

Financial Statements of

iGaming Ontario

Period ended March 31, 2022

iGaming Ontario

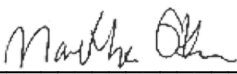
Management Statement of Responsibility for Financial Reporting

Responsibility for Financial Reporting:

The accompanying Financial Statements of iGaming Ontario (iGO) have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to August 10th, 2022.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Board of Directors that is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Board has appointed a Finance, Audit and Risk Management Committee. The financial statements have been reviewed by the Finance, Audit and Risk Management Committee and approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion as to whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.



Executive Director

Martha Otton



Senior Manager Finance

Denise Klimczak



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To iGaming Ontario

Opinion

I have audited the financial statements of the iGaming Ontario, which comprise the statement of financial position as at March 31, 2022, and the statements of operations and accumulated deficit, change in net debt and cash flows for the period from July 6, 2021 to March 31, 2022, 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 iGaming Ontario as at March 31, 2022, and the results of its operations and accumulated deficit, changes in its net debt and its cash flows for the period from July 6, 2021 to March 31, 2022 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 iGaming Ontario in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The *Criminal Code* of Canada (Code) only permits the conduct and management of commercial gaming by provincial governments. The term “conduct and manage” is not specifically defined by the Code and has not been interpreted by the courts in the context of internet gaming being provided by third-party gaming operators. iGaming Ontario, an agency of the Government of Ontario, has entered into commercial agreements with third-party gaming operators to allow them to offer internet gaming directly to Ontario consumers beginning April 4, 2022. iGaming Ontario has assumed the legal risk of whether this operating model meets the “conduct and manage” requirement set out in the Code.

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

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

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

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Those charged with governance are responsible for overseeing iGaming Ontario's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Toronto, Ontario
August 10, 2022

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

iGaming Ontario

Statement of Financial Position

March 31, 2022

(In thousands of dollars)

	2022
Financial Assets:	
Cash	\$ 3
	3
	\$ 3
Liabilities:	
Due to the Alcohol and Gaming Commission of Ontario (Note 7a)	\$ 7,264
Non-pension employee benefits (Note 3)	288
HST payable (Note 5)	1,241
	8,793
Net Debt	(8,790)
Non-financial assets:	
Tangible capital assets (Note 4)	66
	66
Accumulated Deficit	\$ (8,724)

See accompanying notes to financial statements.

On behalf of the Board:

 Chair

 Director

iGaming Ontario

Statement of Operations and Accumulated Deficit
For the period July 6, 2021 to March 31, 2022
(In thousands of dollars)

	For the period July 6, 2021 to March 31, 2022
Revenue:	
Gaming revenue (Note 1.2)	\$ -
Expenses:	
Salaries and benefits (Note 7a)	3,328
General operating, administration and other (Note 6 and Note 7a))	1,739
Information technology/Infrastructure services (Note 7a)	2,054
Marketing and promotion (Note 7a)	346
Amortization of tangible capital assets (Note 4)	16
HST expense (Note 5)	1,241
Annual deficit	(8,724)
Accumulated deficit, beginning of year	-
Accumulated deficit, end of year	\$ (8,724)

See accompanying notes to financial statements.

iGaming Ontario

Statement of Changes in Net Debt
For the period from July 6, 2021 to March 31, 2022
(In thousands of dollars)

	For the period July 6, 2021 to March 31, 2022
Annual deficit	\$ (8,724)
Tangible capital assets:	
Net acquisition of tangible capital assets (Note 4)	(82)
Amortization of tangible capital assets (Note 4)	16
	(66)
Increase in net debt	(8,790)
Net debt, beginning of year	0
Net debt, end of year	\$ (8,790)

See accompanying notes to consolidated financial statements.

iGaming Ontario

Statement of Cash Flows

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

	For the period July 6, 2021 to March 31, 2022
Operating activities:	
Annual deficit	\$ (8,724)
Adjustment for non-cash expenses:	
Amortization of tangible capital assets	16
Changes in non-cash working capital:	
Increase in Due to the Alcohol and Gaming Commission of Ontario	7,264
Increase in HST payable	1,241
Increase in Non-pension employee benefits	288
Net cash provided by operating activities	85
Investing activities	
Purchase of Tangible capital assets	(82)
Net cash provided by investing activities	(82)
Net change in cash	3
Cash at beginning of year	-
Cash at end of year	\$ 3

iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

1. Nature of entity:

1.1 Nature of operations

iGaming Ontario (iGO) was established on July 6, 2021 as a subsidiary corporation of the Alcohol and Gaming Commission of Ontario (AGCO) pursuant to Ontario Regulation 517/21 under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* and continued under Ontario Regulation 722/21 under the *Alcohol and Gaming Commission of Ontario Act, 2019* (the "Regulation"). iGO is a corporation without share capital.

The AGCO recommends appointments to the board of iGaming Ontario to the Attorney General. The Attorney General is responsible for appointing board members to iGaming Ontario based on these recommendations. The Minister of Finance determines the timing of any cash remittances from iGaming Ontario to the Province of Ontario. As a result, the financial results of iGO are not consolidated into the AGCO's financial statements as iGO is controlled by the Province of Ontario and is consolidated into the Province's financial statements.

iGO's objects and duties are to develop, undertake and organize prescribed online gaming schemes, to promote responsible gaming on those schemes, and to conduct and manage the schemes in accordance with the *Criminal Code* (Canada) and the *Gaming Control Act, 1992*. iGO makes payments out of the revenue that it receives from all prescribed online gaming schemes and that it generates from its conduct and management of those schemes in priority established in the Regulation.

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

iGO's head office and corporate office, respectively, are located at: 90 Sheppard Avenue East, North York, Ontario, Canada, M2N 0A4.

1.2 Launch of Internet Gaming Market

On April 4, 2022, iGO launched the new market for internet gaming in Ontario. On this date, private gaming operators that executed an operating agreement with iGO could begin offering their games to players in Ontario. Private gaming operators will operate internet gaming sites on behalf of iGO in accordance with these agreements.

As at August 10, 2022, iGO has entered into operating agreements with 21 private gaming operators. For the period July 6, 2021 to March 31, 2022, iGO earned no gaming revenue since the market was launched subsequent to the end of the period.

2. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting ("PSAS") for provincial reporting entities established by the Canadian Public Sector Accounting Board, and include the following significant accounting policies:

iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

(a) Tangible capital assets:

iGO capitalizes the cost of all additions to tangible capital assets that have an expected useful life of one year or longer. When tangible capital assets are disposed of, the cost of the asset and the related accumulated amortization are removed from the books and the resulting gain or loss on disposal, if significant, is included in net assets on the statement of financial position.

The tangible capital assets are amortized on a straight-line basis over their expected useful life as follows:

Asset	Useful life
Computer hardware	3 years

(b) Currency

These Financial Statements are presented in Canadian dollars.

(c) Measurement Uncertainty:

The preparation of these Financial Statements in conformity with PSAS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Areas requiring the use of significant estimates include: the useful life of capital assets and other employee future benefits.

(d) Financial instruments:

iGO's financial instruments are measured as follows:

Cash	Amortized cost
Due to the Alcohol and Gaming Commission of Ontario	Amortized cost
HST payable	Amortized cost

iGO's financial instruments are initially measured at fair value and subsequently measured at amortized cost.

iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

All non-derivative financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(e) Budgeted figures:

In accordance with PSAS, financial statements need to provide a comparison of actual and budgeted financial results. iGO was established as a legal entity effective July 6, 2021 and accordingly did not have an approved budget established by its Board of Directors or its oversight body, the Ministry of the Attorney General in its first period of operations. As such, a comparison of actual and budgeted financial results is not presented in the Statement of Operations and Accumulated Deficit.

3. Non-pension employee benefits:

(a) Other post-employment benefit plans:

Certain employees of iGO participate in the Public Service Pension Plan (PSPP) and the Ontario Public Service Employees Union Pension Plan (OPSEUPP), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario is the sole sponsor of PSPP and a joint sponsor of OPSEUPP with the Ontario Public Service Employees Union. The sponsors of these plans determine iGO's annual payments to the respective plans. iGO's responsibilities with regard to PSPP and OPSEUPP are limited to its contributions. Payments made to the plans are recognized as an expenditure in the period the contributions become payable. iGO's required annual payments of \$190 is included in Salaries and Benefits in the Statement of Operations and Accumulated Deficit.

(b) Separation costs

Separation costs made to employees are recognized as an employee benefits expense when payment is made. For the year ended March 31, 2022, these separation costs amount to \$65.

(c) Non-pension post-employment benefits:

The cost of non-pension benefits for eligible pensioners is paid by the Province of Ontario and are not included in the financial statements.

4. Tangible capital assets

The following table presents the net book value and changes in the cost and accumulated amortization of the tangible capital assets for the period ended March 31, 2022:

	Computer hardware	Total
Cost - additions	\$ 82	\$ 82
Accumulated amortization	16	16
Net book value	\$ 66	\$ 66

iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

5. Harmonized sales tax (HST)

iGO makes GST/HST remittances to the Government of Canada on the basis of being a Prescribed Registrant pursuant to the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*. iGO's net tax for a reporting period is calculated using net tax attributable to online gaming activities.

The non-recoverable GST/HST payable to suppliers and the additional imputed tax payable to the Government of Canada on online gaming-related expenses were recognized as payments to the Government of Canada, which is recorded in HST expense in the Statement of Operations and Accumulated Deficit.

The net tax attributable to online gaming activities results in a 26 per cent tax burden on most taxable online gaming expenditures incurred by iGO.

6. General operating, administration and other

General Operating, Administration and Other expenses of \$1,739, includes \$1,160 of professional services related to financial and management consulting and \$484 of legal advisory services.

7. Related parties

iGO is related to various other government agencies, ministries and Crown Corporations. All transactions with these related parties are within the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

(a) Alcohol and Gaming Commission of Ontario (AGCO)

Effective September 6, 2021, iGO and the AGCO entered into a Shared Resource Agreement (SRA). The SRA provides iGO primarily with people resources related to certain shared human resources, payroll, procurement and information technology services on a cost recovery basis. In addition to the costs for these shared services, the AGCO paid for all of iGO's transactions (including salaries and benefits of iGO employees and direct vendor invoices).

For the period July 6, 2021 to March 31, 2022, amounts charged to iGO, net of harmonized sales tax (HST), by the AGCO were as follows:

iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

Direct operating expenses:		
Salaries and benefits	\$	2,493
General operating, administration and other		1,707
Information technology/Infrastructure services		1,999
Marketing and promotion		346
Shared resources expenses:		
Salaries and benefits		547
General operating, administration and other		35
Information technology/Infrastructure services		55
Tangible capital assets		82
	\$	7,264

The balance due to the AGCO, net of harmonized sales tax, of \$7,264, is separately disclosed in the Statement of Financial Position. The associated HST on the amounts as presented in the table above is included in HST expense in the Statement of Operations and Accumulated Deficit and is included in HST payable in the Statement of Financial Position. Amounts are non-interest bearing with no specified terms of repayment.

Prior to the incorporation of iGO on July 6, 2021, the AGCO incurred \$954 (2021 - \$902) in costs relating to the development of a framework for a market for internet gaming offered through private gaming operators. These costs will not be recovered from iGO.

(b) Ministry of the Attorney General (MAG)

The Ministry of the Attorney General provides the AGCO with leased office space and iGO is utilizing a portion of the space at no charge.

8. iGaming Ontario Board of Directors' remuneration

iGaming Ontario's Board of Directors are part time appointees. Total remuneration paid to the Board of Directors during the year was \$1.

9. Financial risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. iGO is exposed to this risk relating to its cash. iGO holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

iGaming Ontario

Notes to Financial Statements

For the period July 6, 2021 to March 31, 2022

(In thousands of dollars)

(b) Liquidity risk:

Liquidity risk is the risk that iGO will be unable to fulfill its obligations on a timely basis or at a reasonable cost. As noted in Note 5(a), the AGCO paid for all of iGO's transactions for the period July 6, 2021 to March 31, 2022. Amounts due to the AGCO are non-interest bearing with no specified terms of repayment.