

66TH ANNUAL REPORT

2019/20



**NORTHWEST TERRITORIES
LIQUOR AND
CANNABIS
COMMISSION**

Photo Credit: C. Cooper

TABLE OF CONTENTS

Members of the Legislative Assembly	iv
Minister of Finance	v
Organization Chart	vi

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

REPORT ON LIQUOR

Director, Liquor & Cannabis Operations Report	8
Mandate.....	10
Operations	11
Strategic Objectives	11
Five Year Performance History	15
Three Year Dollar Sales by Category	16
Three Year Litre Sales by Category	17
Three Year Litre Sales by Distribution Channel	18
Store Operations	20
Statement of Operations by Location	21
Store Locations	25

REPORT ON CANNABIS

Mandate.....	27
Operations	27
Strategic Objectives	27
Year Performance History	29
Cannabis Sales Trend by Category	30
Dollar Sales by Category	30
Volume Sales by Category	31
Store Operations	31
Statement of Operations by Location	32

AUDITED FINANCIAL REPORT STATEMENTS

Management's Responsibility for Financial Reporting	40
Auditor's Report	41
Statement of Financial Position	43
Statement of Operations	44
Statement of Accumulated Surplus	45
Statement of Change in Net Financial Resources	46
Statement of Cash Flow	47
Notes to Financial Statement	48



MEMBERS OF LEGISLATIVE ASSEMBLY

NWT Liquor & Cannabis Commission Annual Report

I am pleased to present, for the information of the Members of the Legislative Assembly, the sixty-sixth Annual Report for the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2020.

Caroline Wawzonek
Minister Responsible for the
NWT Liquor Commission



THE HONOURABLE CAROLINE WAWZONEK

NWT Liquor & Cannabis Commission

Pursuant to Subsection 64 (1) of the Liquor Act, we are pleased to submit the sixty-sixth Annual Report of the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2020.

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

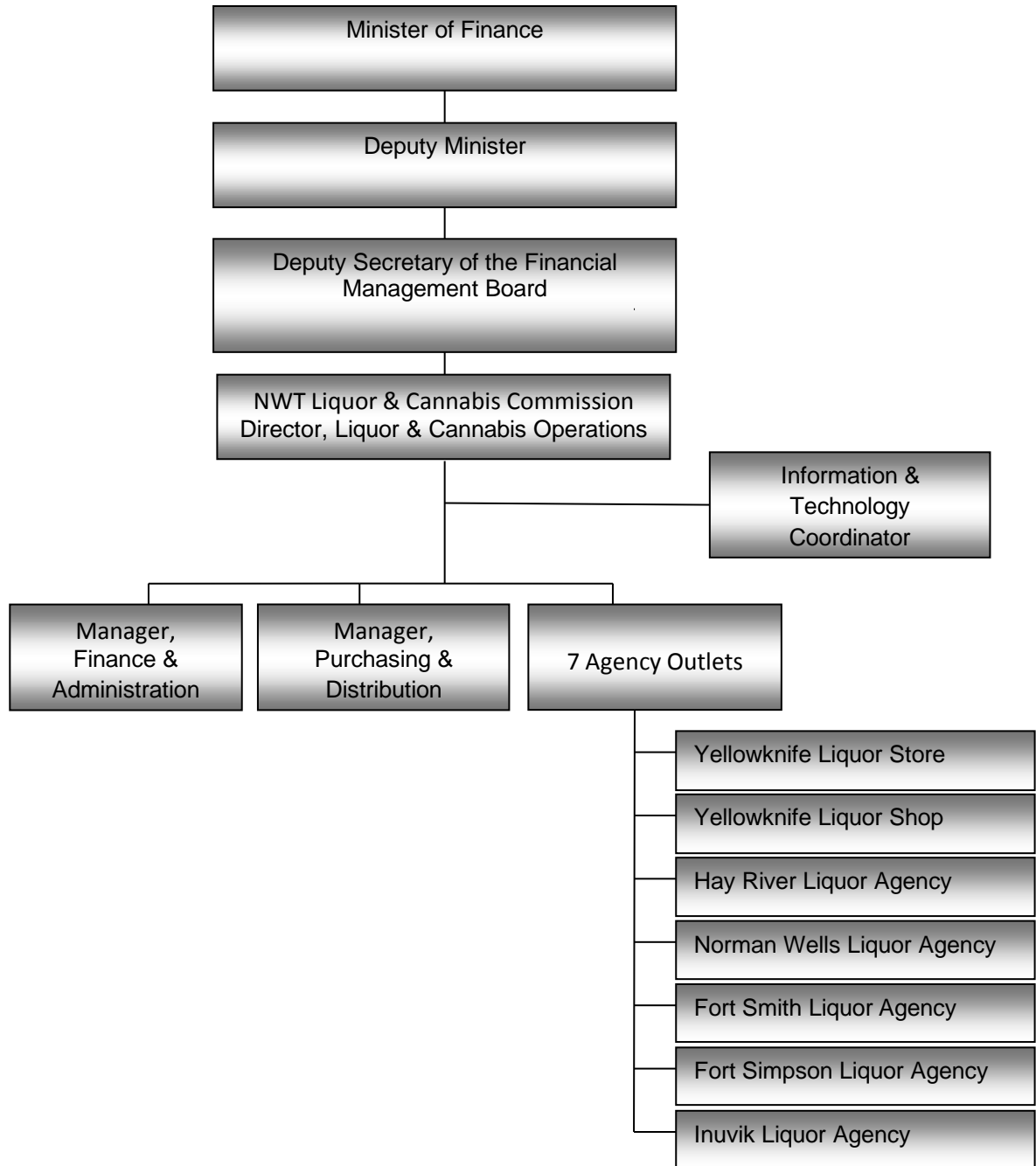
A handwritten signature in blue ink, appearing to read "Peter Maher".

Peter Maher
Director, Liquor & Cannabis Operations
NWT Liquor & Cannabis Commission

A handwritten signature in black ink, appearing to be a stylized "A" or similar character.

Deputy Minister
Department of Finance

ORGANIZATION CHART



NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

**SUITE 201 – 31 CAPITAL DRIVE
HAY RIVER, NT X0E 1G2
PH: 867 874 8700
FAX: 867 874 8720**

www.fin.gov.nt.ca



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 2019-2020 fiscal year showed a 1.6% sales decline over the prior fiscal year at \$52 million in liquor sales. Budget estimates for the year were exceeded, with the annual surplus for liquor at 1.7% over the budget targets. The volume of liquor sold, in litres, declined by 4.3% over 2019-2020.

On October 17, 2019 additional categories of cannabis became legal under the *Federal Act* and included edible cannabis, cannabis extracts, and cannabis topicals. Actual cannabis sales were higher than budgeted, as we are in the second year of operation and product selection and supply continue to improve across Canada.

Combined sales for liquor and cannabis products provided for a total \$25 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. Five of the seven retail outlets also sell cannabis.

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

Peter Maher
Director, Liquor & Cannabis Operations

REPORT ON LIQUOR

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 2019–2020 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

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

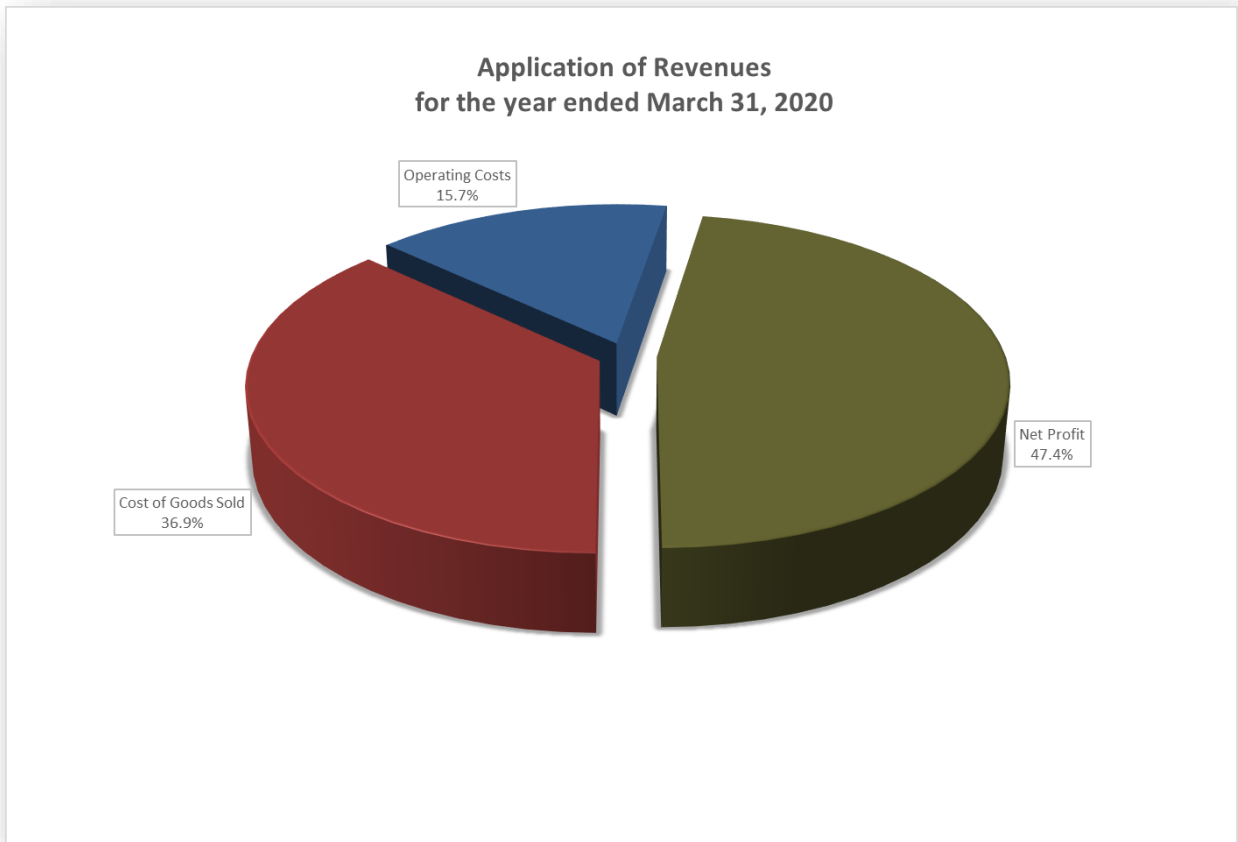
Performance Highlights

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 eight 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. The cost to deliver the sales and administration throughout the year was 15.7% of sales revenue, of which 11.8% was paid to liquor store contractors in Commissions.

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.

April 1, 2019, the Yellowknife Liquor Warehouse was closed resulting in a reduction of \$1M in inventory and reducing operating costs. Liquor products are now shipped directly from suppliers to the two Yellowknife Liquor Stores. This reduction in costs were passed on to customers in Yellowknife.

A Licensee Discount Program, 10%, was introduced to all Licensees in the Northwest Territories effective April 1, 2019.



Goal #2

Actively and continuously promote the responsible use of alcohol.

Performance Highlights

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

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.

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.

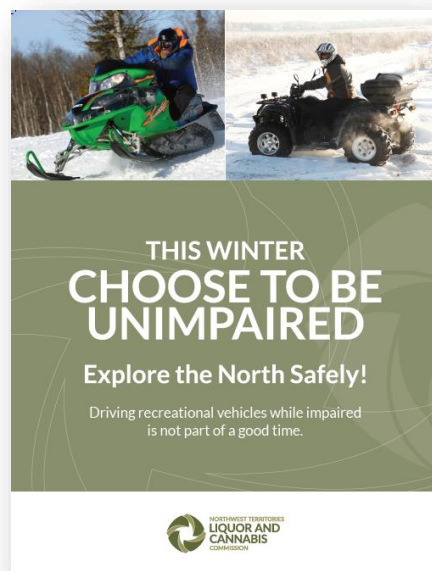
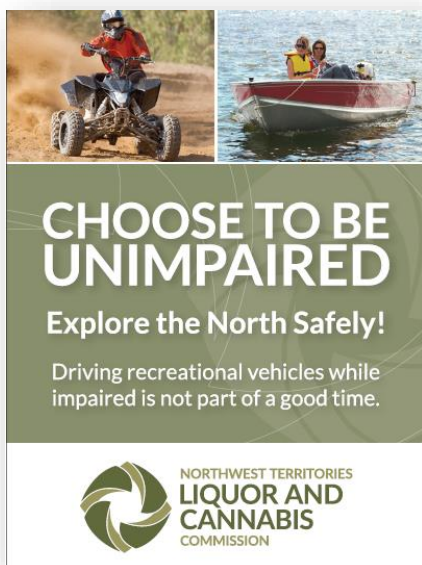
The NTLCC applies warning labels to beverage alcohol containers. The labels warn of the Dangers of Alcohol Consumption during pregnancy, and while driving.

In support of MADD Canada, all liquor stores participated in the Red Ribbon program, “*Its Time to Change the Meaning of Tie One On, “Drive Safe, Drive Sober”*”.

Reusable bags are provided as an alternative to single use paper bags.

The NTLCC participates with the Canadian Association of Liquor Jurisdictions Social Responsibility Committee in support of socially responsible liquor retailing on a nationwide basis.

We continue to promote awareness that drinking and driving extends to the use of recreational vehicles.



We have 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.

CANADA'S LOW-RISK ALCOHOL DRINKING GUIDELINES

Drinking is a personal choice.
If you choose to drink, these guidelines can help you decide when, where, why and how.

For these guidelines, "a drink" means:



Beer
341 ml (12 oz.)
5% alcohol content



**Cider/
Cooler**
341 ml (12 oz.)
5% alcohol content



Wine
142 ml (5 oz.)
12% alcohol content



Distilled Alcohol
(vodka, gin, rum, etc.)
43 ml (1.5 oz.)
40% alcohol content

▶ YOUR LIMITS
Reduce your long-term health risks by drinking no more than:

- 10 drinks a week for women, with no more than 2 drinks a day most days
- 15 drinks a week for men, with no more than 3 drinks a day most days

Plan non-drinking days every week to avoid developing a habit.

▶ WHEN ZERO'S THE LIMIT

- Do not drink when you are: driving a vehicle or using machinery and tools
- taking medicine or other drugs that interact with alcohol
- Doing any kind of dangerous physical activity
- living with mental or physical health problems
- living with alcohol dependence
- pregnant or planning to be pregnant
- responsible for the safety of others
- making important decisions

▶ PREGNANT? ZERO IS SAFEST
If you are pregnant or planning to become pregnant, or about to breastfeed, the safest choice is to drink no alcohol at all.

▶ DELAY YOUR DRINKING
Alcohol can harm the way the body and brain develop. Teens should speak with their parents about drinking. If they choose to drink, they should do so under parental guidance; never more than 1–2 drinks at a time, and never more than 1–2 times per week. They should plan ahead, follow local alcohol laws and consider the **Safer drinking tips** listed in this brochure.

Youth in their late teens to age 24 years should never exceed the daily and weekly limits outlined in **Your limits**.

▶ SAFER DRINKING TIPS

- Set limits for yourself and stick to them.
- Drink slowly. Have no more than 2 drinks in any 3 hours.
- For every drink of alcohol, have one non-alcoholic drink.
- Eat before and while you are drinking.
- Always consider your age, body weight and health problems that might suggest lower limits.
- While drinking may provide health benefits for certain groups of people, do not start to drink or increase your drinking for health benefits.

Low-risk drinking helps to promote a culture of moderation.

Low-risk drinking supports healthy lifestyles.



Canadian Centre on Substance Use and Addiction
Evidence. Engagement. Impact.

The Canadian Centre on Substance Use and Addiction changes lives by bringing people and knowledge together to reduce the harm of alcohol and other drugs on society. We partner with public, private and non-governmental organizations to improve the health and safety of Canadians.

CCSA wishes to thank the partners who supported development of Canada's Low-Risk Alcohol Drinking Guidelines. For a complete list of the organizations supporting the guidelines, please visit www.ccsa.ca/Eng/Priorities/Alcohol/Canada-Low-Risk-Alcohol-Drinking-Guidelines/Pages/default.aspx

References:
Burt, P., Barnes, D., Glickman, L., Paradis, C., & Stodavall, T. (2011). *Alcohol and health in Canada: A summary of evidence and guidelines for low-risk drinking*. Ottawa, Ont.: Canadian Centre on Substance Abuse.

500-75 Albert Street, Ottawa, ON K1P 5E7
Tel: 613-225-4048 | Fax: 613-225-8101
ISBN 978-1-77175-019-9

Developed on behalf of the National Alcohol Strategy Advisory Committee

© Canadian Centre on Substance Use and Addiction 2017.
Cette publication est également disponible en français.

VISIT OUR WEBSITE TO FIND OUT MORE!

www.ccsa.ca

GOAL #3

Meet financial income targets.

Performance Highlights

NTLCC annual surplus was 1.6% under the previous fiscal year and .4% within budget targets.

Five Year Performance History

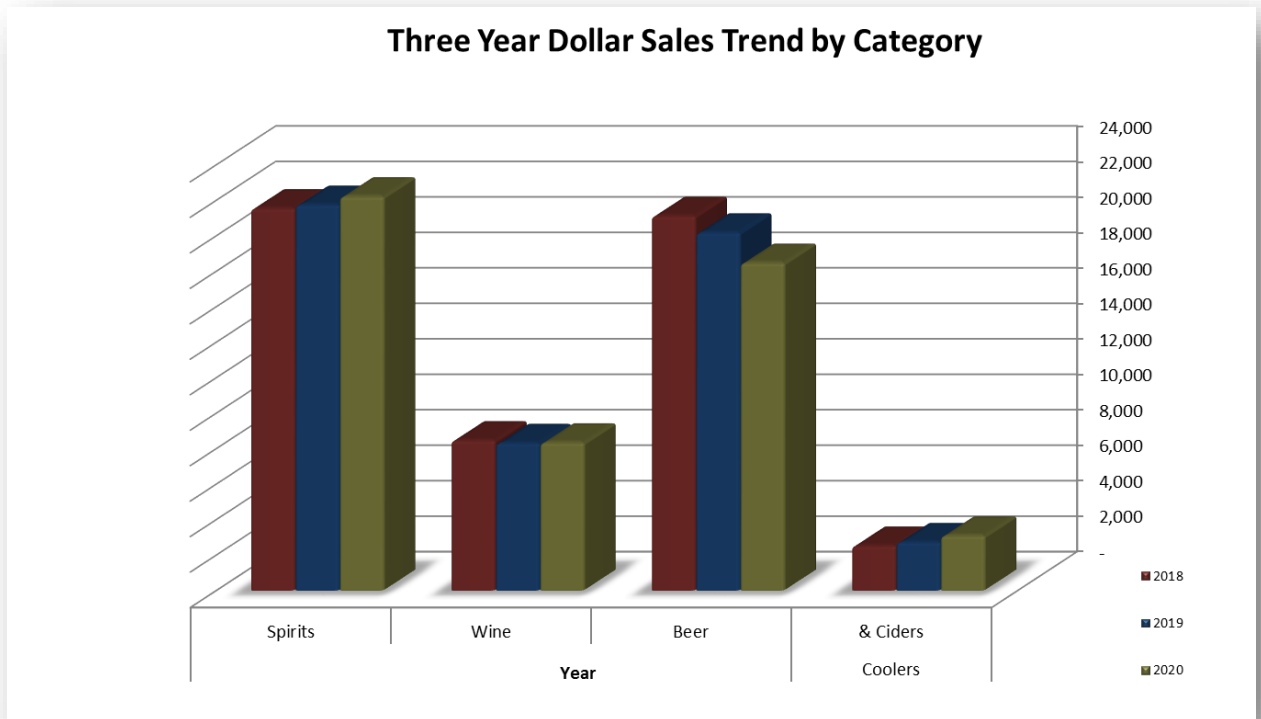
for the year ending March 31

(000's)

	2020	2019	2018	2017	2016
Gross Sales	51,982	52,822	53,504	52,998	49,238
Gross Profit	32,784	33,482	34,068	33,772	30,984
as a % of sales	63.1%	63.4%	63.7%	63.7%	62.9%
Other Income	28	7	15	13	9
Net Surplus	24,652	24,924	25,662	25,681	24,362
as a % of sales	47.5%	47.2%	48.0%	48.5%	48.5%
Operating Expenses	8,160	8,565	8,421	8,104	6,631
as a % of sales	15.7%	16.2%	15.7%	15.3%	13.5%

Performance Highlights, continued

Gross Dollar Sales had an over-all decline of 1.6% over 2019; with increases in the Spirits 2.2%, Coolers & Ciders 13.7%, and Wine 3%, and a decline in Beer 8% categories.



Three Year Dollar Sales by Category

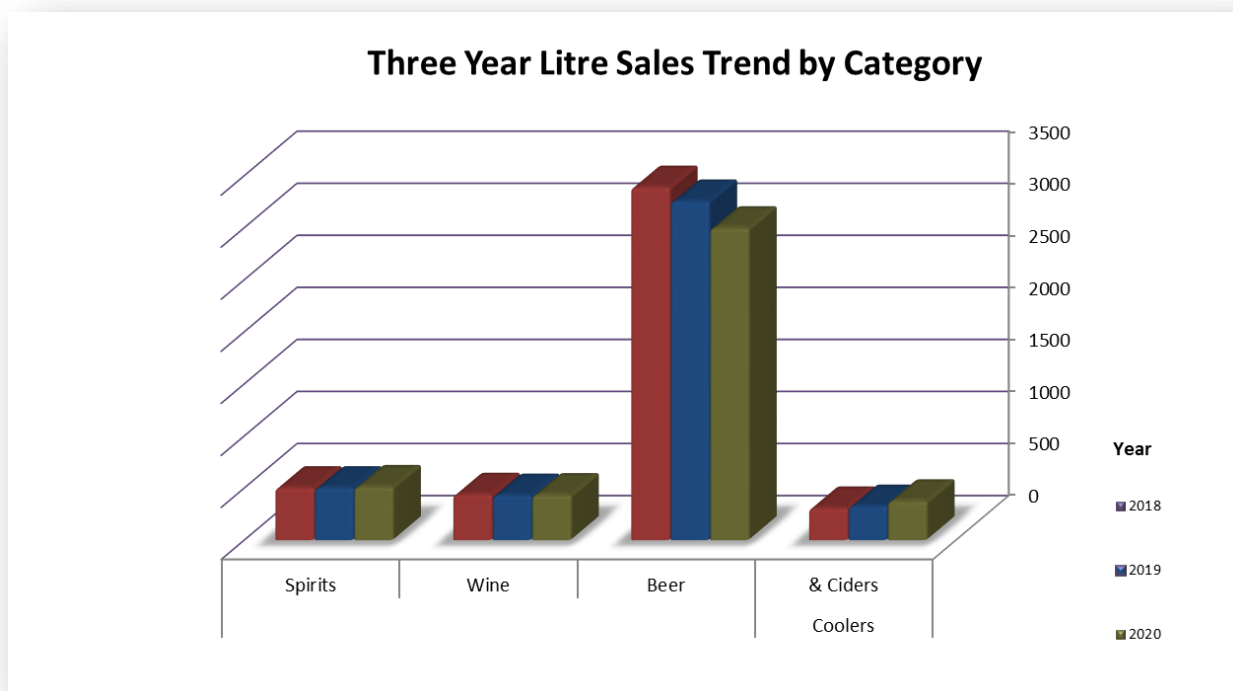
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers & Ciders	Total
2018	21,505	8,430	21,081	2,488	53,504
2019	21,708	8,276	20,148	2,690	52,822
2020	22,180	8,304	18,439	3,059	51,982

Performance Highlights, continued

Litre Sales had a decline of 4.3% over 2019. With a growth in Spirits 2%, Wine 1% and Coolers & Ciders 16%, and a decline in the Beer 8%, Categories.



Three Year Litre Sales by Category

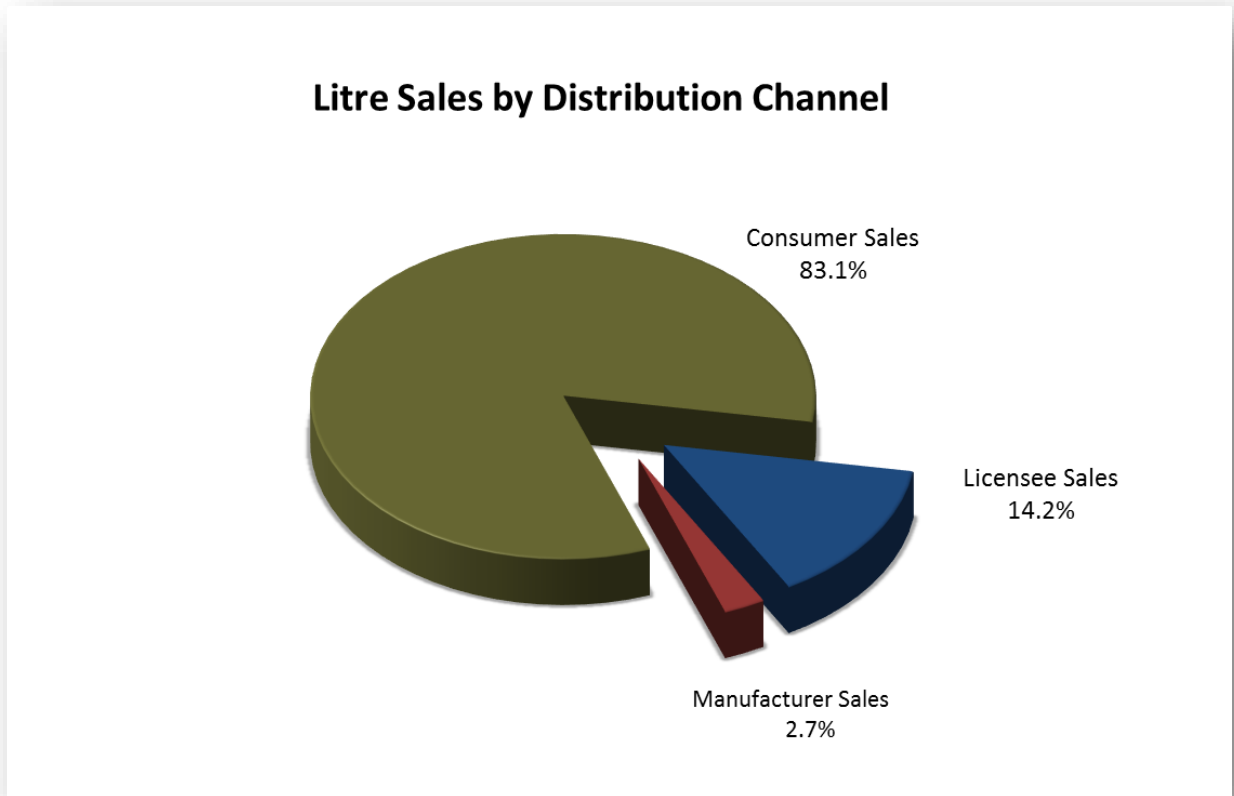
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers & Ciders	Total Total
2018	490	427	3,377	295	4,589
2019	490	419	3,244	313	4,466
2020	501	423	2,987	364	4,275

Performance Highlights, continued

Litre Sales by Distribution decreased over 2019; Consumer Sales 3%, Licensee Sales 14% and increased over 2019 Manufacturer Sales 11%.



* 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.

Performance Highlights, continued

Three Year Litre Sales by Distribution Channel

for the year ending March 31

(000's)

	2020	2019	2018
Sales to Consumers	3,555	3,656	3,750
Sales to Licensees	607	708	756
Sales to Manufacturers *	113	102	83
Total	4,275	4,466	4,589

Three Year Dollar Sales by Distribution Channel

for the year ending March 31

(000's)

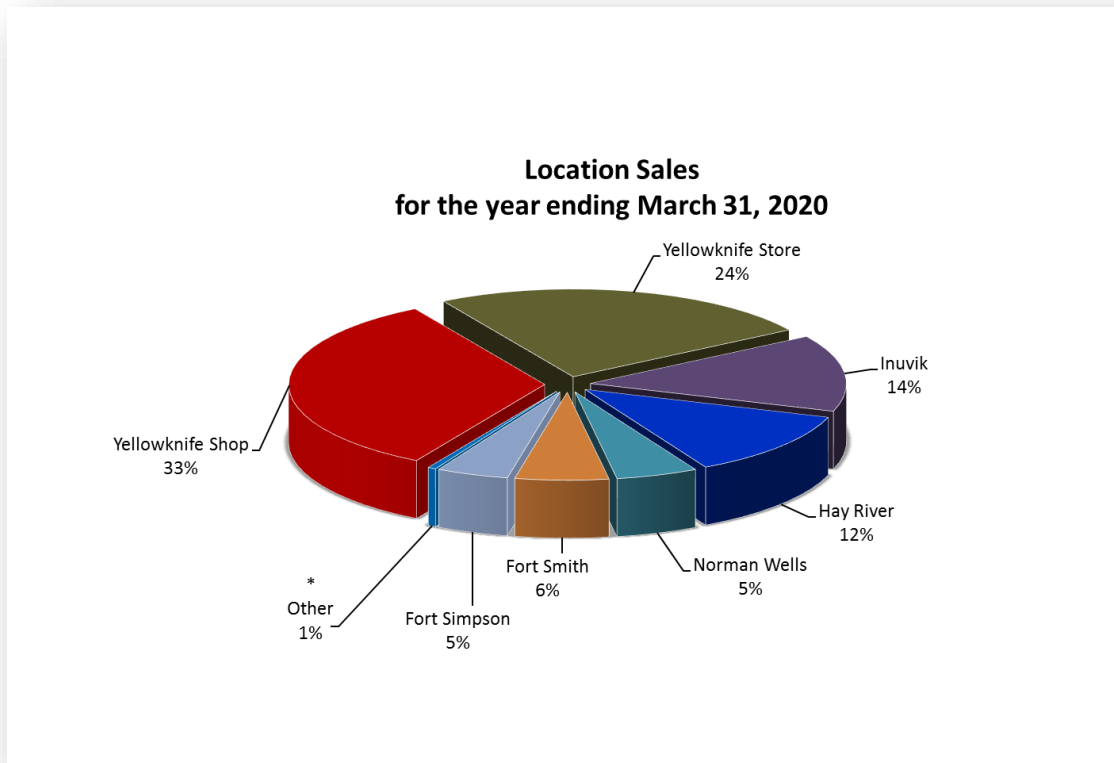
	2020	2019	2018
Sales to Consumers	47,157	47,126	47,563
Sales to Licensees	4,749	5,628	5,873
Sales to Manufacturers *	76	68	68
Total	51,982	52,822	53,504

Gross Dollar Sales by Distribution decreased over 2019; Consumer Sales + .1%, Licensee Sales – 15.7% and Manufacturer Sales + 11.8%.

The decrease in Licensee Sales is due to introducing a 10% discount to all Licensee's in the Northwest Territories the approximate cost in 2019-20 was \$545,000.00.

* 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.

STORE OPERATIONS



Sales by Location

for the year ending March 31

(000's)

	2020	2019	Increase (Decrease)
Yellowknife Warehouse	-	3,875	(3,875)
Yellowknife Shop	17,260	15,218	2,042
Yellowknife Store	12,727	11,883	844
Inuvik	7,336	7,287	49
Hay River	6,282	5,801	481
Norman Wells	2,686	2,715	(29)
Fort Smith	3,064	3,197	(133)
Fort Simpson	2,362	2,578	(216)
* Other	265	268	(3)
	51,982	52,822	(840)

* Other consists of miscellaneous sales that do not conform to the prescribed commission sales.

Statement of Operations by Location

(for the year ended March 31, 2020 with comparative figures for 2019)
 (revenue and expenses directly related to sales per location)

YELLOWKNIFE WAREHOUSE

(\$000's)

					2020	2019
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Licensees	-	-	-	-	-	3,875
Cost of goods sold	-	-	-	-	-	2,167
Gross margin	-	-	-	-	-	1,708
Other income					-	-
Operating expenses					-	1,106
Net income					-	602

YELLOWKNIFE SHOP

(\$000's)

					2020	2019
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	5,840	2,527	4,660	989	14,016	15,218
Licensees	707	604	1,760	173	3,244	-
	6,547	3,131	6,420	1,162	17,260	15,218
Cost of goods sold	2,009	1,482	2,718	516	6,725	5,212
Gross margin	4,538	1,649	3,702	646	10,535	10,006
Other income					-	-
Operating expenses					2,227	1,696
Net income					8,308	8,310

YELLOWKNIFE STORE

(\$000's)

					2020	2019
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	5,854	2,854	3,478	537	12,723	11,883
Licensees	4	-	-	-	4	-
	5,858	2,854	3,478	537	12,727	11,883
Cost of goods sold	1,752	1,269	1,446	238	4,705	4,264
Gross margin	4,106	1,585	2,032	299	8,022	7,619
Other income					-	-
Operating expenses					1,317	1,249
Net income					6,705	6,370

INUVIK OPERATIONS

(\$000's)

					2020	2019
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	3,424	695	2,234	420	6,773	6,683
Licensees	117	33	379	34	563	604
	3,541	728	2,613	454	7,336	7,287
Cost of goods sold	1,001	303	1,120	209	2,633	2,609
Gross margin	2,540	425	1,493	245	4,703	4,678
Other income					-	-
Operating expenses					820	807
Net income					3,883	3,871

HAY RIVER OPERATIONS

(\$000's)

					2020	2019
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	2,413	712	2,075	352	5,552	5,315
Licensees	83	30	591	26	730	486
	2,496	742	2,666	378	6,282	5,801
Cost of goods sold	717	298	1,086	164	2,265	2,049
Gross margin	1,779	444	1,580	214	4,017	3,752
Other income					-	-
Operating expenses					769	704
Net income					3,248	3,048

NORMAN WELLS OPERATIONS

(\$000's)

					2020	2019
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,317	207	901	95	2,520	2,506
Licensees	25	22	108	11	166	209
	1,342	229	1,009	106	2,686	2,715
Cost of goods sold	374	105	425	50	954	993
Gross margin	968	124	584	56	1,732	1,722
Other income					-	-
Operating expenses					620	618
Net income					1,112	1,104

FORT SMITH OPERATIONS

(\$000's)

					2020	2019
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,011	359	1,229	269	2,868	3,061
Licensees	48	6	130	12	196	136
	1,059	365	1,359	281	3,064	3,197
Cost of goods sold	306	142	528	114	1,090	1,135
Gross margin	753	223	831	167	1,974	2,062
Other income					-	-
Operating expenses					597	592
Net income					1,377	1,470

FORT SIMPSON OPERATIONS

(\$000's)

					2020	2019
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,302	111	633	129	2,175	2,260
Licensees	23	5	149	10	187	318
	1,325	116	782	139	2,362	2,578
Cost of goods sold	348	50	292	56	746	829
Gross margin	977	66	490	83	1,616	1,749
Other income					-	-
Operating expenses					439	424
Net income					1,177	1,325

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 Yellowknife, Hay River, Fort Smith, Norman Wells and Fort Simpson. NWT residents also have the option to purchase recreational cannabis from the NTLCC's on-line cannabis store. (www.ntlcc.ca).

OPERATIONS

To respond to the needs and concerns of our customers and stakeholders in the fiscal year 2019–2020 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

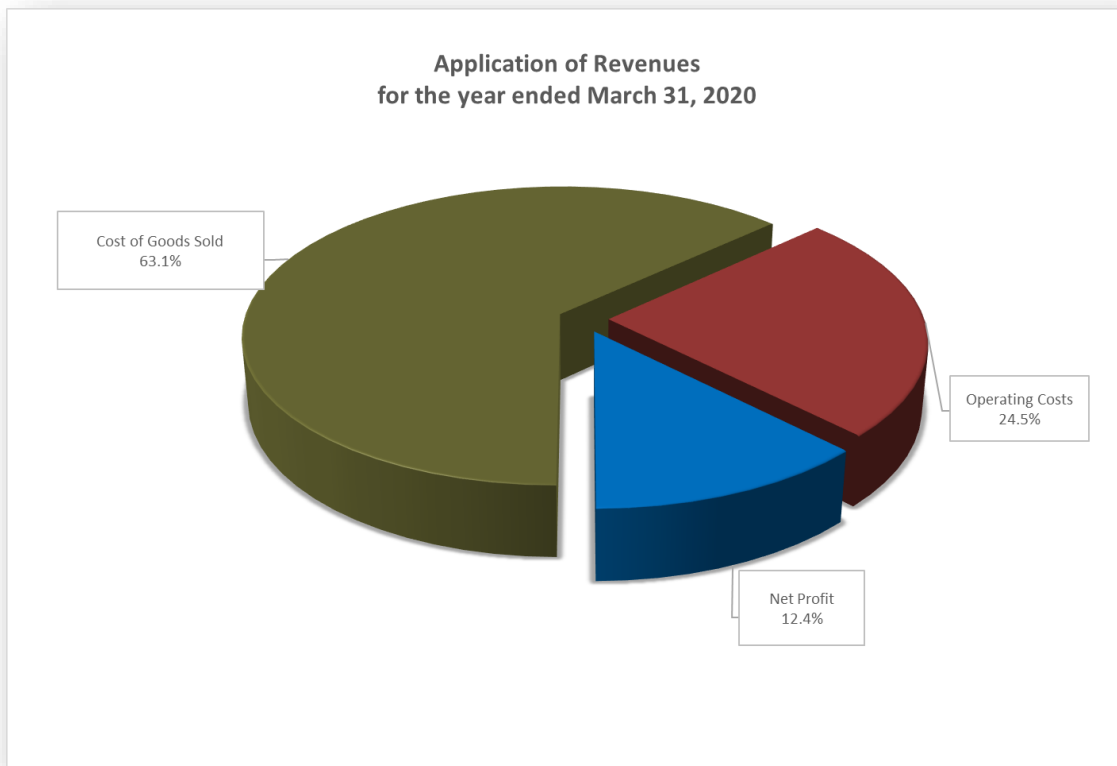
Operations are managed efficiently and comply with legislation, regulation and policy.

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 eight and a network of five retail stores, operated by private contractors. Cannabis inventory is owned by the NTLCC until it is sold to the retail customer. The on-line cannabis store sells directly to NWT residents. The cost to deliver the sales and administration of cannabis product throughout the year was 24.5% of sales revenue, of which 15.2% was paid to retail stores and on-line store contractors in commissions.

Performance Highlights, continued

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



GOAL #2

Actively and continuously promote the responsible use of cannabis.

Performance Highlights

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,
- Department of Infrastructure – Drug Impaired Driving,
- NTLCC – “Recreational Vehicle: Choose to be UnImpaired”.
- CRISM - Canada’s Lower-Risk Cannabis Use Guidelines

GOAL #3

Meet financial income targets.

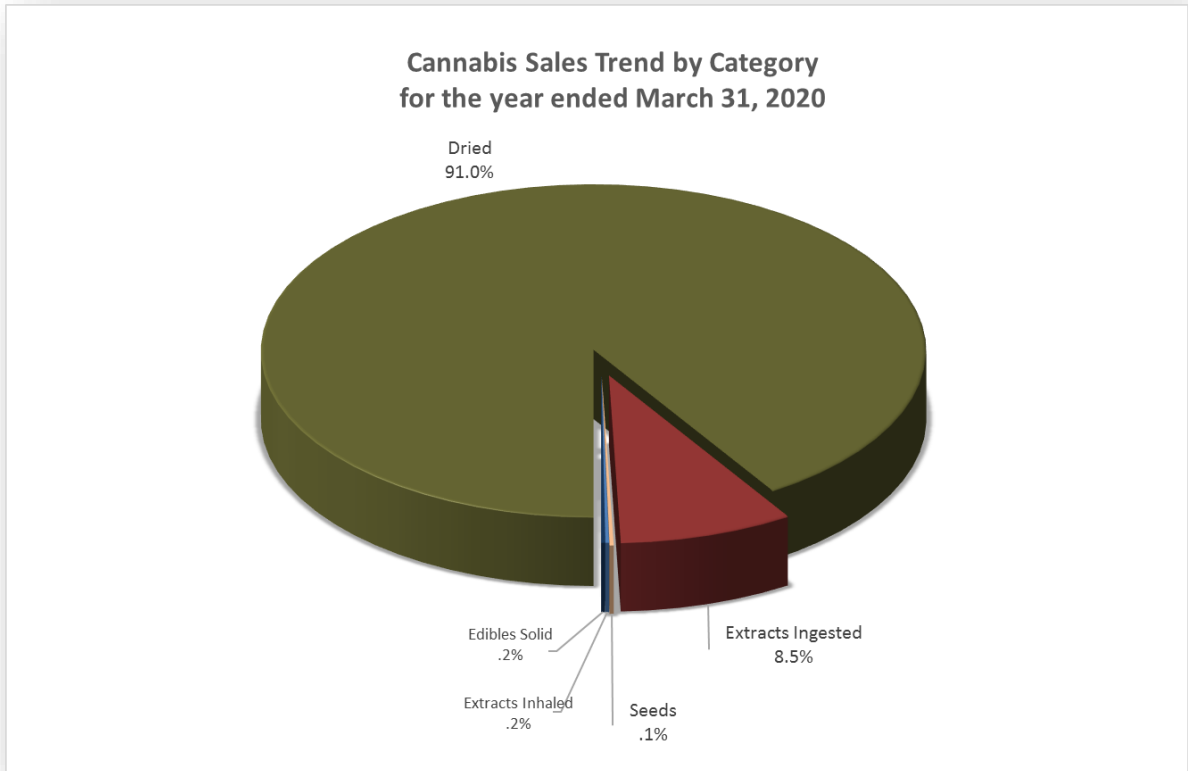
Performance Highlights

The NTLCC's annual surplus was higher than budget targets by 39.2%. The 2019-20 year represents the first full year that cannabis products were legally available for sale. Further, October 17, 2019 was the legalization of the edible cannabis, cannabis extracts and cannabis topicals categories. All cannabis categories were largely affected by the availability of supply across Canada.

Year Performance History		
for the year ending March 31		
(000's)		
	2020	Oct 2018 to March 2019
Gross Sales	3,252	1,364
Gross Profit	1,200	552
as a % of sales	36.9%	40.5%
Net Surplus	405	159
as a % of sales	12.5%	11.7%
Operating Expenses	795	393
as a % of sales	24.5%	28.8%

Performance Highlights, continued

Dollar Sales of Cannabis by Sales Category; Dried Cannabis represent 91% of product sold in the NWT with Extracts Ingested (formerly Cannabis Oil) product at 8.5%, Seeds .1%, Edibles Solid, and Extracts Inhaled, available February 2020, at .4%.



Dollar Sales by Category

for the year ending March 31

(000's)

Cannabis	Dried	Extracts Ingested	Edibles Solid	Extracts Inhaled	Seeds	Total
Oct 2018 - Mar 2019	1,148	215	N/A	N/A	1	1,364
2020	2,959	275	6	6	6	3,252

Performance Highlights, continued

Cannabis Volume Sales by Category

Volume Sales by Category

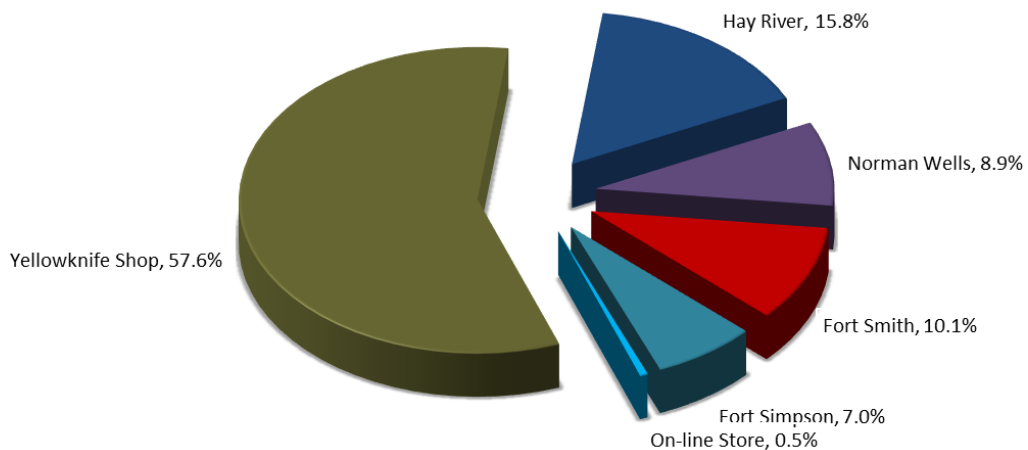
for the year ending March 31

Cannabis	2020	Oct 2018 to March 2019
Dried	241,091 gr	85,605 gr
Extracts Ingested	58,676 mls	67,142.5 mls
Edibles Solid	2,035 gr	N/A *
Extracts Inhaled	122 gr	N/A *
Seeds	312 units	9 units

Note * - These categories were not legal until October 18, 2019 and were not available in store until February 2020.

STORE OPERATIONS

Location Sales for the year ending March 31, 2020



Store Operations, continued

Sales by Location

for the year ending March 31

(000's)

	2020	Oct 18 to Mar 2019
Yellowknife Shop	1,874	806
Hay River	513	187
Norman Wells	289	101
Fort Smith	329	129
Fort Simpson	229	97
On-line Store	17	44
	3,252	1,364

Store Operations, continued

Statement of Operations by Location

(for the year ended March 31, 2020, with comparative figures for October 2018 to March 2019)
(revenue and expenses directly related to sales per location)

YELLOWKNIFE SHOP

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Extracts Inhaled	Seeds	2020 Total	Oct 18 - Mar 19 Total
Sales							
Consumers	1,706	161	2	2	3	1,874	806
Cost of goods sold	1,052	99	1	1	2	1,156	481
Gross margin	654	62	1	1	1	718	325
Operating expenses						283	141
Net income						435	184

HAY RIVER OPERATIONS

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Extracts Inhaled	Seeds	2020 Total	Oct 18 - Mar 19 Total
Sales							
Consumers	471	39	1	1	1	513	187
Cost of goods sold	285	24	1	1	0	311	110
Gross margin	186	15	-	-	1	202	77
Operating expenses						79	35
Net income						123	42

Store Operations, continued

NORMAN WELLS OPERATIONS

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Extracts Inhaled	Seeds	2020 Total	Oct 18 - Mar 19 Total
Sales							
Consumers	261	26	1	1	-	289	101
Cost of goods sold	170	17	1	1	-	188	63
Gross margin	92	9	0	0	-	101	38
Operating expenses						43	19
Net income						58	19

FORT SMITH OPERATIONS

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Extracts Inhaled	Seeds	2020 Total	Oct 18 - Mar 19 Total
Sales							
Consumers	290	36	1	1	1	329	129
Cost of goods sold	211	26	1	1	1	239	77
Gross margin	79	10	0	0	0	90	52
Operating expenses						51	24
Net income						39	28

Store Operations, continued

FORT SIMPSON OPERATIONS

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Extracts Inhaled	Seeds	2020 Total	Oct 18 - Mar 19 Total
Sales							
Consumers	213	13	1	1	1	229	97
Cost of goods sold	143	9	1	1	1	153	56
Gross margin	71	4	0	0	0	76	41
Operating expenses						36	18
Net income						40	23

ONLINE STORE

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Extracts Inhaled	Seeds	2020 Total	Oct 18 - Mar 19 Total
Sales							
Consumers	17	-	-	-	-	17	44
Cost of goods sold	7	-	-	-	-	7	24
Gross margin	10	-	-	-	-	10	20
Operating expenses						304	156
Net income						(294)	(136)

AUDITED FINANCIAL STATEMENTS
2019 – 2020

**NORTHWEST TERRITORIES LIQUOR & CANNABIS
COMMISSION**

Financial Statements

Year ended March 31, 2020

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Index to Financial Statements

March 31, 2020

Management's Responsibility for Financial Reporting	39
Auditor's Report	40
Statement of Financial Position	42
Statement of Operations	43
Statement of Accumulated Surplus.....	44
Statement of Change in Net Financial Resources	45
Statement of Cash Flow	46
Notes to Financial Statements	47

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 examines transactions that have come to their notice to ensure they are, in all significant respects, in accordance with the statutory authorities of the Commission.



Peter Maher
Director, Liquor & Cannabis Operations
NWT Liquor & Cannabis Commission
June 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the Ministers of NWT Liquor & Cannabis Commission

Report on the Financial Statements

Qualified 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, 2020, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2020, 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 Qualified Opinion

The Government of the Northwest Territories is responsible for the calculation and distribution of the Commission's salaries, wages and employee benefits expense for public service employees, the accuracy of which is not susceptible to complete audit verification. We have satisfied ourselves that the payroll information provided by the GNWT is properly reflected in the Commission's records. As a result, we were not able to determine whether any adjustments might be necessary to expenses, liabilities or accumulated surplus.

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 qualified audit 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.

(continues)

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:

- 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, 2020

Chartered Professional Accountants

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Statement of Financial Position

As at March 31, (\$000)	2020	2019
Financial Assets		
Cash	\$ 6,355	\$ 5,460
Accounts receivable	97	21
Inventories for resale (note 3)	3,072	3,509
	<u>9,524</u>	<u>8,990</u>
Financial Liabilities		
Accounts payable and accrued liabilities (note 7)	4,437	3,976
Pension and other employee benefits (note 4)	54	70
Due to the NWT Liquor Licensing Board (note 5)	61	104
	<u>4,552</u>	<u>4,150</u>
Net Financial Resources	<u>4,972</u>	<u>4,840</u>
Non-Financial Assets		
Tangible capital assets (note 6)	626	742
Prepaid expenses	24	40
	<u>650</u>	<u>782</u>
Accumulated Surplus	<u>\$ 5,622</u>	<u>\$ 5,622</u>

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

Approved by the Northwest Territories Liquor & Cannabis Commission:



Peter Maher
Director of Liquor & Cannabis Operations

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Statement of Operations

For the year ended March 31, (\$000)	2020 Budget	2020 Actual	2019 Actual
Sales			
Beer	\$ 19,576	\$ 18,439	\$ 20,148
Spirits	21,381	22,180	21,708
Wine	8,119	8,304	8,276
Coolers and Ciders	3,098	3,059	2,690
Cannabis	2,337	3,252	1,364
	54,511	55,234	54,186
Cost of goods sold			
Beer	8,162	7,616	8,244
Spirits	6,193	6,506	6,259
Wine	3,619	3,728	3,650
Coolers and ciders	1,211	1,348	1,187
Cannabis	1,609	2,052	812
	20,794	21,250	20,152
Gross profit on sales	33,717	33,984	34,034
Other income			
Government contribution - services provided without charge (note 7)	-	19	-
Import fees and Income	8	9	7
	8	28	7
Expenses (note 7)			
Commissions to agents - Liquor	6,474	6,119	6,609
Commissions to agents - Cannabis	483	494	243
Salaries, wages and employee benefits	1,009	1,014	997
Administration - Liquor	494	655	564
Administration - Cannabis	200	200	100
Travel	30	39	27
Rent	242	238	247
Amortization of tangible capital assets (note 6)	208	196	171
	9,140	8,955	8,958
Annual surplus	\$ 24,585	\$ 25,057	\$ 25,083

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

For the year ended March 31, (\$000)	2020	2020	2019
	Budget	Actual	Actual
Accumulated surplus, beginning of the year	\$ 5,622	\$ 5,622	5,622
Annual surplus	24,585	25,057	25,083
Amounts transferred to the Consolidated Revenue Fund	(23,854)	(24,540)	(24,531)
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(731)	(517)	(552)
Increase in accumulated surplus	-	-	-
Accumulated surplus, end of year	\$ 5,622	\$ 5,622	5,622

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

For the year ended March 31, (\$000)	2020	2020	2019
	Budget	Actual	Actual
Net financial resources, beginning of year	\$ 4,840	\$ 4,840	\$ 4,996
Items affecting net financial resources:			
Increase (decrease) in accumulated surplus	-	-	-
Net investment in tangible capital assets:			
Acquisitions	-	(80)	(344)
Amortization expense	208	196	171
Increase in prepaid expenses	-	16	17
Net financial resources, end of year	\$ 5,048	4,972	\$ 4,840

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)	2020	2019
Operating activities		
Cash received from customers	\$ 55,167	\$ 54,261
Cash paid to employees and suppliers	(29,226)	(27,446)
Cash provided by operating activities	25,941	26,815
Capital activities		
Purchase of tangible capital assets	(80)	(344)
Financing activities		
Cash transferred to the Consolidated Revenue Fund	(24,406)	(24,531)
Cash transferred to the NWT Licensing Board	(560)	(646)
Cash provided by financing activities	(24,966)	(25,177)
Increase in cash	895	1,294
Cash, beginning of year	5,460	4,166
Cash, end of Year	\$ 6,355	\$ 5,460

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2020 (\$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, 2020 the Fund's assets exceeded the liabilities by \$4,972 (2019 - \$4,840).

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 Canadian Institute of Chartered Professional Accountants.

(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, 2020 (\$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.

(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.

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2020 (\$000)

3. Inventories for resale

	2020	2019
Spirits	\$ 993	\$ 1,135
Beer	826	1,049
Wine	578	663
Coolers and ciders	158	141
Cannabis	518	521
	\$ 3,072	\$ 3,509

4. Pension and other employee benefits

a) Pension benefits

The employees of the Commission participate in the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the Plan. The basic benefit formula is two percent per year of pensionable service multiplied by the average of the five consecutive years of highest paid service. The employer contribution rate effective at the end of the year was 1.01 times (2019 - 1.01) the employees' contributions for employees who started prior to January 2013 and 1.0 times (2019 - 1.01) the employees' contributions for all other employees. The Employers contributions and the Commission's employees' contribution for the year were as follows:

	2020	2019
Commission's contributions (recognized as expense)	\$ 113	\$ 108
Employees' contribution	120	109

The plan was amended during 2013 which raised the normal retirement age and other age-related thresholds from age 60 to age 65 for new members joining the Plan on or after January 1, 2013. For existing members, the normal retirement age remains age 60.

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2020 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits

	2020			2019		
	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	\$ 102	\$ 15	\$ 117	\$ 92	\$ 14	\$ 106
Current Service Costs	3	1	4	4	1	5
Interest Cost	3	1	4	3	1	4
Benefits paid during the year	-	(30)	(30)	-	(33)	(33)
Actuarial (gain)/loss	(12)	29	17	2	33	35
Accrued benefit obligation, end of the year	\$ 96	\$ 16	\$ 112	\$ 101	\$ 15	\$ 117
Unamortized net actuarial gain (loss)	(6)	(52)	(58)	(22)	(25)	(47)
Accrued benefit (liability)/asset	\$ 90	\$ (36)	\$ 55	\$ 79	\$ (10)	\$ 70

The Commission provides severance benefits to its employees based on years of service and final salary. The Commission also provides removal assistance to eligible employees, as provided under labour contracts. These benefit plans are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The Commission provides accumulating sick and special leave employee benefits. Sick leave accrues at a rate of one and a one quarter day per month and special leave accumulates at a rate of one-half day per month. These leave balances require funding in future periods when employees become sick or require special leave. Sick leave can only be used for paid time off for illness of the employee. Special leave can only be claimed in certain circumstances (e.g. sick family members, family deaths, marital leave) Sick and special leave taken is paid at the employee's normal rate of pay. Sick and special leave benefits are not paid out to an employee upon termination of employment, resignation or retirement. Unused sick and special days accumulate and there are no limits to the accumulation.

An actuarial valuation for accounting purposes was prepared at March 31, 2020 for the Commission's other employee future benefit plans using the projected benefits method prorated on services.

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2020 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits (continued)

The actuarial valuation at March 31, 2020 reflects management's best estimate based upon a number of future orientated assumptions including:

	<u>2020</u>	<u>2019</u>
Expected inflation rate	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	2.7%	3.2%
Expected average remaining service life of related employee groups (EARSL)	8.3	8.3
Expected age at termination	59.2	59.2

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

2021	\$	44
2022		27
2023		14
2024		10
2025		6
2026 and beyond		18
	\$	<u>119</u>

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2020 (\$000)

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.

6. Tangible capital assets

	Furniture and fixtures		Computer hardware and software		Leasehold improvements		2020	2019		
Cost:										
Opening balance	\$	125	\$	1,136	\$	848	\$	2,109	\$	1,771
Acquisitions		1		73		7		80		344
Disposals and write-downs		-		(293)		-		(293)		(6)
Closing balance		126		916		855		1,897		2,109
Accumulated Amortization:										
Opening balance		(109)		(804)		(454)		(1,367)		(1,202)
Amortization		(6)		(157)		(33)		(196)		(171)
Disposals and write-downs		-		293		-		293		6
		(115)		(668)		(487)		(1,270)		(1,367)
Net book value	\$	10	\$	248	\$	368	\$	626	\$	742

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2020 (\$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 \$1,014 (2019 – \$997) 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 \$19 (2019 – \$0). 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 \$157 (2019 – \$169) for bottle deposits payable to the Department of Environment and Natural Resources, \$128 (2019 – \$370) for salaries, wages, and employee benefits payable to the Department of Finance, and \$1,682 (2019 - \$1,826) other various Government Departments.

8. Contractual obligations

The Commission has a five-year lease agreement ending April 30, 2021 for its office premises. The Commission also has a ten-year lease agreement ending January 31, 2022 with the option of extending the lease for two further terms of five years for the Hay River Liquor Store. The minimum annual lease payments for the leases over the next five year(s) are:

2020/21	\$ 243
2021/22	\$ 141
2022/23	\$ NIL
2023/24	\$ NIL
2024/25	\$ NIL

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.