\$ 1,941,691
Investing Activities		
Increase in Investments	\$ (7,217,772)	\$ (6,369,022)
Change in ALC Accumulated Other Comprehensive Income - Mark to Market Fair Value - Note 6	163,445	(677,468)
Change in ALC Accumulated Other Comprehensive Income - Employee Future Benefits - Note 6	7,164,309	4,646,751
Net Cash Used in Investing Activities	\$ 109,982	\$ (2,399,739)
Decrease in Cash and Cash Equivalents During The Year	\$ (326,256)	\$ (458,048)
Cash and Cash Equivalents, Beginning of Year	\$ 2,376,357	\$ 2,834,405
Cash and Cash Equivalents, End of Year	\$ 2,050,101	\$ 2,376,357
	2021	2020
Cash and Cash Equivalents represented by:		
Due From Province of New Brunswick	\$ 2,050,101	\$ 2,376,357

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

New Brunswick Lotteries and Gaming Corporation
Notes to the Financial Statements
31 March 2021

1. Nature of the Corporation

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

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

2. Summary of significant accounting policies

a) Basis of accounting

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

b) Specific Accounting Policies

Revenues and Expenses

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

Deferred Revenue

The Province of New Brunswick requires that charitable/non-profit groups pay a fee for licenses for gaming activities such as bingo, raffles, etc. In addition, gaming suppliers and gaming assistants, as defined by regulations under the *Gaming Control Act*, are required to be registered under the act and to pay a registration fee. A portion of these fees are unearned as at March 31, 2021. This amount is deferred and will be recognized as revenue as it is earned.

Government Transfers

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

c) Investments

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

New Brunswick Lotteries and Gaming Corporation
Notes to the Financial Statements
31 March 2021

Note 2c continued

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

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

d) Financial Instruments

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

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

e) Measurement Uncertainty

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

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

f) Impact of Coronavirus COVID-19- Measurement Uncertainty

During 2020-21, the ongoing effects of the COVID-19 pandemic have continued to cause significant disruptions to both the operations of ALC Inc. and NBLGC's casino service providers.

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

New Brunswick Lotteries and Gaming Corporation
Notes to the Financial Statements
31 March 2021

3. Risk Management

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

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Accounts receivable are disclosed in Note 4. The NBLGC's maximum exposure to credit risk at March 31, 2021 is equal to the accounts receivable balance of \$18,559,719 and amounts due from the Province of New Brunswick for \$2,050,101. An allowance for doubtful accounts in the amount of \$14,743,049 has been established. The remaining balances are due from related parties of the NBLGC. The amount due from ALC Inc. of \$1,894,216 is considered low risk and the amount from Grey Rock Entertainment Center Inc. (GREC, Inc) of \$1,718,678 is considered high risk based on collection history.

b) Liquidity risk

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

c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The NBLGC's management considers exposure to interest rate risk to be insignificant. NBLGC's maximum exposure to interest rate risk at March 31, 2021 is equal to ALC Inc's mark to market long-term debt interest rate swap fair value of (\$147,398)

d) Currency risk

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

4. Accounts Receivable

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

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

	<u>2021</u>	<u>2020</u>
HST Payable	\$107,513	\$129,113
Deferred Revenue	106,081	129,000
Payables to First Nations	1,836,507	859,412
Payable to GCGC	-	1,258,832
Due from Province of New Brunswick	<u>\$2,050,101</u>	<u>\$2,376,357</u>

New Brunswick Lotteries and Gaming Corporation
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31 March 2021

Note 4 continued

b) Accounts Receivable

	<u>2021</u>	<u>2020</u>
ALC Inc.	\$1,894,216	\$1,119,711
First Nations	14,743,049	14,743,049
GREC, Inc.	1,718,678	1,704,897
Great Canadian Gaming (New Brunswick) Ltd. (GCGNB)	203,776	-
	<u>18,559,719</u>	<u>17,567,657</u>
Less: Allowance for Doubtful Accounts	<u>14,743,049</u>	<u>14,743,049</u>
	<u>\$3,816,670</u>	<u>\$2,824,608</u>

5. Accounts Payable

	<u>2021</u>	<u>2020</u>
Distributions to Province of New Brunswick	\$3,816,670	\$2,824,608
Payable to First Nations	1,836,507	859,412
Payable to GCGNB	-	1,258,832
	<u>\$5,653,177</u>	<u>\$4,942,852</u>

6. Investment in Atlantic Lottery Corporation Inc. – Surplus

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

	<u>2021</u>		<u>2020</u>	
	<u>ALC Inc.</u>	<u>NBLGC Share</u>	<u>ALC Inc.</u>	<u>NBLGC Share</u>
Balance Sheet				
(\$ thousands)				
Assets	\$269,289	-	\$264,436	-
Liabilities	179,412	-	198,993	-
Shareholders' Equity				
Retained Earnings	90,367	25,049	66,865	17,995
Comprehensive Income/(Loss)	(491)	(147)	(1,423)	(311)
Share capital	1	-	1	-
Total Retained Earnings	\$89,877	\$24,902	\$65,443	\$17,684
Total Liabilities and Shareholders' Equity	\$269,289	-	\$264,436	-

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Note 6.1 continued

	2021		2020	
	ALC Inc.	NBLGC Share	ALC Inc.	NBLGC Share
Statement of Operations				
(\$ thousands)				
Gross Profit	\$525,931		\$591,034	
Expenses	(133,613)		(144,726)	
Other income (expenses)	(640)		(155)	
Taxes & Payments to Federal Government	(45,104)		(50,470)	
Net profit	\$346,574	\$118,606	\$395,683	\$124,614
Investment Income from ALC Inc.		\$118,606		\$124,614
Changes in Retained Earnings				
(Calculation of Retained Earnings)				
(\$ thousands)				
Retained Earnings, Beginning of Year	\$66,865	\$17,995	\$42,433	\$10,949
Impact of changes in accounting policy	-	-	(851)	(187)
Adjusted balance, beginning of year	\$66,865	\$17,995	\$41,582	\$10,762
Net Profit	346,574	118,606	395,683	124,614
Employee Future Benefits	-	-	-	-
Change in Actuarial Assumptions	23,881	7,164	15,488	4,647
Distributed to Shareholders	(346,703)	(118,648)	(385,888)	(122,028)
Dividends Paid	(250)	(68)	-	-
Retained Earnings, End of Year	\$90,367	\$25,049	\$66,865	\$17,995
Changes in Accumulated Other Comprehensive Income (Loss)				
(\$ thousands)				
Accumulated Other Comprehensive Income (Loss), Beginning of Year	\$(1,423)	\$(311)	\$976	\$366
Mark to Market Instruments				
Change in Fair Value	932	164	(2,399)	(677)
Accumulated Other Comprehensive Income(Loss), End of Year	\$(491)	\$(147)	\$(1,423)	\$(311)
Investment in ALC Inc.		\$24,902		\$17,684

As of March 31, 2021, New Brunswick's share of ALC Inc.'s debt is \$28.7M (2020 - \$36.8M)

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6.2 Investment Income from ALC Inc.

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

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

Investment Income From ALC Inc.:	2021	2020
(\$ thousands)		
NBLGC's share of Net Profit (Note 6.1)	\$118,606	\$124,614
Withheld - Special Pension Payments (Note 6.3)	-	(2,274)
Unallocated Profit	(9)	(77)
Change in accounting policy	51	(235)
Dividend from Subsidiary	68	-
Net Distribution to NBLGC	\$118,716	\$122,028

6.3 Special Pension Payments

Between fiscal year 2006-07 and August 2013, ALC Inc. financed pension special payments through its operating line of credit. The ALC Inc.'s Board of Directors approved that, commencing in September 2013, shareholders would fund their portion of the deficit over 7 years, by way of a reduction to monthly profit payments. The impact on profit distributions for NBLGC is a decrease of approximately \$3,700,000 annually for a total impact of \$20,900,022. On June 18, 2019, as a result of an updated pension valuation, it was determined that an additional \$2,273,490 would be withheld from ALC profit distributions to NBLGC from July 2019 until March 2020. No repayments in 2020-21 were withheld from ALC's Net Profit payable to NBLGC, as illustrated in Note 6.2.

7. Casino Operations

7.1 Agreements with Casino Service Providers

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

On December 20, 2020 Apollo Global Management Inc. agreed to acquire all the outstanding shares of Great Canadian Gaming Corp. As at March 31, 2021, the transaction was subject to closing conditions and the approval of lottery corporations and gaming regulators in the provinces in which GCGC operates (British Columbia, Ontario, New Brunswick and Nova Scotia). Final approval was received in September of 2021 and there is no anticipated material impact on the current CSPA or the operations of GCGCNB.

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Note 7.1 continued

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

Under the terms of the Casino services provider agreement, Casino New Brunswick is entitled to receive 51% of the gross gaming revenue while NBLGC retains the remaining 49%. In fiscal 2020-21, casino gaming revenue from Casino New Brunswick operations to NBLGC was \$3,340,957 (2019-20- \$29,157,905). Total allocation of revenue to GCGNB for operational services at Casino New Brunswick was \$3,710,398; this included \$114,207 representing the retention of leased slot machines.

Under the terms of the Agreement, Grey Rock Entertainment Center Inc. is entitled to receive 80% of the gross gaming revenue while NBLGC retains the remaining 20%. In fiscal 2020-21, casino gaming revenue from (GREC, Inc.) operations to NBLGC was \$457,781 (2019-20 \$2,040,876). Total allocation of revenue to GREC, Inc. for operational services was \$2,024,716; this included \$38,718 representing the retention of leased slot machines.

8. Revenue Sharing Agreements with First Nations

Pursuant to provisions under the *Gaming Control Act*, as at 31 March 2021, eight First Nations have agreements with the Minister of Finance and Treasury Board and have active gaming commissions and thereby receive a payment with respect to video lottery and/or breakopen ticket lottery schemes conducted on reserve. Payments to First Nations under Revenue Sharing Agreements are as follows:

	<u>2021</u>	<u>2020</u>
St. Mary's First Nation	\$4,368,251	\$6,645,767
Madawaska Maliseet First Nation	2,577	8,518
Woodstock First Nation	1,913,991	2,527,868
Oromocto First Nation	1,803,125	1,884,130
Metepenagiag First Nation	1,186,969	1,372,980
Kingsclear First Nation	237,730	149,686
Eel River Bar First Nation	787,899	983,566
Esgenoôpetitj First Nation	828,093	646,146
Total	<u>\$11,128,635</u>	<u>\$14,218,661</u>

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

9. Trust Funds

Annual lottery profits designated for the Arts Development Trust Fund and the Sports Development Trust Fund are prescribed in regulation 2008-110 under the Gaming Control Act. In fiscal 2021 the regulation was amended to increase the amounts the NBLGC is required to contribute to the funds. The amounts are \$1,200,000 (2019-20-\$700,000) and \$1,000,000 (2019-20 - \$500,000), respectively.

New Brunswick Lotteries and Gaming Corporation
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10. Taxes

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

11. Related Party Transactions

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

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

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

The NBLGC transfers revenues in excess of its expenses to the Province of New Brunswick. The distribution to the Province of New Brunswick is recorded as an expense on the Statement of Operations and was \$108,908,025 in 2020-21 (2019-20- \$133,747,606).

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

	<u>2021</u>	<u>2020</u>
Due from Province of New Brunswick	\$2,050,101	2,376,357
Due to Province of New Brunswick	<u>3,816,670</u>	<u>2,824,608</u>
Net Due to Province of New Brunswick	<u>\$1,766,569</u>	<u>\$448,251</u>

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

	<u>2021</u>	<u>2020</u>
Distribution to the Province of New Brunswick	\$108,908,025	\$133,747,606
Contribution to the Arts Development Trust Fund	1,200,000	700,000
Contribution to the Sports Development Trust Fund	<u>1,000,000</u>	<u>500,000</u>
	<u>\$111,108,025</u>	<u>\$134,947,606</u>

Related parties also include key management personnel having the authority and responsibility for planning, directing, and controlling the activities of the NBLGC, their close family members, and any entities closely affiliated with these individuals. Key management personnel for the NBLGC have been identified as members of the Board of directors along with the officers of the corporation. For the year ended March 31, 2021, there were no transactions to report between the NBLGC and key management personnel, their close family members, or any entities affiliated with them.

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12. Contingent Liabilities

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

13. Budget

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