



# PEI Lotteries Commission

## 2023-24 ANNUAL REPORT

**Table of Contents**

**Message from the Chair of the PEI Lotteries Commission ..... 2**

**Overview ..... 3**

    Mandate ..... 3

    Mission Statement ..... 3

    Relationship Structure..... 4

**Legislative Responsibility ..... 5**

    Officers and Board Members of PEI Lotteries Commission..... 5

    Agent of Crown ..... 5

    Atlantic Lottery Corporation..... 5

**Year in Review 2023-24 ..... 7**

    Responsible Gambling Strategy Launch..... 8

    Responsible Gambling Strategy Implementation – Six Month Update ..... 9

    Details on Funding Commitments and Grants..... 9

    ALC Operations as the Agent of PEILC ..... 10

**Financial Information ..... 12**

**Appendix ..... 13**



## Message from the Chair of the PEI Lotteries Commission

The Honourable Antoinette Perry  
Lieutenant Governor of Prince Edward Island  
PO Box 846  
Charlottetown, PEI C1A 7L9



May it Please Your Honour:

In accordance with the *Lotteries Commission Act* [R.S.P.E.I. 1988, Cap. L-17], I am pleased to present to you the Annual Report of the Prince Edward Island Lotteries Commission for the fiscal year ending March 31, 2024.

Respectfully submitted,

A handwritten signature in black ink that reads "Jill Burridge". The signature is written in a cursive, flowing style.

Hon. Jill Burridge  
Minister of Finance



## Overview

The Prince Edward Island Lotteries Commission (PEILC) was established in 1976 under the *Lotteries Commission Act*. The Commission's mandate is to develop, organize, undertake, conduct and manage lottery schemes on behalf of the province. The Commission has, in turn, delegated these duties to its agent, the Atlantic Lottery Corporation.

The Atlantic Lottery Corporation was incorporated in 1976 under the *Canada Business Corporations Act*. The Corporation is jointly owned by the four Atlantic Provinces. Each Province has lottery and gaming legislation in place, with supporting regulations, which the Atlantic Lottery Corporation in its operation of lottery games in each jurisdiction must follow.

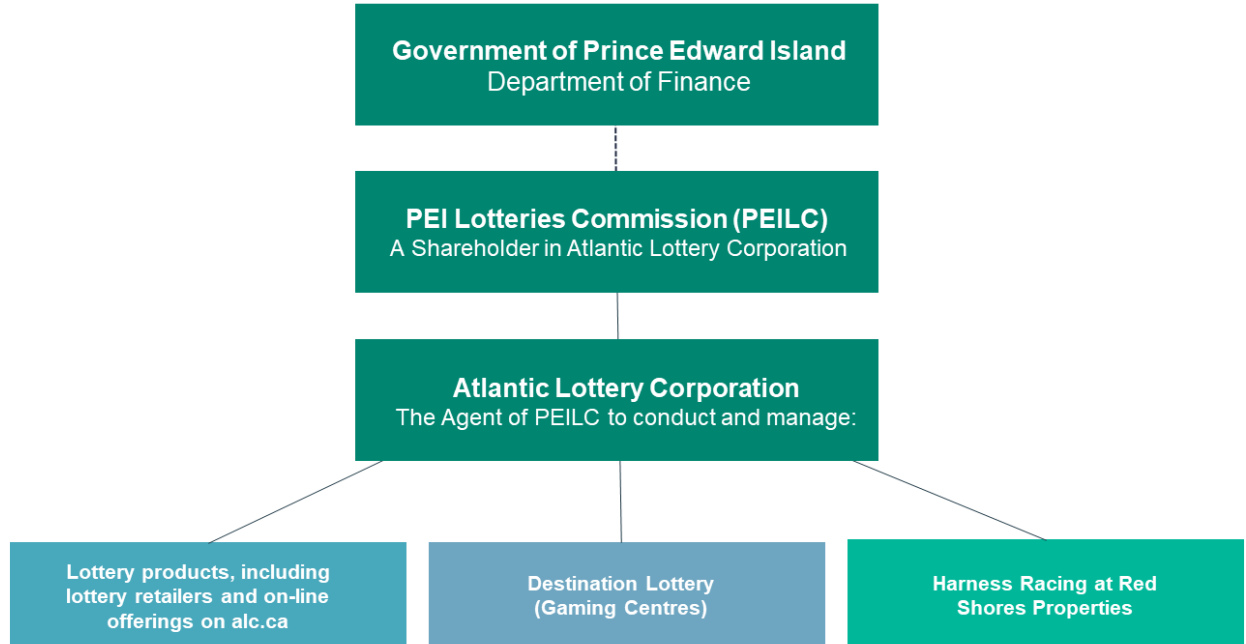
## Mandate

The Prince Edward Island Lotteries Commission mandate is to develop, organize, undertake, conduct and manage lottery schemes and pari-mutual betting systems on behalf of the province.

## Mission Statement

To provide access to socially responsible regulated gambling products on PEI.

## Relationship Structure



## Legislative Responsibility

Gaming in Canada, governed by the Criminal Code of Canada, is generally unlawful unless conducted and managed by a Province or a body licensed by a provincial government. The *Gaming Centers Control Regulations* established under the *Lotteries Commission Act* provides the legislative framework for the conduct and management of gaming activities on Prince Edward Island.

On behalf of the Province and the Provinces of Nova Scotia, Newfoundland and Labrador and New Brunswick, the Atlantic Lottery Corporation (ALC) is responsible for operating lotteries in each of the four Atlantic Provinces. ALC was incorporated under the *Canada Business Corporations Act* on September 3, 1976. The Commission is one of four shareholders of ALC. During fiscal year 2023-24, the ALC Board of Directors had three individuals appointed from Prince Edward Island, Dan Campbell served on the ALC Board until Denise Lewis Fleming took over in September 2023 while Gordon MacFarlane and Shaun MacIsaac were representatives for the entire year.

### Officers and Board Members of PEI Lotteries Commission

In 2023-24, the Honorable Jill Burridge, Minister of Finance, served as Chair for the Commission. Denise Lewis Fleming, Deputy Minister of Finance, served as Vice-Chair. Gordon MacFadyen served as Secretary-Treasurer until Jordan McNally took it over November 2023. The Commission is supported by Department of Finance staff resources.

### Agent of Crown

The Commission is for all purposes an agent of the Government of PEI and the powers of the Commission are exercised only as an agent of the Government of PEI, as per the *Lotteries Commission Act Section 3(1)*.

### Atlantic Lottery Corporation

The Commission has entered into the following agreements with the four shareholders of ALC:

1. An agreement to establish and operate a regional lottery in 1976.



2. The Unanimous Shareholders' Agreement dated November 15, 1976, governing the manner in which proceeds from lottery schemes would be distributed; and
3. An agreement to amend and restate the Unanimous Shareholders Agreement on conduct and management of lottery schemes on July 4, 2000. An update to the Unanimous Shareholder Agreement was authorized on March 12, 2019, and again on March 30, 2022, by the Province of Prince Edward Island. Agreement will be finalized once signing approval has been received from all provincial shareholders.

The Commission is also a shareholder of the Interprovincial Lottery Corporation (ILC) which was established in 1976 to operate joint lottery games across Canada. ILC is owned jointly by the five provincial lottery commissions in Canada, which are Atlantic Lottery Corporation, British Columbia Lottery Corporation, Ontario Lottery and Gaming Corporation, Lotto-Quebec and Western Canada Lottery Corporation (MB, SK, AB, NU, NWT and YK). Each provincial organization is responsible for marketing the national games within their own jurisdiction, and revenues are returned to each province in proportion to generated sales.

The Atlantic Lottery Corporation was given a mandate by the Commission to provide safe and responsible lottery products and services and, through that effort, deliver optimized and responsible profits to the shareholders. To meet that objective, ALC must ensure its long-term growth is sustainably balanced with a strong commitment to social responsibility and player protection.

In Atlantic Canada, ALC operates retail lotteries, online sales, destination and Red Shores. Retail includes the national games – Lotto Max and Lotto 6/49 – administered through the Interprovincial Lottery Corporation, and other draw games sold through licensed retailers. Destination includes the video lottery network in age-restricted sites. The two Red Shores facilities on Prince Edward Island offer casino games, harness racing, food and beverage, and lottery tickets.

The Commission continues to share ALC's concerns about unregulated, offshore gambling sites. These sites do not necessarily offer the same standard of player protection as ALC, which is regulated by the four Atlantic provincial governments, and subject to their laws and policies. These unregulated sites also do not return profit to the provincial governments to fund important programs and services for the people of this region.

## Year in Review 2023-24

The PEI Lotteries Commission continued to work with the three other Atlantic Canadian government shareholders of ALC, and with the Corporation itself, to ensure that regulated gambling operations in the region remained well-managed. This included ongoing progress to implement recommendations made by the four Atlantic Auditors General in their 2016 joint audit.

An updated pension Committee was put in place in 2021 to administer the Council of Atlantic Premiers pension plan (comprised mostly of ALC employees) and action required amendments. In 2023-24, the funding policy and investment policy for the Council of Atlantic Premiers' Pension Plan was revised. These changes were made to ensure long-term funding levels of the plan align with the pension plan provisions after the pension reforms implemented on January 1, 2023.

A working group with representatives from the four provinces finalized its review of the Unanimous Shareholder agreement and agreed to an updated draft agreement. This update clarified language and amended the use of Article 5 indemnification for shareholders only, not ALC. Executive Council granted authority on March 30, 2022 for the Minister of Finance, as Chair of the PEI Lotteries Commission, to sign the agreement upon the approval of all Shareholders. Authorization to sign an updated agreement by every province was in place by the end of March 2024, with a plan to secure signatures in the months immediately following the fiscal year covered by this report.

The Commission made progress on plans to implement recommendations from the Auditor General's 2023 Management letter. In 2023-24, PEILC had one year funding agreements with PEI Harness Racing Industry and Prince County Horsemen's Club, and a three-year agreement in place with Department of Health and Wellness Gambling Support Unit (2022-25). PEILC works with each entity to ensure annual reports are received in accordance with their agreements.

PEILC started work with provincial counterparts Nova Scotia, New Brunswick and Newfoundland and Labrador to address concerns raised by horsemen and the public about the Atlantic Provinces Harness Racing Commission, specifically we began the steps to undertake a third-party review to improve regulation of the harness racing industry, with the goal of ensuring fairness and transparency for all participants.

The PEI Lotteries Commission understands that the gambling landscape has shifted considerably in the years since PEI released the first responsible gambling strategy in 2008. The Commission retained consulting firm MRSB to conduct an independent third-party review of the 2008 strategy. MRSB was given a mandate to engage with a broad range of people and organizations, including mental health and addictions professionals; government and harness racing partners; industry organizations; and people from the general public most affected by gambling. The consultant held virtual public meetings, open to anyone who wanted to share input, and launched online surveys - including one specifically with groups who offer charitable lottery games on the Island.

### Responsible Gambling Strategy Launch

On September 14, 2023, the PEI Lotteries Commission released "Navigating the Waters: A Strategy for Socially Responsible Gambling on PEI for 2023-28". This strategy was created using five guiding principles of harm reduction, accountability, informed and healthy play, equity and inclusion and supporting vibrant communities. It charts a new course for gambling in PEI, one that will guide gaming products and services over the course of the next five years. The five priority actions of this strategy are: Promote Safe Healthy and Positive Play, Increase Literacy Around Safer Gambling, Balance Access with Player Protection, Inclusive Programs and Services and Minimize Harms from Gambling.

PEI Lotteries Commission has overall responsibility for ensuring the timely implementation of the five priority actions of this Responsible Gambling Strategy.

### Responsible Gambling Strategy Implementation – Six Month Update

The leads responsible for implementing each strategic action are identified in the Responsible Gambling Strategy, as well as the timeframes for expected results and key performance indicators and/or metrics to evaluate the impact of each initiative. The PEILC, Department of Health and Wellness Gambling Support Unit (GSU), Atlantic Lottery Corporation and Justice and Public Safety (JPS) all have responsibilities under this strategy.

In the first six months since the release of this strategy, PEILC representatives met with all leads twice. The first meeting discussed each strategic priority action, ensuring understanding of the action, expected results and performance indicators, clarifying any issues or concerns. It was immediately identified that additional staff was needed to assist with implementation (JPS - Compliance Outreach Officer and DHW GSU Youth Gambling Specialist). A request was brought forward to the PEILC and approved for submission as part of PEILC 2024-25 Budget planning process. In the second meeting, each lead provided an update on the status of their action items, focussing on those items to be started and or completed within the first year. All leads reported their priority actions will be completed within the RGS timeframe, noting that most of their action items aligned with the existing priorities for their organization/departments. The team agreed to meet quarterly and provide a semi-annual update to PEILC.

### Details on Funding Commitments and Grants

The Commission provides funding to the Department of Health and Wellness' Gambling Support Unit for programs and services aimed at reducing gambling harms for residents of Prince Edward Island. In this fiscal year, funding for the Gambling Support Unit was \$470,665, up from \$191,920 in 2022-23. Key initiatives of the GSU in 2023-24 included: initiated a research study titled "Impact of COVID-19 on Gambling Behaviour in PEI" with results to be released early 2024-25; collaborated with Health PEI to host a three-day CRAFT (Community Reinforcement and Family Training) course to 65 civil servants and community partners with emphasis on problem gambling as well as other addictions that

affect Islanders; and attended the Responsible Gambling Discover Conference in Toronto which is a pivotal platform for knowledge exchange, networking and staying abreast of cutting-edge development in responsible gambling. The GUS also completed Request for Proposal to study youth and their gaming/gambling behaviours, with aim to identify potential risk factors, prevalence rates and protective measures to inform targeted interventions for this population.

From the funds ALC generated in 2023-24, \$3,438,000 was used to assist the PEI Harness Racing Industry Association (2022-23- \$4,371,000) in enhancing and growing the positive economic and cultural contributions of the industry – and to advance its sustainability. Noting that an additional \$1,000,000 was provided early 2023, through an amendment to the funding agreement, for improved stake and overnight purses during the 2023 racing season and incentives to enhance/expand the breeding stock of trotters. Grants were additionally provided to the Prince County Horsemen’s Club for \$121,000 (2022-23 \$143,037) to maintain infrastructure in support of harness racing at Red Shores Summerside. PEI’s portion of the grant to the Atlantic Provinces Harness Racing Commission, based on PEI’s total pari-mutuel wagering in Atlantic Canada as reported by the Canadian Pari-Mutuel Agency, was \$108,871 (2022-23 \$118,605). Another grant is allocated in support of the Island’s Matinee Racetracks for \$19,216 (2022-23 \$7,745).

The Commission also supports the harness racing in the form of grants related to sales taxes due from pari-mutuel wagering in the amount of \$457,976 (2022-23 \$420,172).

This funding for harness racing reflects the importance of creating and maintaining growth in the industry, which draws off-Island visitors year-round.

### ALC Operations as the Agent of PEILC

Although ALC’s Gross Gaming Revenue (GGR) grew in 2023-24, it has lost overall market share to illegal gambling sites. During the fiscal year, ALC worked to finalize its next Strategic Plan that will stabilize revenues from their core products and position itself to respond to the players evolving interests. This will be done while maintaining its commitment to supporting healthy play.

Red Shores Senior Management provided an update the operations of the Charlottetown site, Phase 1 of its capital improvement plan and future investments needed to support achieving Red Shores vision and objectives. PEILC endorsed the Phase II of Red Shores capital project, noting that the completion of Spring 2026 aligns with 20 years since the construction of Red Shores Charlottetown.

A summary of the results of the regulated lottery and gaming products managed on PEI by ALC for the year ended March 31, 2024 are included in Table 1.

**Table 1**  
**Atlantic Lottery Corporation**  
**Prince Edward Island Profit by Program**  
**(000's)**

	Total	
	2024	2023
<b>ALC Revenues from PEI</b>		
Gross Retail Lottery Ticket & Internet Sales	\$52,330	\$50,805
Less Ticket Prizes	(28,113)	(27,401)
Net Revenues - Lottery Ticket & Internet Sales	24,217	23,404
Net Video Lottery Receipts	17,654	17,718
Red Shores	23,071	22,121
<b>Net Revenues</b>	<b>64,942</b>	<b>\$63,243</b>
 Total Direct Expenses	 <u>4,262</u>	 <u>\$4,097</u>
 Gross Profit	 \$60,680	 \$59,146
 Other Expenses	 <u>33,833</u>	 <u>29,842</u>
 <b>Net Profit</b>	 <b><u>\$26,847</u></b>	 <b><u>\$29,304</u></b>
 <b>Net Profit Distribution to PEI</b>		
Tickets	\$11,322	\$11,543
Video Lottery	\$11,650	\$12,036
Red Shores	3,875	5,725
<b>Net Profits to PEI</b>	<b><u>\$26,847</u></b>	<b><u>\$29,304</u></b>

- Overall net revenues for the 2023-24 year were \$1.7M or 2.7% higher than net revenue achieved in 2022-23; a much more moderate growth rate compared to recent years post-COVID pandemic (\$9.1M or 16.8% higher in 2022-23 than 2021-22)

- Sales at Red Shores and Lottery ticket and internet sales were the lines of business that increased most during the 2023-24 year, with a collective increase on a net basis of \$1.8M over 2022-23.
- Video lottery experienced a small decrease in net revenue in 2023-24 compared to 2022-23 of \$64K.

## Financial Information

The Financial Statements of the Prince Edward Island Lotteries Commission, as audited by the Auditor General's Office, follow as an Appendix to this report. The Commission's financial statements are prepared in accordance with the International Financial Reporting Standards.

The Commission's investment in ALC is accounted for using the equity method, whereby it is initially recorded at cost and the carrying amounts are increased or decreased to recognize income or loss and reduced as distributions are received by the Commission. At the beginning of the 2023-24 fiscal year, the Commission had a balance of \$9.6M in shareholder equity and by end of fiscal year, a balance of \$9.9M.

Appendix  
Audited Financial Statements  
2023 - 2024





**PRINCE EDWARD ISLAND  
LOTTERIES COMMISSION**

Financial Statements  
March 31, 2024





Prince Edward Island

Office of the  
Auditor General

PO Box 2000, Charlottetown PE  
Canada C1A 7N8

Île-du-Prince-Édouard

Bureau du  
vérificateur général

C.P. 2000, Charlottetown PE  
Canada C1A 7N8

## INDEPENDENT AUDITOR'S REPORT

To the Members of the  
Prince Edward Island Lotteries Commission

### Opinion

We have audited the accompanying financial statements of the **Prince Edward Island Lotteries Commission** (the Commission), which comprise the statement of financial position as at March 31, 2024, and the statements of comprehensive income, changes in shareholder equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

### Basis for Opinion

We conducted the audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 International Financial Reporting Standards and for such internal control that 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 Commission'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 an intention exists to liquidate or cease the operations of the Commission, or there is no realistic alternative but to do so.

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

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

Our 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 our 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 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, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our 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 Commission'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 Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission 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.

We 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 we identify during our audit.



**Darren Noonan, CPA, CA**  
**Auditor General**



**Elvis Alisic, CPA, CA**  
**Assistant Auditor General**

**Charlottetown, Prince Edward Island**  
**June 27, 2024**




**PRINCE EDWARD ISLAND  
LOTTERIES COMMISSION**


Statement of Financial Position  
March 31, 2024

	2024	2023
	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	22,629,630	41,484,181
Accounts receivable (Note 11)		
Atlantic Lottery Corporation Inc.	-	1,323,792
	<u>22,629,630</u>	<u>42,807,973</u>
<b>Non Current Assets</b>		
Investment in Interprovincial Lottery Corporation	1	1
Investment in Atlantic Lottery Corporation Inc. (Note 8)	<u>9,922,830</u>	<u>9,650,252</u>
	<u>9,922,831</u>	<u>9,650,253</u>
<b>Total Assets</b>	<u>32,552,461</u>	<u>52,458,226</u>
<b>Liabilities and Shareholder Equity</b>		
<b>Current Liabilities</b>		
Accounts payable		
Province of Prince Edward Island	22,281,442	42,807,973
Atlantic Lottery Corporation Inc.	344,688	-
Other	3,500	-
	<u>22,629,630</u>	<u>42,807,973</u>
<b>Shareholder Equity</b>		
Contributed surplus (Note 5)	101	101
Accumulated other comprehensive income	41,072	326,277
Retained earnings	<u>9,881,658</u>	<u>9,323,875</u>
	<u>9,922,831</u>	<u>9,650,253</u>
<b>Total Liabilities and Shareholder Equity</b>	<u>32,552,461</u>	<u>52,458,226</u>

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

Approved on behalf of the Prince Edward Island Lotteries Commission

  
Chair

  
Member



**PRINCE EDWARD ISLAND  
LOTTERIES COMMISSION**

Statement of Comprehensive Income  
for the year ended March 31, 2024

	2024	2023
	\$	\$
<b>Revenues</b>		
Distributions of Atlantic Lottery Corporation Inc. net profit (Note 14)		
Lottery ticket sales - in person	7,422,552	7,099,830
Lottery ticket sales - online	3,899,122	4,443,059
Video lottery sales	11,650,014	12,036,333
Entertainment centres net profit (loss)		
Red Shores at Charlottetown Driving Park	3,962,846	5,783,206
Red Shores at Summerside Raceway	<u>(88,106)</u>	<u>(58,613)</u>
Entertainment centres net profit	<u>3,874,740</u>	<u>5,724,593</u>
	26,846,428	29,303,815
Other	<u>-</u>	<u>1,375</u>
<b>Total Revenues</b>	<u>26,846,428</u>	<u>29,305,190</u>
<b>Expenses</b>		
Grants to the harness racing industry (Note 10)	4,170,063	5,061,928
Grant to the City of Charlottetown (Note 12)	400,000	376,000
Responsible Gaming Strategy (Note 13(a))	470,665	191,920
Other	<u>12,770</u>	<u>2,748</u>
<b>Total Expenses</b>	<u>5,053,498</u>	<u>5,632,596</u>
<b>Net income</b>	21,792,930	23,672,594
<b>Other comprehensive income</b>		
Commission share of other comprehensive income (loss) of Atlantic Lottery Corporation Inc. (Note 8)	<u>272,578</u>	<u>(796,238)</u>
<b>Comprehensive income</b>	<u>22,065,508</u>	<u>22,876,356</u>

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

**PRINCE EDWARD ISLAND  
LOTTERIES COMMISSION**

Statement of Changes in Shareholder Equity  
for the year ended March 31, 2024

	<u>Contributed Surplus</u> \$	<u>Accumulated Other Comprehensive Income</u> \$	<u>Retained Earnings</u> \$	<u>2024 Shareholder Equity</u> \$
<b>Balance, beginning of year</b>	101	326,277	9,323,875	9,650,253
Net income	-	-	21,792,930	21,792,930
Other comprehensive income	-	<u>(285,205)</u>	<u>557,783</u>	<u>272,578</u>
Comprehensive income	-	(285,205)	22,350,713	22,065,508
Distributions to the Province of Prince Edward Island	-	-	<u>(21,792,930)</u>	<u>(21,792,930)</u>
<b>Balance, end of year</b>	<u>101</u>	<u>41,072</u>	<u>9,881,658</u>	<u>9,922,831</u>

	<u>Contributed Surplus</u> \$	<u>Accumulated Other Comprehensive Income</u> \$	<u>Retained Earnings</u> \$	<u>2023 Shareholder Equity</u> \$
<b>Balance, beginning of year</b>	101	225,365	10,221,025	10,446,491
Net income	-	-	23,672,594	23,672,594
Other comprehensive income	-	<u>100,912</u>	<u>(897,150)</u>	<u>(796,238)</u>
Comprehensive income	-	100,912	22,775,444	22,876,356
Distributions to the Province of Prince Edward Island	-	-	<u>(23,672,594)</u>	<u>(23,672,594)</u>
<b>Balance, end of year</b>	<u>101</u>	<u>326,277</u>	<u>9,323,875</u>	<u>9,650,253</u>

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

**PRINCE EDWARD ISLAND  
LOTTERIES COMMISSION**

Statement of Cash Flows  
March 31, 2024

	<b>2024</b>	<b>2023</b>
	\$	\$
<b>Cash provided (used) by:</b>		
<b>Operating Activities</b>		
Cash received from Atlantic Lottery Corporation Inc.	28,514,466	29,556,493
Cash received from other revenue	-	1,375
Cash paid to the harness racing industry	(4,188,273)	(5,082,316)
Cash paid to the City of Charlottetown	(400,000)	(376,000)
Cash paid for the Responsible Gaming Strategy	(191,920)	(237,950)
Cash paid for other expenses	(17,330)	(2,748)
<b>Cash provided by operating activities</b>	<u>23,716,943</u>	<u>23,858,854</u>
<b>Financing Activities</b>		
Distributions to the Province of Prince Edward Island	(42,571,494)	(11,041,841)
<b>Change in cash</b>	(18,854,551)	12,817,013
Cash, beginning of year	<u>41,484,181</u>	<u>28,667,168</u>
<b>Cash, end of year</b>	<u>22,629,630</u>	<u>41,484,181</u>

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

# PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Notes to Financial Statements  
March 31, 2024

---

## 1. Nature of Operations

The Government of Prince Edward Island operates no lotteries but the Province, through its ownership of the Prince Edward Island Lotteries Commission (the Commission), is a shareholder in the Atlantic Lottery Corporation Inc. (ALC) and the Interprovincial Lottery Corporation (ILC). The ALC is jointly owned by the four Atlantic Provinces or their lottery agency with each having 25 percent ownership. The ALC is responsible to develop, organize, undertake, conduct, and manage lotteries in Atlantic Canada. The ALC also markets, and handles regionally, the products of the ILC, which is jointly owned by the ten Canadian provinces. Net profits (losses) of the ALC and the ILC are distributed to the shareholders.

An agreement between the Commission and the ALC provides for the ALC to develop, organize, conduct, manage, and operate gaming entertainment centres as agent for and on behalf of the Commission. In the event this agreement is terminated, all assets held by the ALC on behalf of the Commission shall be transferred to the Commission and any related loans or other liabilities shall be assumed by and become obligations of the Commission.

The ALC's net profit is distributed to each of the four Atlantic Provinces or their lottery agency in accordance with the Amended and Restated Unanimous Shareholders' Agreement. Distributions during the year are based on the estimated net profit for each province, less any distributions made by the ALC on behalf of the provinces, with an adjustment subsequent to year-end to reflect the actual net profit for the year.

The Commission is owned by the Province of Prince Edward Island and is therefore a non-taxable entity under the provisions of the federal *Income Tax Act*. The head office of the Commission is located at:

Office of the Minister of Finance  
Second Floor South, Shaw Building  
95 Rochford Street, P.O. Box 2000  
Charlottetown, PE, C1A 7N8

## 2. Statement of Compliance and Approval

The financial statements of the Commission have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These financial statements were authorized for issuance by the Board of Commissioners on June 27, 2024.

# PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Notes to Financial Statements

March 31, 2024

---

## 3. Summary of Material Accounting Policy Information

### a) Disclosure of Accounting Policy Information

The Commission has applied amendments to IAS 1 – Disclosure of Accounting Policies which is effective for annual periods beginning on or after January 1, 2023. The amendments require the Commission to disclose its material accounting policy information, rather than its significant accounting policies. This change did not result in any additional accounting policies being disclosed.

### b) International Financial Reporting Standards (IFRS)

The financial statements have been prepared using the accounting policies specified by IFRS, issued and in effect as of March 31, 2024. The material accounting policy information used in the preparation of these financial statements is summarized below.

This material accounting policy information applies to all of the periods presented.

### c) Presentation of the Financial Statements

The financial statements are presented in accordance with International Accounting Standard 1 (IAS 1), "*Presentation of Financial Statements*". The Commission has elected to present a single statement of comprehensive income. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the functional currency of the Commission.

### d) 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.

### e) Investments

Investment in the Atlantic Lottery Corporation Inc. (ALC) is an equity investment accounted for using the equity method. Under the equity method, the investment is initially recognized at cost and subsequently the carrying amount is increased or decreased to recognize the Commission's share of income or losses from the investment and reduced by distributions received. Income and losses from the investment are recognized in the statement of comprehensive income.

Investment in the Interprovincial Lottery Corporation (ILC) is an equity investment with no quoted price on an active market whose fair value cannot be reliably measured. The Commission has adopted Fair Value through Profit and Loss as the basis for valuation of this asset class.

# PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Notes to Financial Statements  
March 31, 2024

---

## 3. Summary of Material Accounting Policy Information (continued...)

### f) International Financial Reporting Standards Issued but Not Yet in Effect

A number of new standards, amendments to standards, and interpretations of standards have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after April 1, 2024. The Commission has chosen not to early adopt as allowed by the International Financial Reporting Standards. The impact of these new accounting pronouncements is unknown at this time.

### g) Financial Risk Management Objectives and Policies

The Commission's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements, and actions. As part of the overall management of the entity's operations, management considers avoidance of undue concentrations of risk in managing the Commission's exposure.

## 4. Significant Accounting Judgements and Estimates

The preparation of financial statements in conformity with IFRS requires the use of judgements, assumptions, and estimates as at the date of the financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities, and the reported amounts of revenues and expenses during the reporting periods presented.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the financial statement date that reflects the most probable set of economic conditions and planned courses of action.

Items requiring the use of significant estimates include expected credit losses of \$94,750 (2023 - \$94,750), and amounts recorded in the Atlantic Lottery Corporation Inc. (ALC) financial statements such as the useful lives of tangible and intangible assets, impairment of financial and non financial assets, accrued liabilities, employee future benefits, development costs, fair value of financial instruments, liabilities for unclaimed prizes, and the Player Loyalty Program which all impact the net distribution and allocation of undistributed income or loss to the Commission. 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.

## 5. Contributed Surplus

Contributed surplus represents amounts paid by the Province of Prince Edward Island on behalf of the Commission to the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation in exchange for share capital.

# PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Notes to Financial Statements

March 31, 2024

---

## 6. Financial Instruments

Financial instruments reported on the Commission's statement of financial position include cash, accounts receivable, accounts payable, and investment in Interprovincial Lottery Corporation.

All financial instruments are initially recognized at fair value. Cash is measured at fair value. Accounts receivable and payable are short-term in nature, and the net carrying value is considered a reasonable approximation of fair value. Accounts receivable and payable are subsequently measured at amortized cost.

The Investment in the ILC represents one share of the ten shares issued by the ILC to the ten provinces in Canada. The outstanding ten common shares have no par value. It has been classified in level 3 of the fair value hierarchy, meaning the inputs into the determination of fair value are unobservable and require significant management judgement.

The Commission has determined that the fair value of the investment in the ILC should remain at a nominal value. The investment in the ILC allows for the coordination of national games, holding the unclaimed prize pools on behalf of the regional lottery authorities including the ALC. The ILC distributes its annual surplus to (recovers its deficit from) the regional lottery authorities. The Commission's participation in lotteries is conducted through the ALC and any value generated from its investment in the ILC is distributed through the ALC. The ALC is responsible for marketing the national games within PEI and for the recording of revenues and expenses generated by the national games. As described in Note 3(e) PEI's proportionate share of the ALC is included in the financial statements of the Commission.

## 7. Financial Risk Management

### Credit risk management

The Commission is exposed to credit risk through its trade receivables. The Commission mitigates this risk through a regular monitoring process. Credit risk is also mitigated due to the fact that most of the non impaired receivables are due from the associate company Atlantic Lottery Corporation Inc. Expected credit losses are reviewed at each financial statement date.

The Commission has an impaired receivable totalling \$94,750 (2023 - \$94,750) as described in Note 11. During fiscal year 2023-24, the Commission received nil (2023 - \$1,375) in restitution as a result of a judgement placed on the impaired receivable. The Commission continues to consider the collectability of the remaining balance as doubtful.

### Liquidity risk management

Liquidity risk is the risk that the Commission will not be able to meet all its cash outflow obligations as they come due. The Commission mitigates this risk by monitoring cash activities and expected outflows. The Commission does not have material liabilities that can be called unexpectedly at the demand of a lender or claimant. The Commission has no material

**PRINCE EDWARD ISLAND  
LOTTERIES COMMISSION**

Notes to Financial Statements  
March 31, 2024

**7. Financial Risk Management (continued...)**

commitments for capital expenditures and there is no need for such expenditures in the normal course of operations. All current liabilities are fully funded by the current assets of the Commission.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures, and methods used to measure the risk.

**8. Investment in Atlantic Lottery Corporation Inc. (ALC)**

The Commission uses the equity method to account for its investment in the ALC which involves recognizing its share of income and losses less distributions. The ALC reported the following results in its financial statements:

	<u>2024</u> \$ (in thousands)	<u>2023</u> \$ (in thousands)
Current assets	156,019	86,585
Non current assets	251,271	247,273
Current liabilities	(191,516)	(154,359)
Non current liabilities	<u>(94,422)</u>	<u>(60,875)</u>
Shareholder equity	<u>121,352</u>	<u>118,624</u>
<b>Commission portion of shareholder equity</b>	<u>9,923</u>	<u>9,650</u>
	<u>2024</u> \$ (in thousands)	<u>2023</u> \$ (in thousands)
Revenues (net)	872,680	843,901
Expenses	(328,427)	(297,953)
Other losses	<u>(57,225)</u>	<u>(53,699)</u>
Net income	487,028	492,249
Other comprehensive income (loss)	<u>2,707</u>	<u>(7,980)</u>
Comprehensive income	489,735	484,269
Income allocated to shareholders	<u>(487,007)</u>	<u>(492,232)</u>
Undistributed income (loss) to shareholders	<u>2,728</u>	<u>(7,963)</u>
<b>Commission portion of undistributed income (loss)</b>	<u>273</u>	<u>(796)</u>



**PRINCE EDWARD ISLAND  
LOTTERIES COMMISSION**

Notes to Financial Statements  
March 31, 2024

**9. Gaming Entertainment Centres**

On behalf of the Province, the Atlantic Lottery Corporation Inc. (ALC) constructed and operates Red Shores Racetrack & Casino at Charlottetown Driving Park. The ALC's consolidated financial statements include capital assets related to the Charlottetown gaming entertainment centre having a net book value of \$16,661,027 as at March 31, 2024 (2023 - \$13,708,263). The ALC commenced operating Red Shores at Summerside Raceway in August 2009, occupying facilities which are being leased from the City of Summerside. The ALC's consolidated financial statements include capital assets related to the Summerside gaming entertainment centre having a net book value of \$761,843 as at March 31, 2024 (2023 - \$1,044,072). This amount includes leasehold improvements of \$63,363 (2023 - \$209,383), and the right-to-use leased property of \$87,626 (2023 - \$350,504).

The ALC is recovering capital costs related to Red Shores Racetrack & Casino at Charlottetown Driving Park and Red Shores at Summerside Raceway through depreciation charges, which along with the Summerside gaming entertainment centre lease charges are included in the cost of operating the centres. The ALC's profit distributions to the Commission are adjusted to reflect any profit or loss resulting from its operation of the gaming entertainment centres.

**10. Grants to the Harness Racing Industry**

Grants to the harness racing industry provided through the Commission consist of the following:

	<u>2024</u>	<u>2023</u>
	\$	\$
Grant to PEI Harness Racing Industry Association	3,438,000	4,371,000
Grant to Prince County Horsemen's Club	121,000	143,037
Grant to Atlantic Provinces Harness Racing Commission	108,871	118,605
Grants to support the Matinee Racetracks	19,216	7,745
Grants for sales tax due from pari-mutuel wagering	457,976	420,172
Grants for other expenses	<u>25,000</u>	<u>1,369</u>
	<u>4,170,063</u>	<u>5,061,928</u>

**11. Accounts Receivable**

	<u>2024</u>	<u>2023</u>
	\$	\$
Atlantic Lottery Corporation Inc.	-	1,323,792
Other receivables	<u>94,750</u>	<u>94,750</u>
	94,750	1,418,542
Less: Expected credit losses	<u>(94,750)</u>	<u>(94,750)</u>
	<u>-</u>	<u>1,323,792</u>

# PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Notes to Financial Statements  
March 31, 2024

---

## 12. Grant to the City of Charlottetown

The grant to the City of Charlottetown (the City) is pursuant to an arrangement between the City and the Province of Prince Edward Island, whereby the City was to receive \$400,000 per annum for ten years beginning with the year ended December 31, 2005. The original agreement ended in December 2014. Treasury Board authorized a five year extension of the agreement for fiscal years 2015-16 to 2019-20. Although the agreement expired in 2020, the Commission agreed to extend the grant in 2021, 2022, 2023 and 2024, and included a \$400,000 grant to the City of Charlottetown in the 2021, 2022, 2023 and 2024 budgets. This amount is subject to adjustment if the Charlottetown gaming entertainment centre operates less than 300 days in a given year. As the facility was operational for more than 300 days during the 2023-24 fiscal year, a payment of \$400,000 was provided. The facility was not operational for 18 days during the 2022-2023 fiscal year due to weather and other events, and as a result, the amount payable was determined to be \$376,000.

## 13. Commitments

### a) Responsible Gaming Strategy

Implementation of the Province's Responsible Gaming Strategy began in 2010. The objective of the strategy is to prevent and reduce problems associated with gaming, while maximizing its potential social and economic aspects for Islanders. An updated Responsible Gaming Strategy for 2023-28 was released during the 2023-24 fiscal year.

The Commission entered into a funding agreement during the 2022-23 fiscal year with the Department of Health and Wellness to provide funding to the Provincial Gambling Support Unit to assist with the on-going implementation of a Responsible Gaming Strategy. The Commission has committed a maximum annual amount of \$500,000 per year over the agreement period of April 1, 2022 to March 31, 2025. Activities carried out by the Department of Health and Wellness amounted to \$470,665 during the 2023-24 fiscal year (2023 - \$191,920).

### b) Operating Leases

The Commission, as a shareholder in the ALC is responsible for a portion of the variable, low value, and short-term leases entered into by the ALC. The following is a schedule of the portion of these lease payments pertaining to the operations of the Commission.

<u>Fiscal Year</u>	<u>Amount</u>
	\$
2025	135,741
2026	135,154
2027	128,698
2028	7,895
2029	7,895
Thereafter	1,625

# PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Notes to Financial Statements  
March 31, 2024

---

## 13. Commitments (continued...)

### c) Other Commitments

The Commission, as a shareholder in the ALC is responsible for a portion of the multiple agreements for infrastructure services, application services, and project services entered into by the ALC. The Commission's portion of the ALC's annual payments for other commitments over the next five years are as follows:

<u>Fiscal Year</u>	<u>Amount</u> \$
2025	1,285,578
2026	1,181,589
2027	481,963
2028	215,340
2029	210,615
Thereafter	-

### d) Prince Edward Island Harness Racing Industry Association Funding

Subsequent to March 31, 2024, the Commission entered into a funding agreement with the Prince Edward Island Harness Racing Industry Association (PEIHRIA) to assist with continued efforts to enhance the positive economic and cultural contributions of the harness racing industry in PEI and to advance the industry's sustainability. The Commission has committed a maximum amount of \$23,233,000 to be paid over the April 1, 2024 to March 31, 2027 agreement period as follows:

<u>Fiscal Year</u>	<u>Amount</u> \$
2025	6,007,000
2026	7,577,000
2027	9,649,000

## 14. Related Party Transactions

The Commission is owned by the Province of Prince Edward Island. Any excess revenues over expenses of the Commission are distributed to the Province as shown on the statement of changes in shareholder equity. Other transactions with the Province, its Crown corporations, and agencies are recorded at rates as determined by the Province.

There are resources provided to the Commission by the Province of Prince Edward Island such as office facilities, support services, salaries, and employee future benefits. These costs are assumed by the Province and not reflected in these financial statements.

# PRINCE EDWARD ISLAND LOTTERIES COMMISSION

Notes to Financial Statements  
March 31, 2024

## 14. Related Party Transactions (continued...)

The following is a summary of operations conducted by the Atlantic Lottery Corporation Inc. (ALC) on behalf of the Commission. Net profits were distributed to the Commission as follows:

	<u>Gross Profit</u> \$	<u>Expenses</u> \$	<u>Net Profit</u> <u>2024</u> \$	<u>Net Profit</u> <u>2023</u> \$
Lottery ticket sales-in person	12,873,931	(5,451,379)	7,422,552	7,099,830
Lottery ticket sales-online	7,080,436	(3,181,314)	3,899,122	4,443,059
Video lottery sales	17,653,920	(6,003,906)	11,650,014	12,036,333
Red Shores at Charlottetown Driving Park	20,418,012	(16,455,166)	3,962,846	5,783,206
Red Shores at Summerside Raceway	<u>2,653,399</u>	<u>(2,741,505)</u>	<u>(88,106)</u>	<u>(58,613)</u>
Total	<u>60,679,698</u>	<u>(33,833,270)</u>	<u>26,846,428</u>	<u>29,303,815</u>

Included in the net profit distribution is an expense of \$355,844 (2023 - \$336,875) that the ALC remitted to the Interprovincial Lottery Corporation on behalf of the Commission.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of net profit attributable to the Commission as determined by the net profit of the ALC in accordance with the ALC's financial reporting framework.

## 15. Pensions and Employee Benefits

The Atlantic Lottery Corporation Inc. participates in a multiple-employer defined benefit contributory pension plan. The ALC also provides certain post-employment healthcare benefits, long service awards, extended health and dental benefits, life insurance, and ad-hoc supplementary pensions. For fiscal year 2023-24 there were no required special payments for pensions or future employee benefits. The portion of expenditures allocated to the Commission through the ALC's profit distributions related to pensions is \$1,125,468 (2023 - \$74,192) and \$140,163 (2023 - \$166,420) related to future employee benefits.

## 16. Capital Management

The Commission's capital is its equity which consists of the outstanding investment in the Atlantic Lottery Corporation Inc. The objective when managing capital is to provide an adequate return to enable it to meet its funding obligations. The Commission sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Commission may reduce its funding contributions to the Province. The Commission is not subject to any externally imposed capital requirements or financial debt covenants and does not presently utilize any quantitative measures to maintain capital.

