

69th Annual Report

2022–2023



**NORTHWEST TERRITORIES
LIQUOR AND
CANNABIS
COMMISSION**

Photo credit:
JCVossler



The Honourable Caroline Wawzonek

NWT Liquor & Cannabis Commission

Pursuant to Subsection 64 (1) of the Liquor Act, we are pleased to submit the sixty-ninth Annual Report of the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2023.

We wish to express our thanks to our staff for all their support and contributions to the progress of the Commission during the year.

Jodi Cook-Vossler
Acting Director, Liquor & Cannabis Operations
NWT Liquor & Cannabis Commission

Terence Courtoreille
A/Deputy Minister
Department of Finance

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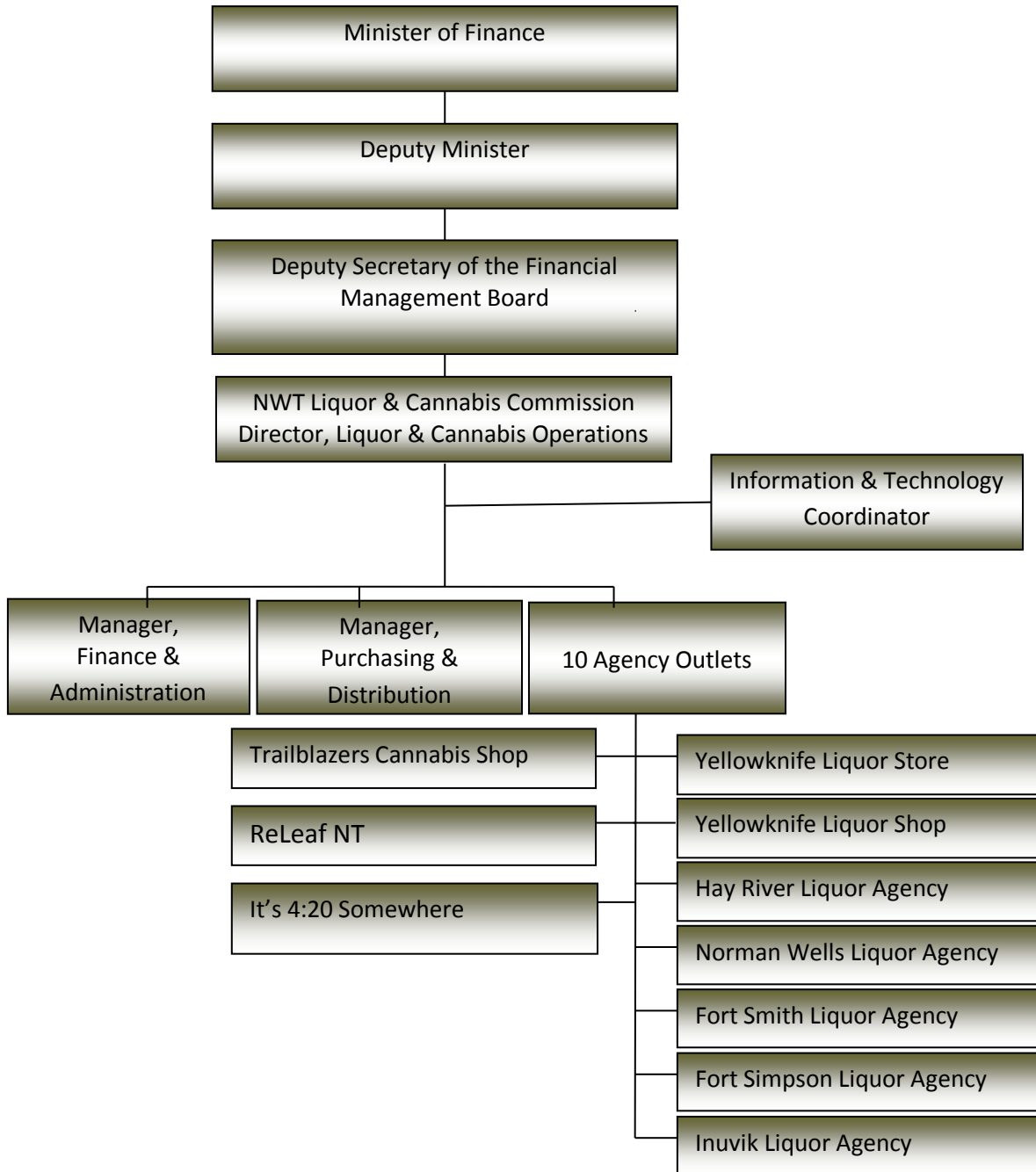
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Organization Chart





Northwest Territories Liquor & Cannabis Commission

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Report on Liquor



Director of Liquor & Cannabis Operations' Report

The Northwest Territories Liquor & Cannabis Commission (NTLCC) is established under the *Liquor Act*. The *Liquor Act* and the *Cannabis Products Act* of the Northwest Territories authorizes the NTLCC to purchase, sell, classify, and distribute liquor and cannabis in the Northwest Territories.

The 2022-2023 fiscal year showed an 2.45% sales decrease over the prior fiscal year at \$54 million in liquor sales. The overall volume of liquor sold, in litres, decreased by 3.05% over 2021-2022. Subsequently, the annual surplus for liquor was 4.23% below budget targets.

Cannabis sales increased over 2021-22 by 1.6%, at \$7.6 million in cannabis sales. Product selection and supply continue to improve across Canada.

Combined sales for liquor and cannabis products of \$62 million provided for a total \$26 million dividend payment to the Government of the Northwest Territories.

Sale and distribution of liquor is carried out through a network consisting of seven retail outlets, which are contracted to private sector operators. Three of the seven retail outlets also sell cannabis. There is one private cannabis store in Hay River and two in Yellowknife; one which also operates as an online store, providing the only legal online cannabis sales to residents of the NWT.

The strategic plan of the Commission for Liquor and Cannabis focuses on three key areas for measuring performance:

1. Efficient operation, and compliance with legislation, regulation, and policy
2. Social Responsibility
3. Financial Income Targets

These areas serve as a guideline for incorporating our mission statement into day-to-day activities. The success of the organization should not be measured in financial performance alone, and the responsibility of the Commission includes ensuring performance as a responsible industry partner, and as a socially responsible member of society. The Commission was successful in meeting the goals established in the strategic plan.

The NTLCC and our private retailers continued with health & safety measures required by the Covid-19 Public Health Orders, ensuring the safety of staff and customers.

Now that restrictions have been lifted, we are seeing our sales figures more in line with numbers and targets prior to the unprecedented growth that occurred throughout Covid.

I would like to thank our staff, agents, customers, and partners for a safe and successful year.

A handwritten signature in blue ink, appearing to read "Jodi Cook-Vossler".

Jodi Cook-Vossler
Acting Director, Liquor & Cannabis Operations



Mandate

Vision

Our customers will have a healthy and responsible attitude toward alcohol consumption, and we will provide them the opportunity to discover, enjoy and share a wide variety of beverage alcohol.

Mission Statement

We will be an innovative, efficient and profitable organization, dedicated to the retail and wholesale distribution of beverage alcohol, and promote the development of a healthy and responsible drinking culture.

Values

We value our customers and employees.

We encourage and support the responsible use of alcohol.

We will be efficient and cost effective.

We will be responsible for our actions and will be honest and fair.

We will treat others with dignity and courtesy.

We will support one another to achieve our goals.

Operations

To respond to the needs and concerns of our customers and stakeholders in the fiscal year 2022–2023 we:

- Delivered a wide variety of quality beverage alcohol products through our network of stores.
- Promoted safe and responsible use of beverage alcohol.

Strategic Objectives

Goal #1 – Management & Compliance

Operations are managed efficiently and comply with legislation, regulation, and policy.

Performance Highlights

The operational structure of the NTLCC is designed to deliver optimal service levels for the best possible costs and consists of a headquarters administrative staff of ten and a network of seven stores - operated by private contractors.

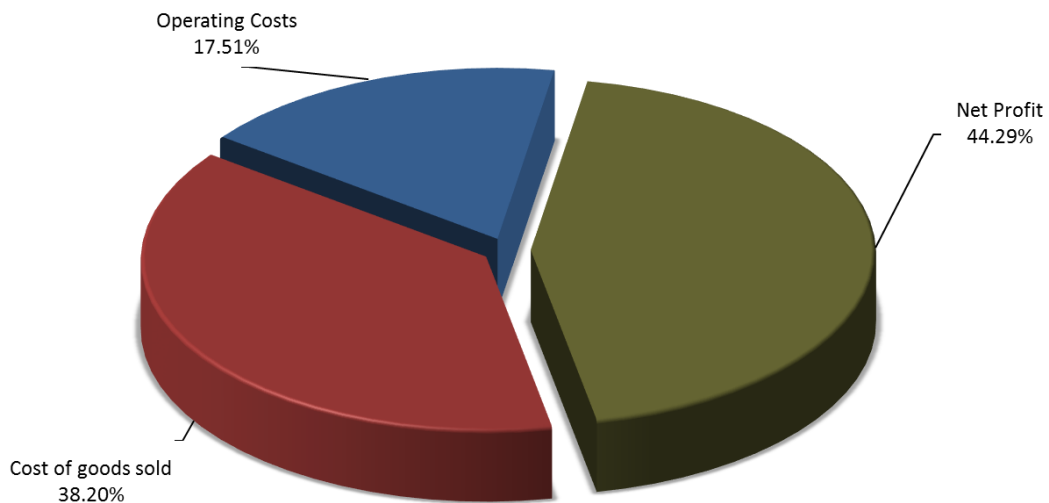
All seven of the private agency stores operate with inventory on consignment from the Commission. Sales to consumers and licensees are incurred through sales by the consignment stores.

Operational compliance with contracts, regulation and legislation by the store operators was maintained throughout the year. The operations of all liquor outlets are monitored monthly and visited periodically by headquarters management.

Application of Revenues

The cost to deliver the sales and administration throughout the year was 17.51% of sales revenue, of which 11.97% was paid to liquor store contractors in Commissions.

for the year ended March 31, 2023



Goal #2 – Social Responsibility

Actively and continuously promote the responsible use of alcohol.

Performance Highlights

Liquor server training is mandatory in all NWT liquor stores. All liquor store service personnel must successfully complete the NTLCC liquor store training program and demonstrate competence in the service of beverage alcohol.

Social Responsibility, cont.

The Check 25 program is intended to strengthen controls concerning service to minors. The program conditions our customers to expect to be asked for proof of identification if they appear to be under the age of 25.

The NTLCC applies warning labels to beverage alcohol containers. The labels warn of the Dangers of Alcohol Consumption during pregnancy, and while driving.

Reusable bags are provided in our liquor stores as an alternative to single use paper or plastic bags.

The NTLCC participates with the Canadian Association of Liquor Jurisdictions (CALJ) Social Responsibility Committee in support of socially responsible liquor retailing on a nationwide basis. NTLCC works with other jurisdictions to monitor trends, work collaboratively, facilitate cross-jurisdictional activities where opportunities exist for efficiency/effectiveness, share campaign initiatives, exchange information, present best practices and discuss themes or trends emerging in the field.

We continue to promote awareness that drinking and driving extends to the use of recreational vehicles, through our Choose to be Unimpaired posters.



Social Responsibility, cont.

The NTLCC promotes increased awareness of Canada’s Low-Risk Drinking Guidelines, in all Stores through making available pamphlets and displaying posters as provided by the Canadian Centre on Substance Use and Addictions.

The NWT Liquor & Cannabis Commission, in partnership with the Foster Family Coalition, Mom's Boobs & Babies, and the Government of the NWT launched the joint FASD Awareness Campaign.

We provided the posters to communities to display in Liquor Stores, Licensees (who agreed to participate), Recreational Centres, Community Offices, and any other location that would have an impact on residents.



The NTLCC assists with annual sponsoring of the Foster Family Coalition of the NWT FASD Awareness Day activities on Sept 9.

The NTLCC continued their “Moderation is always in Good Taste! – Drink Responsibly” campaign with My True North Now radio station during 2022-23.

Goal #3 – Financial Targets

Meet financial income targets.

Performance Highlights

The end of Covid 19 restrictions in the NWT and opening of the border contributed to a decline in sales volumes in overall litres for the first time in three years. Overall litre sales were down (3.05%). An increase in operating expenses has also contributed to lower surplus. The NTLCC annual surplus was (6.80%) below the previous fiscal year and fell short of the budgeted target by (4.23%). These numbers are more in line with sales numbers and targets prior to the unprecedented growth that occurred throughout Covid.

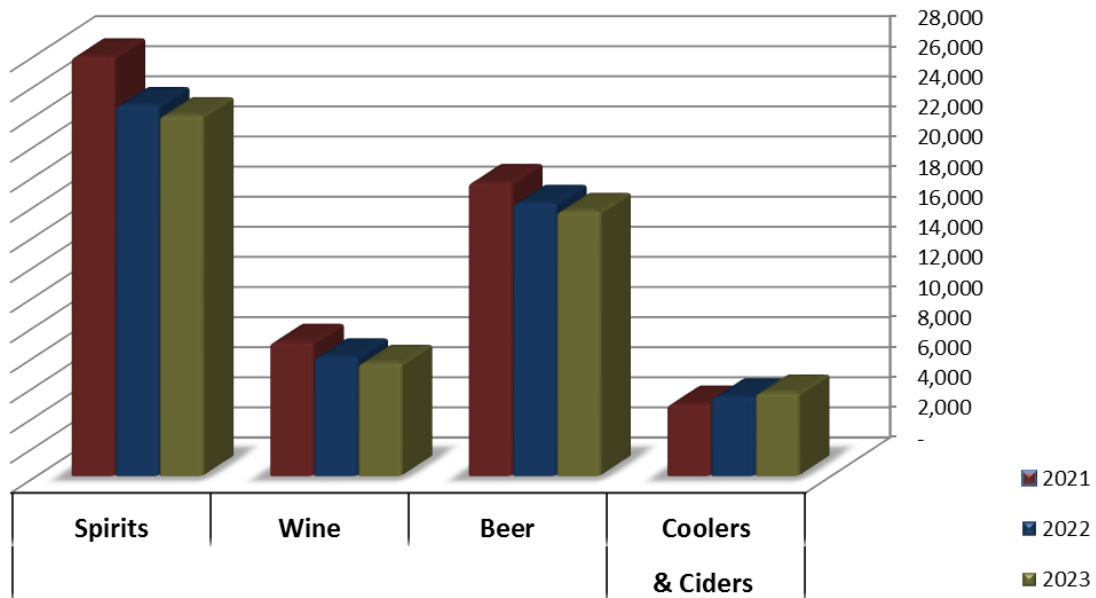
Five Year Performance History

for the year ending March 31
(000's)

	2023	2022	2021	2020	2019
Gross Sales	54,374	55,741	60,865	52,508	52,822
Gross Profit	33,594	34,892	38,638	33,310	33,482
as a % of sales	61.8%	62.6%	63.5%	63.4%	63.4%
Other Income	15	6	19	28	7
Net Surplus	23,972	25,721	29,338	24,652	24,924
as a % of sales	44.1%	46.1%	48.2%	47.5%	47.2%
Operating Expenses	9,637	9,177	9,319	8,686	8,565
as a % of sales	17.7%	16.5%	15.3%	16.5%	16.2%

Three Year Dollar Sales by Category

Gross Dollar Sales had an over-all decrease of (2.45%) from 2022; with decreases in the Spirits (2.73%), Wine (5.36%), Beer (2.94%) and an increase in Coolers & Ciders 4.95%.



Three Year Dollar Sales by Category

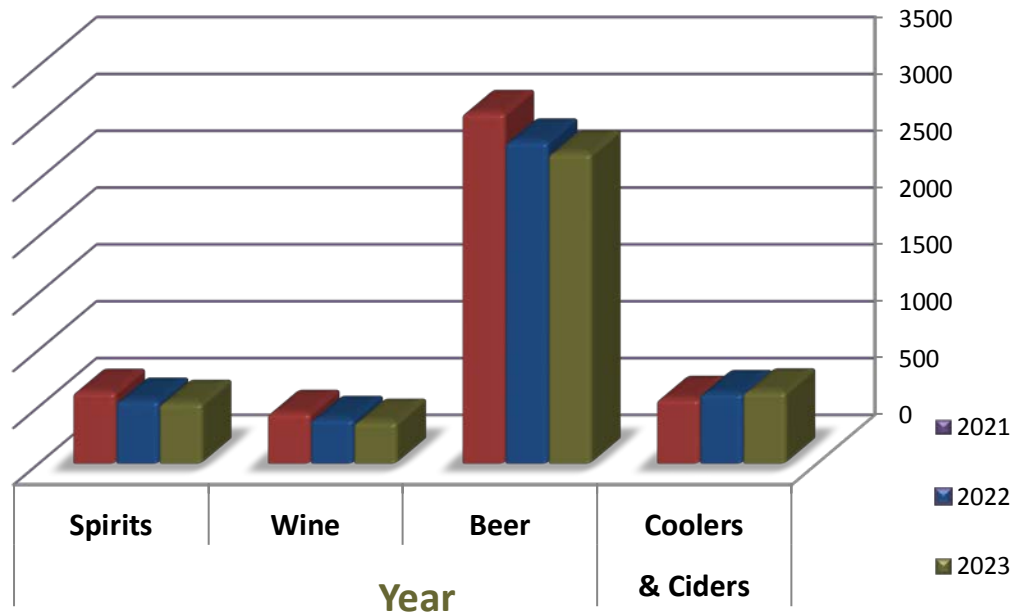
for the year ending March 31

(000's)

	Spirits	Wine	Beer	& Ciders Coolers	Total
2021	27,814	8,848	19,467	4,736	60,865
2022	24,575	7,875	18,078	5,213	55,741
2023	23,904	7,453	17,546	5,471	54,374

Three Year Litre Sales by Category

Litre Sales had an overall decrease of (3.05%) from 2022. There was a decline in Spirits (3.68%), Wine (6.54%), Beer (3.65%) and growth in Coolers & Ciders of 2.46%.



Three Year Litre Sales by Category

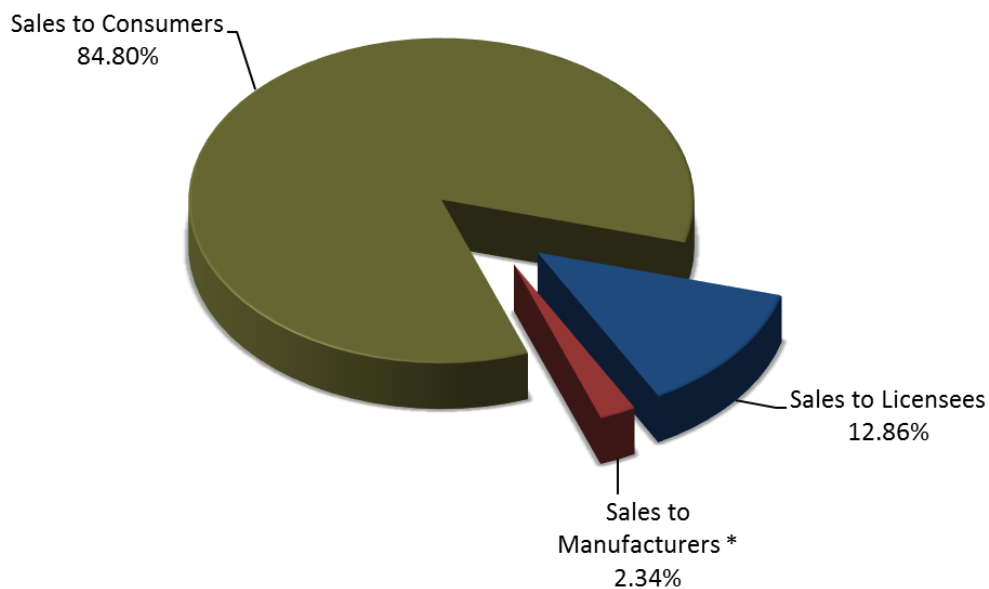
for the year ending March 31
(000's)

	Spirits	Wine	Beer	Coolers & Ciders	Total
2021	620	435	3,074	558	4,687
2022	543	382	2,823	609	4,357
2023	523	357	2,720	624	4,224

Litre Sales by Distribution Channel

Litre Sales by Distribution decreased over 2022. There was a decrease in Consumer Sales of (5.79%), and increases in both Manufacturer Sales 15.78%, and Licensee Sales 13.79%.

for the year ended March 31, 2023



* Manufacturer's license markup; per the Liquor Regulations (4.1) A licence holder referred to in paragraph (4)(a) or (b) who sells liquor directly to patrons in the Northwest Territories is deemed to have first sold the liquor to the Commission and purchased it back from the Commission.

Three Year Litre Sales by Distribution Channel

for the year ending March 31

(000's)

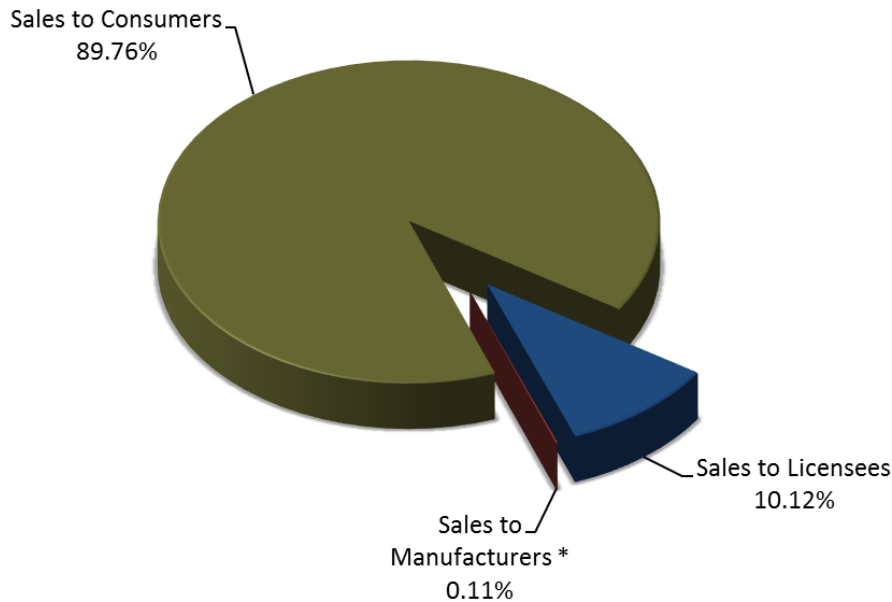
	2023	2022	2021
Sales to Consumers	3,582	3,802	4,174
Sales to Licensees	543	469	419
Sales to Manufacturers *	99	87	93
Total	4,224	4,358	4,686

Dollar Sales by Distribution Channel

Gross Dollar Sales by Distribution decreased from 2022. Consumer Sales decreased (4.39%), while Licensee Sales increased 18.77% and Manufacturer Sales increased 6.90%.

The increase in both Licensee Sales and Manufacturer Sales is in part due to the reopening of licensee establishments following a couple years of closures and restrictions due to Covid-19.

for the year ended March 31, 2023



* Manufacturer’s license markup; per the Liquor Regulations (4.1) A licence holder referred to in paragraph (4)(a) or (b) who sells liquor directly to patrons in the Northwest Territories is deemed to have first sold the liquor to the Commission and purchased it back from the Commission.

Three Year Dollar Sales by Distribution Channel

for the year ending March 31

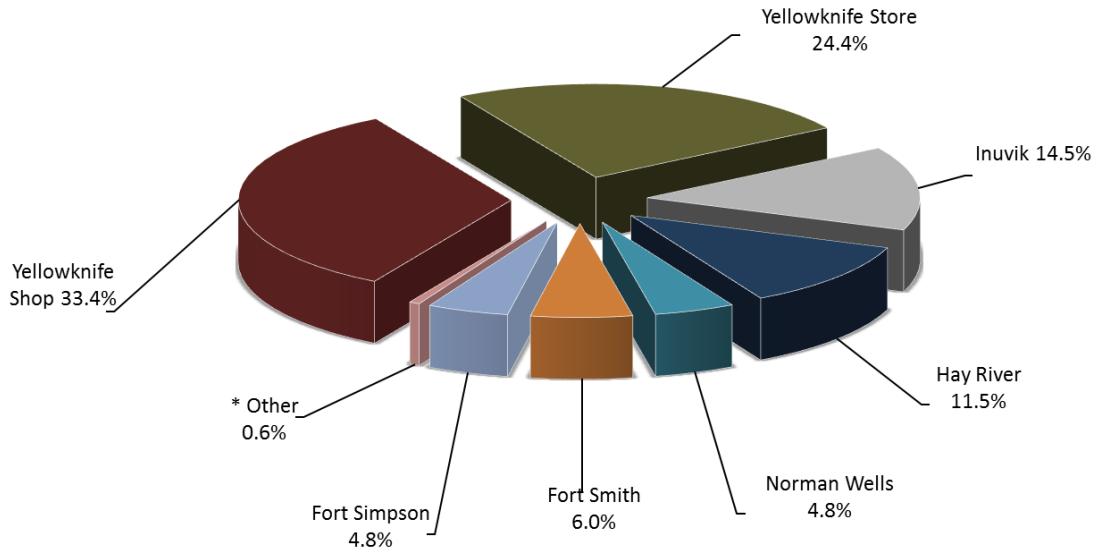
(000's)

	2023	2022	2021
Sales to Consumers	48,807	51,048	56,106
Sales to Licensees	5,505	4,635	4,697
Sales to Manufacturers *	62	58	62
Total	54,374	55,741	60,865

Store Operations

Location Sales

for the year ending March 31, 2023



Sales by Location

for the year ending March 31

(000's)

	2023	2022	2021	2020	Increase (Decrease)
Yellowknife Shop	18,157	17,864	18,951		293
Yellowknife Store	13,262	13,444	15,724	12,727	(182)
Inuvik	7,876	8,145	8,420	7,395	(269)
Hay River	6,272	7,217	8,057	6,362	(945)
Norman Wells	2,588	2,417	2,755	2,704	171
Fort Smith	3,264	3,304	3,477	3,087	(40)
Fort Simpson	2,616	3,036	3,177	2,381	(420)
* Other	339	314	304	265	25
Total	54,374	55,741	60,865	34,921	(1,367)



Statement of Operations by Location

(for the year ended March 31, 2023 with comparative figures for 2022)
(revenue and expenses directly related to sales per location)

Yellowknife Shop

(\$000's)

	Spirits	Wine	Beer	Coolers	2023 Total	2022 Total
Sales						
Consumers	6,204	2,399	4,645	1,722	14,970	15,829
Licensees	849	562	1,513	264	3,188	2,035
	<u>7,053</u>	<u>2,961</u>	<u>6,158</u>	<u>1,986</u>	<u>18,158</u>	<u>17,864</u>
Cost of goods sold	<u>2,336</u>	<u>1,472</u>	<u>2,698</u>	<u>864</u>	<u>7,370</u>	<u>7,064</u>
Gross margin	4,717	1,489	3,460	1,122	10,788	10,800
Other income					-	-
Operating expenses					<u>2,810</u>	<u>2,505</u>
Net income					<u>7,978</u>	<u>8,295</u>

Yellowknife Store

(\$000's)

	Spirits	Wine	Beer	Coolers	2023 Total	2022 Total
Sales						
Consumers	6,503	2,499	3,273	987	13,262	15,724
Licensees	-	-	-	-	-	-
	<u>6,503</u>	<u>2,499</u>	<u>3,273</u>	<u>987</u>	<u>13,262</u>	<u>15,724</u>
Cost of goods sold	<u>2,016</u>	<u>1,144</u>	<u>1,459</u>	<u>428</u>	<u>5,047</u>	<u>5,756</u>
Gross margin	4,487	1,355	1,814	559	8,215	9,968
Other income					-	-
Operating expenses					<u>1,283</u>	<u>1,574</u>
Net income					<u>6,932</u>	<u>8,394</u>



Statement of Operations by Location, Cont.

(for the year ended March 31, 2023 with comparative figures for 2022)
(revenue and expenses directly related to sales per location)

Inuvik Operations

(\$000's)

	Spirits	Wine	Beer	Coolers	2023 Total	2022 Total
Sales						
Consumers	3,689	580	2,230	880	7,379	8,037
Licensees	107	17	311	62	497	380
	<u>3,796</u>	<u>597</u>	<u>2,541</u>	<u>942</u>	<u>7,876</u>	<u>8,145</u>
Cost of goods sold	<u>1,156</u>	<u>265</u>	<u>1,087</u>	<u>415</u>	<u>2,923</u>	<u>2,981</u>
Gross margin	2,640	332	1,454	527	4,953	5,165
Other income					-	-
Operating expenses					<u>946</u>	<u>961</u>
Net income					<u>4,007</u>	<u>4,204</u>

Hay River Operations

(\$000's)

	Spirits	Wine	Beer	Coolers	2023 Total	2022 Total
Sales						
Consumers	1,943	555	1,886	543	4,927	6,584
Licensees	622	27	637	59	1,345	1,164
	<u>2,565</u>	<u>582</u>	<u>2,523</u>	<u>602</u>	<u>6,272</u>	<u>7,217</u>
Cost of goods sold	<u>777</u>	<u>247</u>	<u>1,027</u>	<u>259</u>	<u>2,310</u>	<u>2,619</u>
Gross margin	1,788	335	1,496	343	3,962	4,786
Other income					-	-
Operating expenses					<u>1,003</u>	<u>1,053</u>
Net income					<u>2,959</u>	<u>3,733</u>

Statement of Operations by Location, Cont.

(for the year ended March 31, 2023 with comparative figures for 2022)
(revenue and expenses directly related to sales per location)

Norman Wells Operations

(\$000's)

	Spirits	Wine	Beer	Coolers	2023 Total	2022 Total
Sales						
Consumers	1,310	153	824	190	2,477	2,410
Licensees	25	10	65	11	111	48
	<u>1,335</u>	<u>163</u>	<u>889</u>	<u>201</u>	<u>2,588</u>	<u>2,417</u>
Cost of goods sold	<u>388</u>	<u>74</u>	<u>367</u>	<u>93</u>	<u>922</u>	<u>857</u>
Gross margin	947	89	522	108	1,666	1,560
Other income					-	-
Operating expenses					<u>660</u>	<u>594</u>
Net income					<u>1,006</u>	<u>966</u>

Fort Smith Operations

(\$000's)

	Spirits	Wine	Beer	Coolers	2023 Total	2022 Total
Sales						
Consumers	1,139	305	1,213	429	3,086	3,189
Licensees	60	4	92	22	178	114
	<u>1,199</u>	<u>309</u>	<u>1,305</u>	<u>451</u>	<u>3,264</u>	<u>3,304</u>
Cost of goods sold	<u>373</u>	<u>135</u>	<u>509</u>	<u>188</u>	<u>1,205</u>	<u>1,199</u>
Gross margin	826	174	796	263	2,059	2,197
Other income					-	-
Operating expenses					<u>663</u>	<u>630</u>
Net income					<u>1,396</u>	<u>1,567</u>



Statement of Operations by Location, Cont.

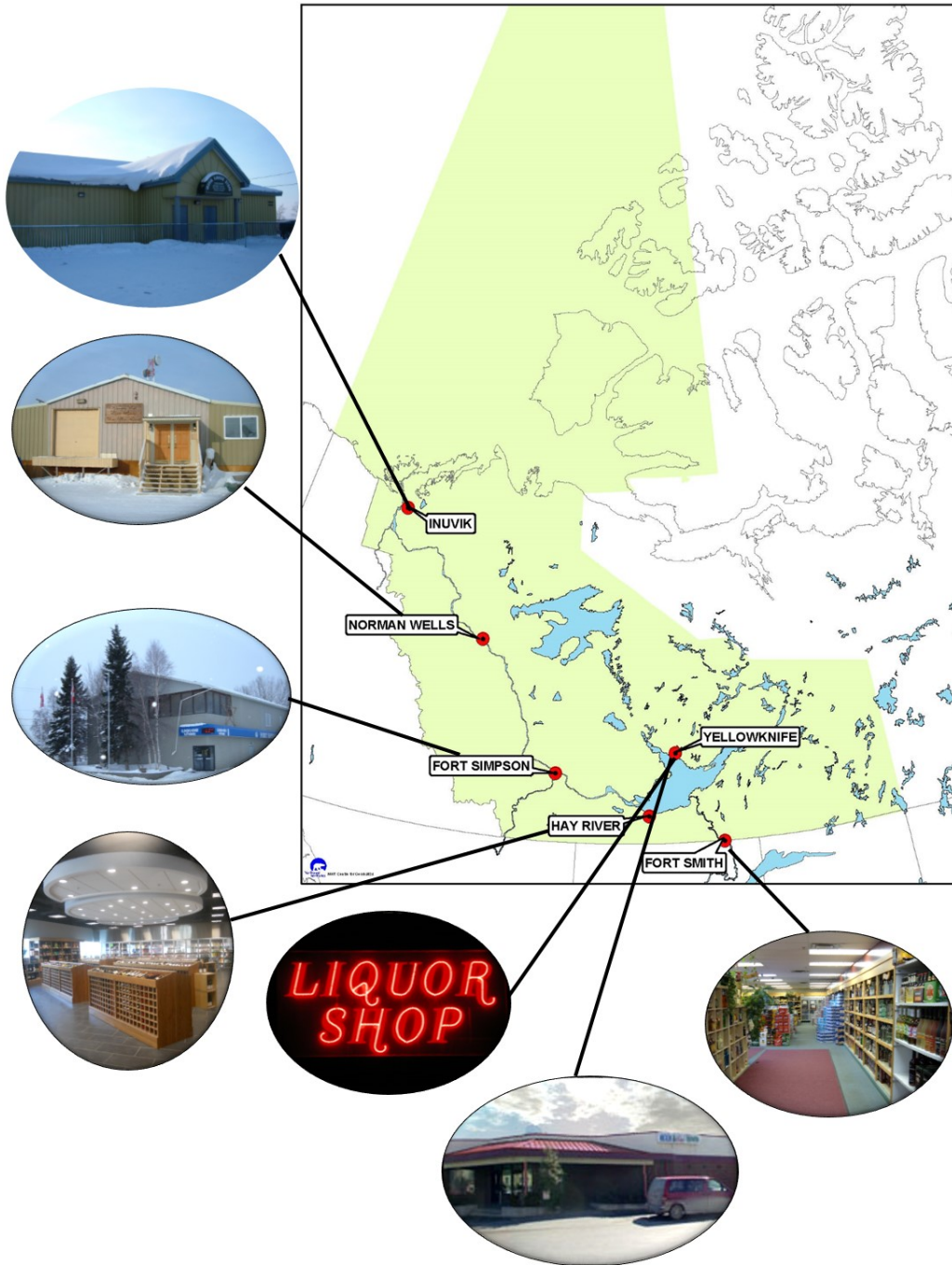
(for the year ended March 31, 2023 with comparative figures for 2022)
(revenue and expenses directly related to sales per location)

Fort Simpson Operations

(\$000's)

	Spirits	Wine	Beer	Coolers	2023 Total	2022 Total
Sales						
Consumers	1,360	150	644	276	2,430	2,875
Licensees	60	4	100	22	186	161
	<u>1,420</u>	<u>154</u>	<u>744</u>	<u>298</u>	<u>2,616</u>	<u>3,036</u>
Cost of goods sold	<u>400</u>	<u>65</u>	<u>277</u>	<u>125</u>	<u>867</u>	<u>953</u>
Gross margin	1,020	89	467	173	1,749	2,083
Other income					-	-
Operating expenses					<u>544</u>	<u>487</u>
Net income					<u>1,205</u>	<u>1,596</u>

Store Locations





Report on Cannabis



Mandate

On June 1, 2018, the Legislative Assembly of the Northwest Territories enacted Bill 6, the “*Cannabis Legalization and Regulation Implementation Act*”, which legalized the sale and use of cannabis in the Northwest Territories once the federal legislation was passed.

The federal legislation, *Bill C45, Cannabis Act* was passed by Royal Assent June 21, 2018. Cannabis became legal for sale by order of the Governor in Council October 17, 2018; as the day on which certain provisions of the *Cannabis Act* Come into Force. The *Cannabis Act* was amended October 17, 2019 to include edible cannabis, cannabis extracts, and cannabis topicals.

The *Cannabis Legalization and Regulation Implementation Act* was amended March 31, 2020 to the *Cannabis Products Act and Regulations*, which authorizes the NTLCC to purchase, sell, classify, and distribute cannabis in the Northwest Territories. NWT residents can purchase recreational cannabis at NTLCC liquor stores in Fort Smith, Norman Wells and Fort Simpson, and three private stores: two in Yellowknife and one in Hay River. Cannabis products are distributed from the NTLCC Cannabis warehouse in Hay River. NWT residents also have the option to purchase recreational cannabis on-line from ReLeaf NT, one of the private stores in Yellowknife, the only legal NWT on-line store.

Operations

To respond to the needs and concerns of our customers and stakeholders in the fiscal year 2022–2023 we:

- Delivered a wide variety of quality cannabis products through our network of NWT stores and our on-line store.
- Promoted safe and responsible use of cannabis.

Strategic Objectives

Goal #1 – Management & Compliance

Operations are managed efficiently and comply with legislation, regulation, and policy.

Performance Highlights

The operational structure of the NTLCC is designed to deliver optimal service levels for the best possible costs and consists of a headquarters administrative staff of ten and a network of three consignment stores operated by private contractors in conjunction with our liquor stores, three private cannabis retail stores, including one also operating as an online cannabis store.

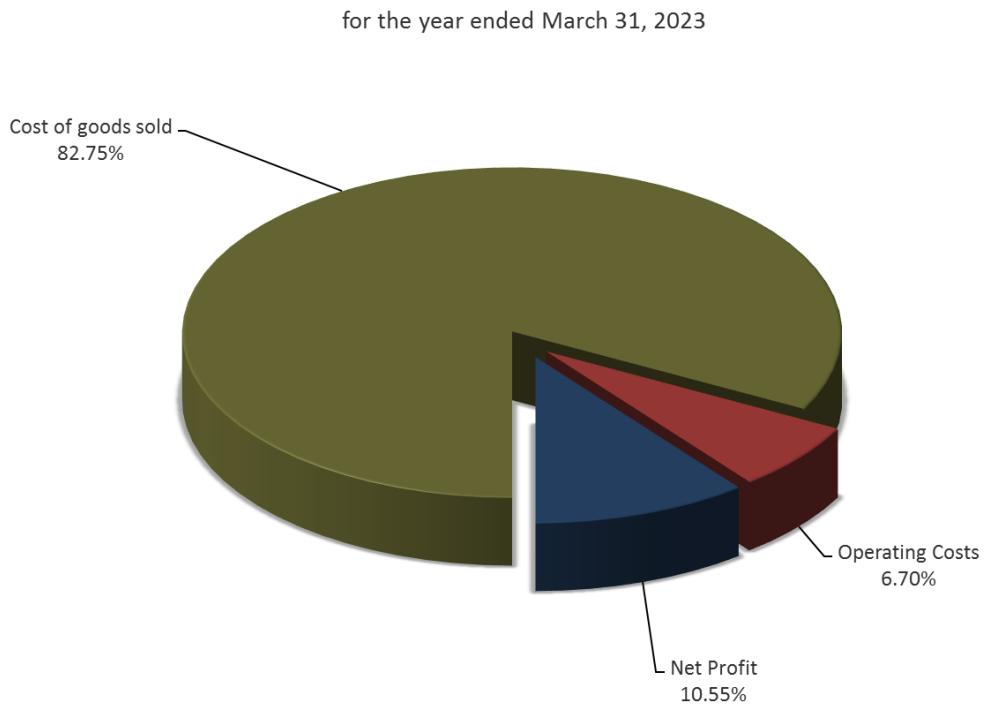
Management & Compliance, continued

Cannabis inventory is owned by the NTLCC until it is sold to the retail customer from the Liquor Stores selling cannabis and wholesaled to the Private Stores.

Operational compliance with contracts, regulation and legislation, by the retail stores was maintained throughout the year. The operations of all contracted retail stores selling cannabis product are monitored monthly and visited periodically by headquarters management.

Application of Revenues

The cost to deliver the sales and administration of cannabis product throughout the year was 6.70% of sales revenue, of which 2.92% was paid to liquor retail stores in commissions.



Goal #2 – Social Responsibility

Actively and continuously promote the responsible use of cannabis.

Performance Highlights

The NTLCC supports the responsible use of cannabis through various awareness programs and initiatives.

The NTLCC participates with the Canadian Cannabis Jurisdictional Leadership (CCJL) Social Responsibility Subcommittee in support of socially responsible cannabis retailing on a nationwide basis. NTLCC works with the other jurisdictions to identify opportunities for collaboration, share best practices and evidence-informed education and streamline social responsibility efforts.

The committee works together to facilitate a space and community for knowledge sharing and partnership among jurisdictions. We work together to ensure cannabis messaging is current and standardized as much as possible across jurisdictions, with the focus being on responsible consumption.

The NTLCC jointly supports the responsible use of cannabis with other GNWT departments including;

- Department of Health & Social Services – Health Effects of Cannabis,
- Worker’s Safety and Compensation Commission – Workplace Impairment
- NTLCC – “Recreational Vehicle: Choose to be UnImpaired”.
- CRISM - Canada’s Lower-Risk Cannabis Use Guidelines
- Department of Infrastructure – Drug Impaired Driving

Goal #3 – Financial Targets

Meet financial income targets.

Performance Highlights

The NTLCC’s annual surplus was 11.37% above the previous fiscal year. The change in Gross Profit Percentage from 2021 to current is a result of a change in sales model from consignment to private stores in Yellowknife and Hay River as well as the private online store. Private Stores purchase Cannabis from the NTLCC at a wholesale price rather than receiving a commission on sales. Operating expenses have declined due to the closure of the NTLCC’s own online store.

Four Year Performance History

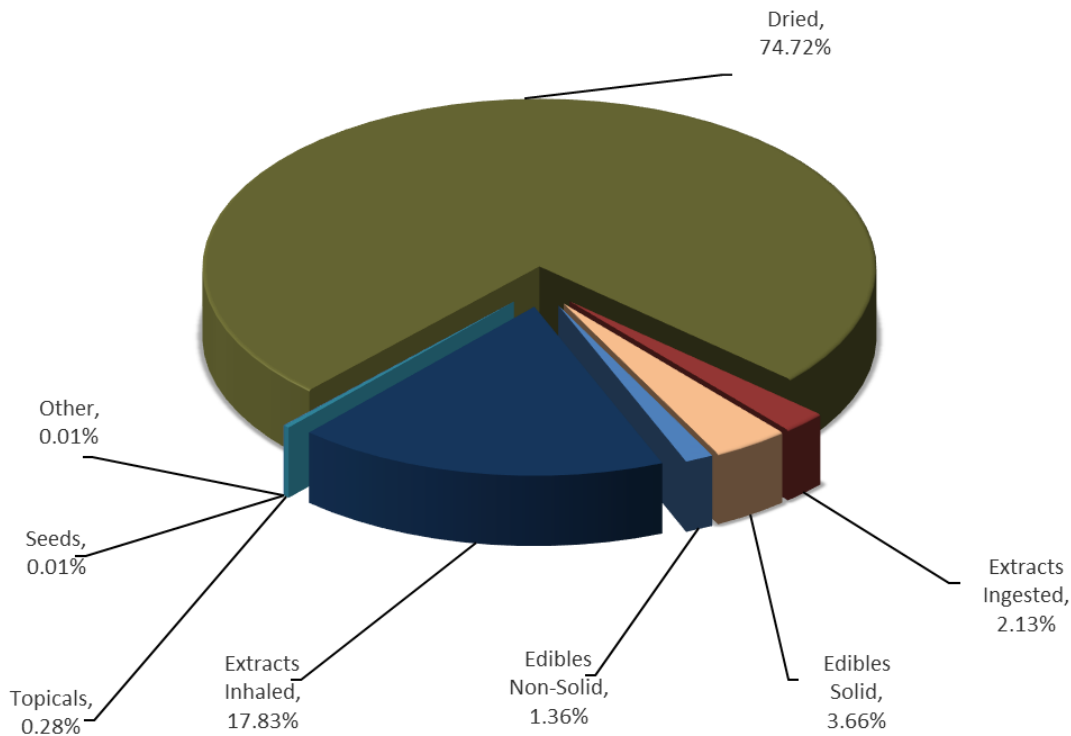
for the year ending March 31
(000's)

	2023	2022	2021	2020
Gross Sales	7,566	7,447	5,141	3,252
Gross Profit	1,305	1,405	1,581	1,200
as a % of sales	17.2%	18.9%	30.8%	36.9%
Net Surplus	911	818	709	405
as a % of sales	12.0%	11.0%	13.8%	12.5%
Operating Expenses	394	587	872	795
as a % of sales	5.2%	7.9%	17.0%	24.4%

Cannabis Dollar Sales by Category

Dollar Sales of Cannabis by Sales Category; Dried Cannabis represents 74.72% of product sold in the NWT, Extracts Ingested (formerly Cannabis Oil) product at 2.13%, Edibles Solid 3.66%, Edibles Non-Solid 1.36%, Extracts Inhaled 17.83%, Topicals 0.28%, and both Seeds and other at 0.01%.

for the year ended March 31, 2023



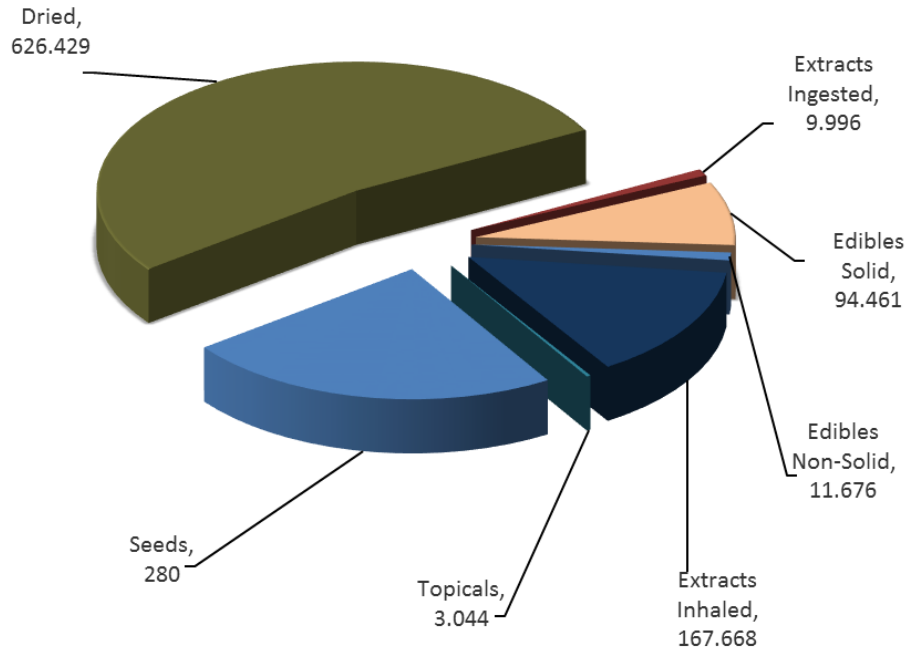
Dollar Sales by Category

for the year ending March 31
(000's)

	Extracts		Edibles		Extracts Inhaled	Topicals	Seeds	Other	Total
	Dried	Ingested	Solid	Non-Solid					
2020	2,959	275	6	N/A	6	0	6	N/A	3,252
2021	4,324	326	126	50	283	0	3	30	5,141
2022	5,465	255	254	104	1,318	23	23	5	7,447
2023	5,653	161	277	103	1,349	21	1	1	7,566

Cannabis Volume Sales by Category

Equivalent Grams
for the year ended March 31, 2023



Volume Sales by Category

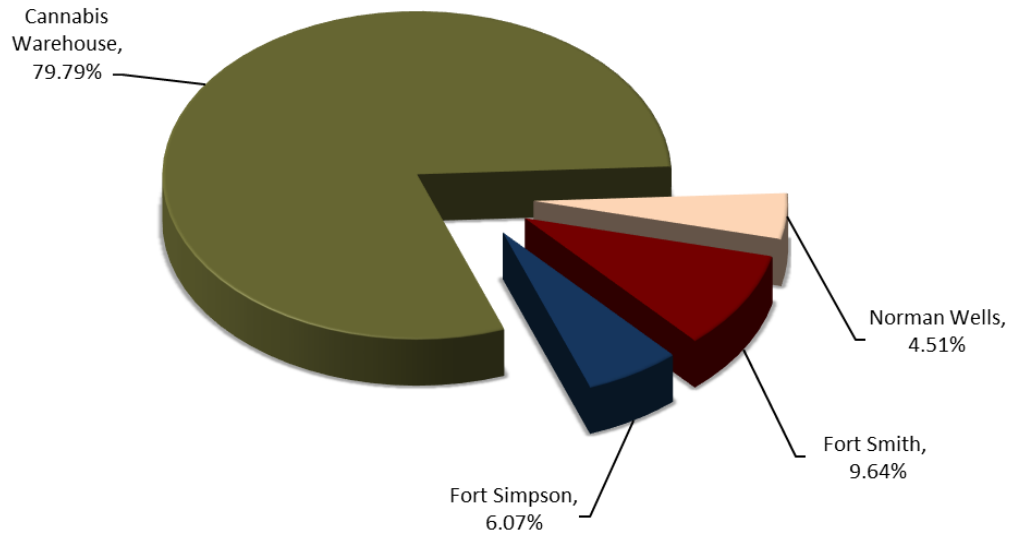
for the year ending March 31
(\$'000's)

Cannabis, Grams and Equivalent Grams	2023	2022	2021
Dried	626.429	676.17	482.68
Extracts Ingested	9.996	7.87	15.52
Edibles Solid	94.461	42.49	22.95
Edibles Non-Solid	11.676	69.04	45.96
Extracts Inhaled	167.668	104.16	10.54
Topicals	3.044	0.47	-
Seeds **	280	640	264

** Seeds are reported by total number of seeds

Store Operations

Location Sales
for the year ending March 31, 2023



Sales by Location

for the year ending March 31
(000's)

	2023	2022	2021	2020	Oct 18 to Mar 2019
On-line Store	-	8	20	17	44
Yellowknife Shop	-	-	1,730	1,874	806
Hay River	-	448	740	513	187
Cannabis Warehouse	6,037	5,547	1,453	-	-
Norman Wells	341	344	335	289	101
Fort Smith	729	641	444	329	129
Fort Simpson	459	459	419	229	97
	7,566	7,447	5,141	3,252	1,364

Statement of Operations by Location

(for the year ended March 31, 2023, with comparative figures for 2022)
(revenue and expenses directly related to sales per location)

Norman Wells Operations

(\$000's)

	Extracts Dried	Edibles Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Extracts Topicals	Seeds	Other	2023 Total	2022 Total
Sales										
Consumers	288	6	3	-	43	-	-	1	341	344
Cost of goods sold	201	4	2	-	30	-	-	-	238	232
Gross margin	87	2	1	-	13	-	-	-	103	112
Operating expenses									49	50
Net income									54	62

Fort Smith Operations

(\$000's)

	Extracts Dried	Edibles Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Extracts Topicals	Seeds	Other	2023 Total	2022 Total
Sales										
Consumers	558	23	24	16	106	1	-	1	729	641
Cost of goods sold	379	16	16	11	72	1	-	1	495	415
Gross margin	179	7	8	5	34	-	-	-	234	226
Operating expenses									106	93
Net income									128	133



Statement of Operations by Location, cont.

(for the year ended March 31, 2023, with comparative figures for 2022)
(revenue and expenses directly related to sales per location)

Fort Simpson Operations

(\$000's)

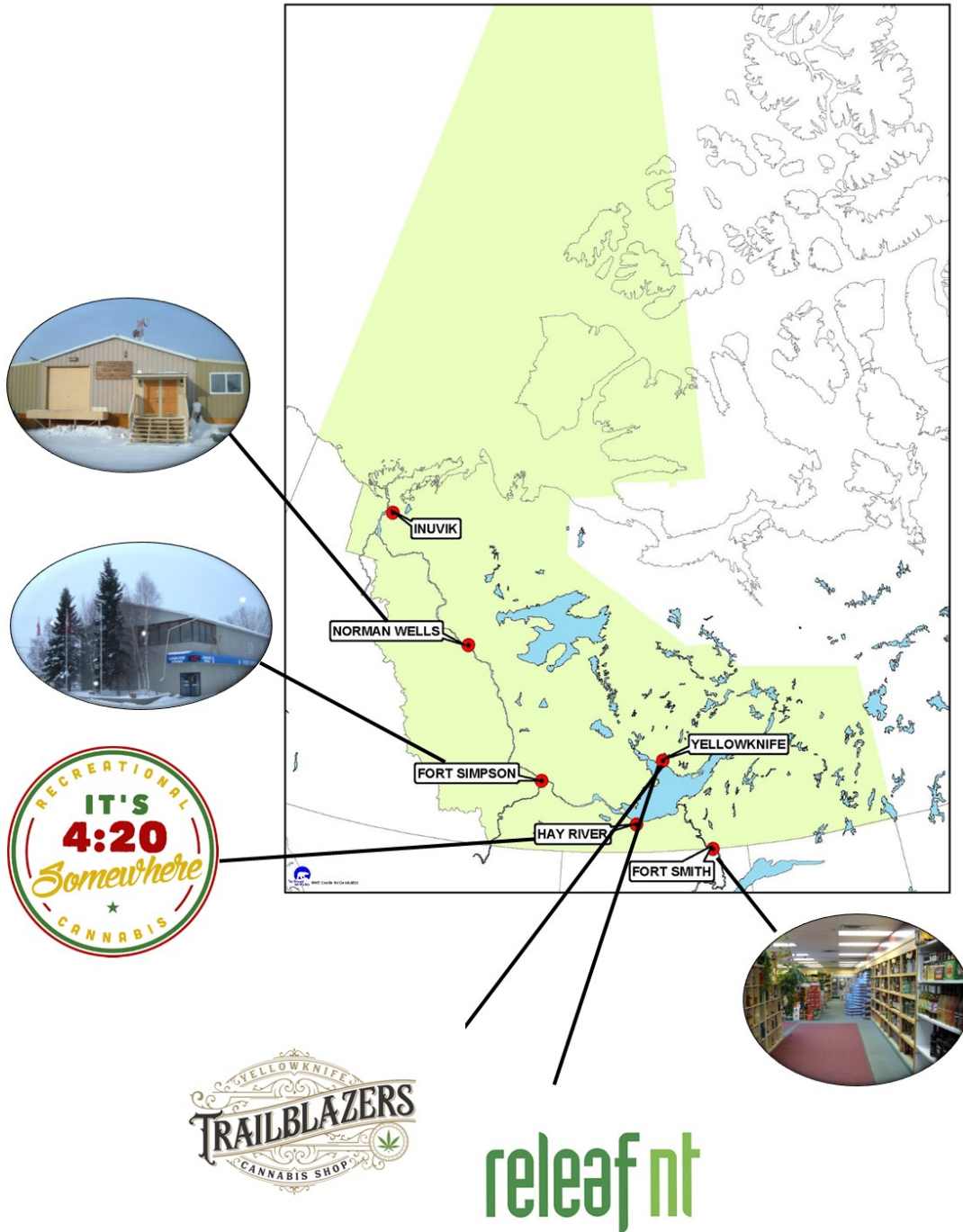
	Extracts		Edibles	Edibles	Extracts				2023	2022
	Dried	Ingested	Solid	Non Solid	Inhaled	Topicals	Seeds	Other	Total	Total
Sales										
Consumers	366	7	15	3	66	2	-	-	459	459
Cost of goods sold	252	5	10	2	45	1	-	-	316	298
Gross margin	114	2	5	1	21	1	-	-	143	161
Operating expenses									66	66
Net income									77	95

Cannabis Warehouse

(\$000's)

	Extracts		Edibles	Edibles	Extracts				2023	2022
	Dried	Ingested	Solid	Non Solid	Inhaled	Topicals	Seeds	Other	Total	Total
Sales										
Consumers	4,441	126	234	83	1,134	19	1	(1)	6,037	5,547
Cost of goods sold	3,834	109	202	72	979	16	1	(1)	5,212	4,793
Gross margin	607	17	32	11	155	3	-	-	825	754
Operating expenses									286	101
Net income									539	653

Store Locations



The map displays the Northwest Territories with a light green shaded area representing the regulated region. Six red dots indicate store locations, each with a label: Inuvik, Norman Wells, Fort Simpson, Hay River, Yellowknife, and Fort Smith. Lines connect these dots to circular images: Inuvik and Norman Wells are linked to exterior photos of store buildings; Fort Simpson is linked to a circular logo that reads "RECREATIONAL IT'S 4:20 Somewhere CANNABIS"; Yellowknife, Hay River, and Fort Smith are linked to a circular photo of a store's interior shelves. At the bottom of the map area are two logos: "YELLOWKNIFE TRAILBLAZERS CANNABIS SHOP" and "releaf nt".



Audited Financial Report Statements

2022 - 2023

Northwest Territories Liquor & Cannabis Commission

Financial Statements

Year ended March 31, 2023

Northwest Territories Liquor & Cannabis Commission

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March 31, 2023

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Management's Responsibility for Financial Reporting

The preparation of the financial statements of the Northwest Territories Liquor & Cannabis Commission (Commission) is the responsibility of the Commission's management.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Where alternative accounting methods are permitted, management has chosen those that are most appropriate. Where required, management's best estimates and judgments have been applied in the preparation of these financial statements.

Management fulfills its financial reporting responsibilities by maintaining financial management and control systems and practices which are designed to provide reasonable assurance that transactions are properly authorized, proper records are maintained, accurate financial information is prepared on a timely basis, assets are safeguarded, and the Commission complies with all statutory requirements.

Our auditor performs an annual audit on the financial statements in order to express an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Commission, the results of its operations, the change in its net financial resources and its cash flows for the year. During the course of the audit, they also examine transactions that have come to their notice to ensure they are, in all significant respects, in accordance with the statutory authorities of the Commission.



Jodi Cook-Vossler
Acting Director, Liquor & Cannabis Operations
NWT Liquor & Cannabis Commission
June 30, 2023

INDEPENDENT AUDITOR'S REPORT

To the Ministers of NWT Liquor & Cannabis Commission

Opinion

We have audited the financial statements of NWT Liquor & Cannabis Commission (the commission), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the commission as at March 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS)

Basis for Opinion

We conducted our 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 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 the financial statements in accordance with PSAS, 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 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 management either intends to liquidate the commission or to cease operations, or has 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 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(continues)

Independent Auditor's Report to the Ministers of NWT Liquor & Cannabis Commission (*continued*)

- 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.

Hay River, Northwest Territories
June 30, 2023



Chartered Professional Accountants

Northwest Territories Liquor & Cannabis Commission

Statement of Financial Position

As at March 31 (\$000)	2023	2022
Financial Assets		
Cash	\$ 4,637	\$ 6,898
Accounts receivable	151	72
Inventories for resale (note 3)	3,104	3,399
	<u>7,892</u>	<u>10,369</u>
Financial Liabilities		
Accounts payable and accrued liabilities (note 7)	1,676	2,256
Pension and other employee benefits (note 4)	62	48
Due to the NWT Liquor Licensing Board (note 5)	92	114
	<u>1,830</u>	<u>2,418</u>
Net Financial Assets	6,062	7,951
Non-Financial Assets		
Tangible capital assets (note 6)	434	409
Prepaid expenses	115	92
	<u>549</u>	<u>501</u>
Accumulated Surplus	\$ 6,611	\$ 8,452

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

Approved by the Northwest Territories Liquor & Cannabis Commission:



Jodi Cook-Vossler
Acting Director, Liquor & Cannabis Operations

Northwest Territories Liquor & Cannabis Commission

Statement of Operations

For the year ended March 31 (\$000)	2023		2023		2022	
	Budget		Actual		Actual	
Sales						
Spirits	\$	23,286	\$	23,904	\$	24,574
Wine		8,373		7,453		7,875
Beer		18,768		17,545		18,079
Coolers and Ciders		5,670		5,472		5,213
Cannabis		8,301		7,566		7,447
		<u>64,398</u>		<u>61,940</u>		<u>63,188</u>
Cost of goods sold						
Spirits		7,110		7,458		7,491
Wine		3,870		3,525		3,645
Beer		7,802		7,426		7,506
Coolers and Ciders		2,408		2,371		2,207
Cannabis		6,823		6,261		6,042
		<u>28,013</u>		<u>27,041</u>		<u>26,891</u>
Gross profit on sales		<u>36,385</u>		<u>34,899</u>		<u>36,297</u>
Other income						
Government contribution - services provided without charge (note 7)		-		6		1
Import fees and Income		8		9		5
		<u>8</u>		<u>15</u>		<u>6</u>
Expenses (notes 7)						
Commissions to agents - Liquor		6,939		6,510		6,510
Commissions to agents - Cannabis		196		221		275
Licensee Discounts		569		554		455
Salaries, wages and employee benefits		1,239		1,270		1,165
Administration - Liquor		719		844		759
Administration - Cannabis		156		173		150
Travel		30		26		20
Rent		282		313		255
Amortization of tangible capital assets (note 6)		106		120		175
		<u>10,236</u>		<u>10,031</u>		<u>9,764</u>
Annual surplus	\$	<u>26,157</u>	\$	<u>24,883</u>	\$	<u>26,539</u>

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

Northwest Territories Liquor & Cannabis Commission

Statement of Accumulated Surplus

For the year ended March 31 (\$000)	2023		2022	
	Budget	Actual	Actual	
Accumulated surplus, beginning of the year	\$ 8,452	\$ 8,452	\$ 6,665	
Annual surplus	26,157	24,883	26,539	
Amounts transferred to the Consolidated Revenue Fund	(25,391)	(26,233)	(24,217)	
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(766)	(491)	(535)	
Increase in accumulated surplus	-	(1,841)	1,787	
Accumulated surplus, end of year	\$ 8,452	\$ 6,611	\$ 8,452	

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

Northwest Territories Liquor & Cannabis Commission

Statement of Changes in Net Financial Assets

For the year ended March 31 (\$000)	2023		2023		2022
	Budget		Actual		Actual
Net financial assets, beginning of year	\$	7,951	\$	7,951	\$ 6,075
Items affecting net financial resources:					
Increase (decrease) in accumulated surplus		-		(1,841)	1,787
Net investment in tangible capital assets:					
Acquisitions		-		(145)	(30)
Amortization expense		106		120	174
Increase in prepaid expenses		-		(23)	(55)
Net financial assets, end of year	\$	8,057	\$	6,062	\$ 7,951

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

Northwest Territories Liquor & Cannabis Commission

Statement of Cash Flow

For the year ended March 31 (\$000)	2023	2022
Operating activities		
Cash received from customers	\$ 61,870	\$ 63,263
Cash paid to employees and suppliers	(37,240)	(36,574)
Cash provided by operating activities	24,630	26,689
Capital activities		
Purchase of tangible capital assets	(145)	(30)
Financing activities		
Cash transferred to the Consolidated Revenue Fund	(26,233)	(24,217)
Cash transferred to the NWT Licensing Board	(513)	(559)
Cash provided by financing activities	(26,746)	(24,776)
Change in cash	(2,261)	1,883
Cash, beginning of year	6,898	5,015
Cash, end of Year	\$ 4,637	\$ 6,898

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

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2023 (\$000)

1. Authority and operations

The Northwest Territories Liquor & Cannabis Commission (the "Commission") was established under the *Liquor Act* (the "Act") for the purposes of operating liquor stores and distributing liquor in the Northwest Territories (the "NWT"). The Northwest Territories Liquor Licensing Board (the "Board") was also established under the same Act for the purposes of regulating the sale of liquor in licensed premises, issuing liquor licenses and overseeing the issuing of special occasion permits and other permits in the NWT. The activities of the Board are administered by the Commission.

In accordance with the Act and the *Revolving Funds Act*:

- The operations of the Commission and the Board are accounted for through the Liquor Revolving Fund (the "Fund"). All monies received by the Commission and the Board must be deposited into the Fund and all expenditures incurred by the Commission and the Board must be paid out of the Fund. The Commission may also receive a working capital advance from the Consolidated Revenue Fund (the "CRF") of the Government of the Northwest Territories ("GNWT") to finance its operations.
- The authorized limit of the Fund, defined as the maximum amount by which the assets (cash, accounts receivable and inventories) exceed the liabilities, must not exceed \$12,000.
- The Commission must periodically transfer amounts from the Fund to the CRF to ensure that the Fund does not exceed its authorized limit. As at March 31, 2023 the Fund's assets exceeded the liabilities by \$6,062 (2022 – \$7,951).

Neither the Commission nor the Board are separate legal entities apart from the Department of Finance of the NWT and neither are subject to the requirements of the *Income Tax Act*.

2. Significant accounting policies

(a) Basis of accounting

The financial statements of the Commission are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

(b) Measurement uncertainty

The preparation of financial statements 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 year. Actual results could differ significantly from those estimates. The more significant management estimates include the calculation of the liability for employee future benefits and estimation of the useful life of the tangible capital assets.

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2023 (\$000)

2. Significant accounting policies (continued)

(c) Revenue recognition

The Commission recognizes revenue on an accrual basis (i.e. when the goods are shipped, and the customer assumes all risks of ownership and the collection of any amounts receivable is considered probable).

(d) Services provided without charge

The Commission records the estimated cost of the legal services it receives without charge from the Department of Justice. The services are recorded as a government contribution – services provided without charge and included in the expenses in the statement of operations.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Cost includes invoiced cost, freight, duties and taxes.

(f) Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is determined on a straight-line basis using the following rates:

Asset	Rate
Furniture and fixtures	20%
Computer hardware and software	30%
Leasehold improvements	Over the life of the lease plus any additional renewal period

(g) Pension benefits

The employees of the Commission are covered by the public service pension plan (the “Plan”), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Commission to cover current service cost. Pursuant to legislation currently in place, the Commission has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Commission.

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2023 (\$000)

2. Significant accounting policies (continued)

(h) Other employee benefits

Employees are entitled to severance benefits, reimbursement of removal costs and other compensated absences, as provided for under labour contracts and conditions of employment, based upon years of service. The cost of these benefits is accrued as the employees render the services necessary to earn them. The cost of these benefits were actuarially determined using the projected unit credit valuation methodology and expected utilization methods.

3. Inventories for resale

	2023	2022
Spirits	\$ 1,163	\$ 1,167
Beer	531	770
Wine	694	546
Coolers and ciders	258	253
Cannabis	458	663
	\$ 3,104	\$ 3,399

4. Other employee future benefits

In addition to pension benefits, the Commission provides severance (resignation and retirement), removal and compensated absence (sick, special, maternity, and parental leave) benefits to its employees. The benefit plans are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit liability.

Severance benefits are paid to the Commission's employees based on the type of termination (e.g., resignation versus retirement) and appropriate combinations that include inputs such as when the employee is hired, the rate of pay, the number of years of continuous employment, age and if the benefit is subject to maximum benefit limits. Removal benefits are subject to several criteria, the main ones being location of hire, employee category and length of service. The benefits under these two categories were valued using the projected unit credit methodology.

Compensated absence benefits accrue as employees render service and are paid upon the occurrence of an event resulting in eligibility for benefits under the terms of the plan. Events include, but are not limited to, employee or dependent illness and death of an immediate family member. Benefits that accrue under compensated absence benefits, excluding maternity and parental leave, were actuarially valued using the expected utilization methodology. Non-accruing benefits include maternity and parental leave and are recognized when the leave commences.

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2023 (\$000)

4. Other employee future benefits (continued)

Valuation results

The last actuarial valuation was completed as at February 11, 2022. The results were extrapolated to March 31, 2023. The effective date of the next actuarial valuation is March 31, 2025. The values presented below are for all the benefits under the Compensated Absences and Termination Benefits for the Commission.

	2023			2022		
	Severance and Removal Obligation	Accumulated Sick & Special Obligation	Total	Severance and Removal Obligation	Accumulated Sick & Special Obligation	Total
Accrued benefit obligation, beginning of the year	\$ 88	\$ 14	\$ 102	\$ 59	\$ 15	\$ 74
Current Service Costs	3	1	4	4	1	5
Interest Cost	4	1	5	2	-	2
Benefits paid during the year	-	(1)	(1)	(29)	(2)	(31)
Actuarial (gain)/loss	(17)	(1)	(18)	53	-	53
Accrued benefit obligation, end of the year	\$ 78	\$ 14	\$ 92	\$ 89	\$ 14	\$ 103
Unamortized net actuarial gain (loss)	1	(30)	(29)	(18)	(37)	(55)
Accrued benefit (liability)/asset	\$ 79	\$ (16)	\$ 63	\$ 71	\$ (23)	\$ 48

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2023 (\$000)

4. Other employee future benefits (continued)

	<u>2023</u>	<u>2022</u>
Expected inflation rate	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	4.8%	4.1%
Expected average remaining service life of related employee groups (EARS�)	10.3	10.3

Timing of expected payments for other employee benefits are as follows:

2024	\$	13
2025		13
2026		17
2027		13
2028		11
2029 and beyond		40
	\$	<u>107</u>

5. Due to/from the NWT Liquor Licensing Board

As explained in Note 1, the financial activities of the Board are administered by the Commission. The Commission receives all amounts receivable to the Board and pays all amounts payable by the Board. The Board does not keep separate cash accounts, nor does it directly own any tangible capital assets. Any amounts owing from the Board to the Commission (or vice versa) are settled through transfers to/from accumulated surplus.

The Commission provides capital assets for use by the Board and Enforcement without charge.

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2023 (\$000)

6. Tangible capital assets

	Furniture and fixtures	Computer hardware and software improvements	Leasehold improvements	2023	2022
Cost:					
Opening balance	\$ 145	\$ 746	\$ 860	\$ 1,751	\$ 2,067
Acquisitions	-	144	-	144	30
Disposals and write-downs	-	-	-	-	(346)
Closing balance	145	890	860	1,895	1,751
Accumulated Amortization:					
Opening balance	(127)	(660)	(554)	(1,341)	(1,513)
Amortization	(5)	(80)	(35)	(120)	(175)
Disposals and write-downs	-	-	-	-	346
	(132)	(740)	(589)	(1,461)	(1,342)
Net book value	\$ 13	\$ 150	\$ 271	\$ 434	\$ 409

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2023 (\$000)

7. Related party transactions

The Commission is related, in terms of common ownership, to all GNWT created departments, agencies and corporations. The Commission enters into transactions with these entities in the normal course of business and these transactions are measured at the exchange amount.

The Commission incurred \$1,270 (2022 – \$1,165) related to salaries, wages, and employee benefits for the Commission's employees. The Commission reimburses the Department of Finance for these costs.

The Department of Justice provides the Commission with legal services without charge. The total cost of these services has been estimated to be \$6 (2022 – \$1). The cost of the services noted above has been recognized on the statement of operations.

Included in accounts payable and accrued liabilities is an amount of \$153 (2022 – \$158) for bottle deposits payable to the Department of Environment and Natural Resources, \$80 (2022 – \$176) for salaries, wages, and employee benefits payable to the Department of Finance, and \$0 (2022 - \$0) other various Government Departments.

8. Contractual obligations

The Commission has a five-year lease agreement ending April 30, 2026 for its office premises. The Commission also has a five-year lease agreement ending September 30, 2026 with the option of extending the lease for one further term of five years for the Hay River Liquor Store. The minimum annual lease payments for the leases over the next five year(s) are:

2023/24	\$ 248
2024/25	\$ 248
2025/26	\$ 248
2026/27	\$ 88

Annual lease payments for the office premises include estimated operating costs and property taxes.

9. Financial instruments

The Commission's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, pension and other employee benefits due to the NWT Liquor Licensing Board. It is management's opinion that the Commission is not exposed to significant interest or currency risks arising from these financial instruments.

The commission is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that debtors may experience financial difficulty and be unable to fulfill their obligations. Credit risk is considered minimal as most sales are done on a cash-on-delivery basis.

The carrying value of the financial instrument approximates fair value.