



NORTHWEST TERRITORIES
**LIQUOR AND
CANNABIS**
COMMISSION

65TH ANNUAL REPORT

Photo Credit: C. Cooper

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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-fifth Annual Report for the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2019.

Robert C. McLeod
Minister Responsible for the
NWT Liquor Commission



THE HONOURABLE ROBERT C. MCLEOD

NWT Liquor & Cannabis Commission

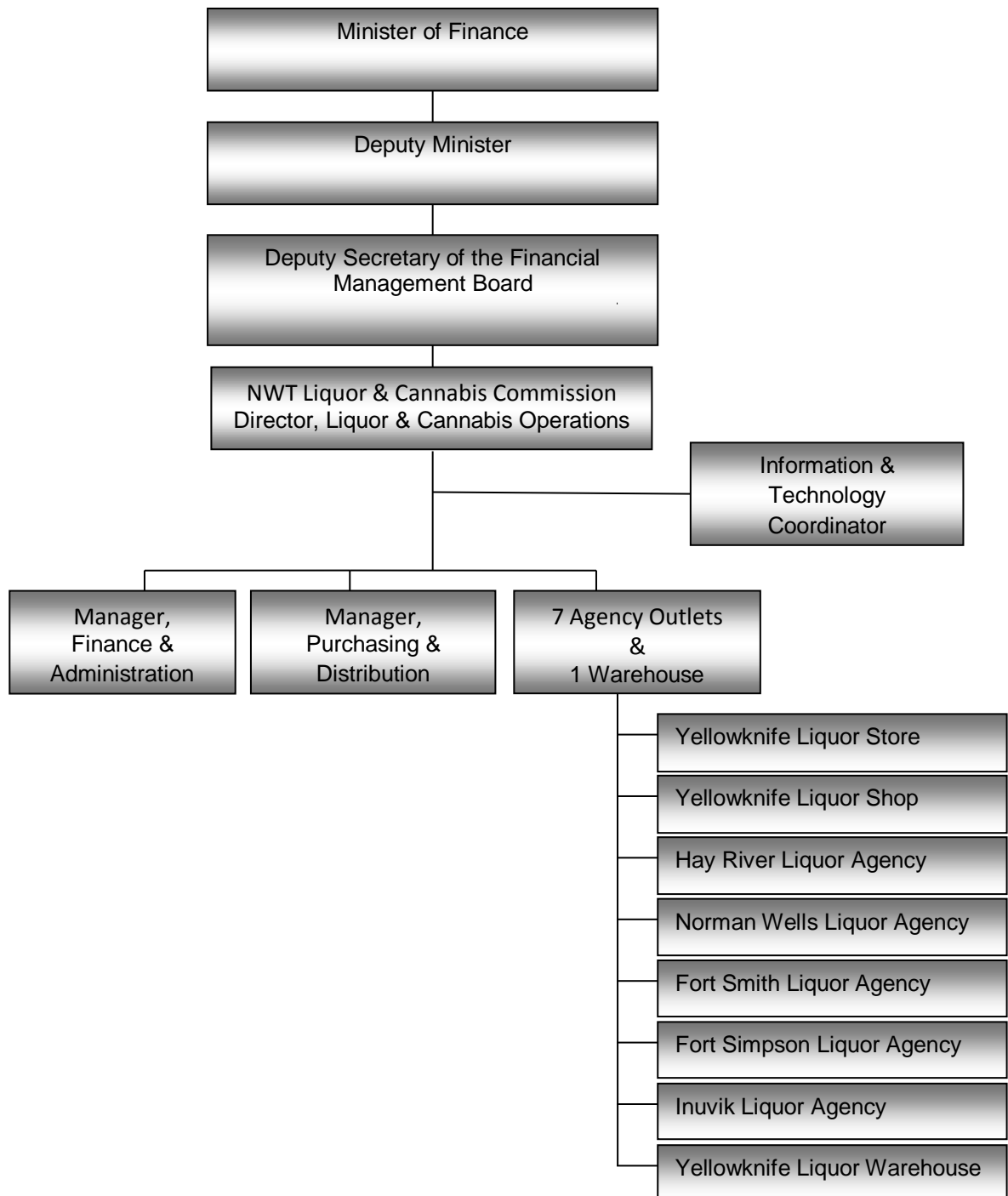
Pursuant to Subsection 64 (1) of the Liquor Act, we are pleased to submit the sixty-fifth Annual Report of the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2019.

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

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

Deputy Minister
Department of Finance

ORGANIZATION CHART



NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

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DIRECTOR OF LIQUOR & CANNABIS OPERATION'S REPORT

The Northwest Territories Liquor & Cannabis Commission (NTLCC) is established under the Liquor Act. The Liquor Act and Bill C6 - Cannabis Legalization and Regulation Implementation Act of the Northwest Territories authorizes the Commission to purchase, sell, classify and distribute liquor and cannabis in the Northwest Territories.

The year showed a 1% sales decline over the prior year at \$53 million in Liquor Sales. Budget estimates for the year were exceeded; with the annual surplus for liquor 1.0% over the budget targets. The volume of liquor sold, in litres, declined by 3% over 2017/18.

On October 17, 2018, the NTLCC commenced selling Cannabis product in the Northwest Territories. Actual sales were substantially lower than budgeted as this year represents the first time this product was legally available for sale and the potential revenue was unknown. Further, revenues were largely affected by the availability of supply across Canada.

Combined sales for Liquor and Cannabis products provided for a total \$25 million transfer to the Territorial Treasury.

Sales and distribution of Liquor are carried out through a network consisting of seven retail outlets and one Yellowknife warehouse, contracted to private sector operators. Five of the seven retail outlets also sell cannabis.

The strategic plan of the Commission for Liquor focuses on three key areas for measuring performance, we have adapted the same for Cannabis:

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.

Implementation for the sale of the Cannabis product, October 17, 2018 was met.

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

A handwritten signature in blue ink, appearing to read "Peter Maher". The signature is fluid and cursive.

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 2018–2019 we:

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

STRATEGIC OBJECTIVES

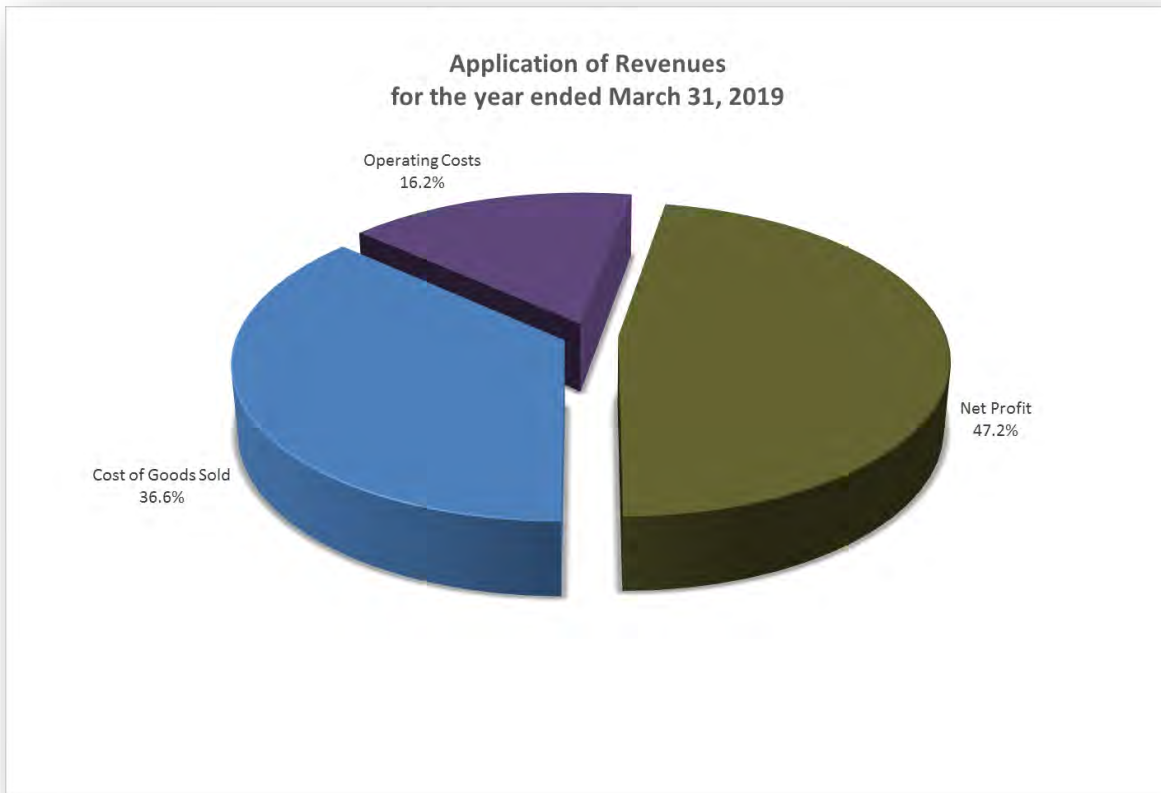
Goal #1

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, a network of seven stores and one warehouse - 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 16.3% of sales revenue, of which 12.5% was paid to liquor store and warehouse contractors in Commissions.

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



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.

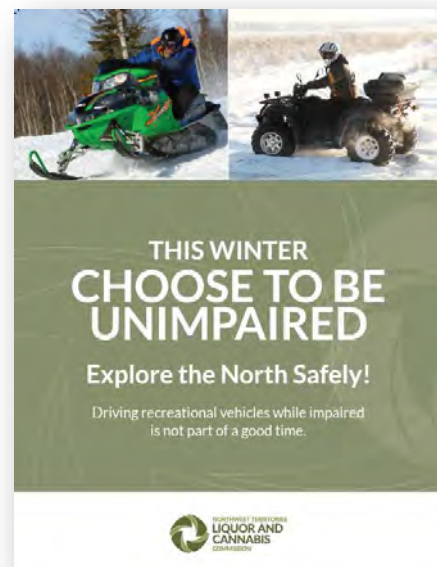
The Check 25 program is intended to strengthen controls concerning service to minors. The program conditions our customers to expect to be asked for proof of identification if they appear to be under the age of 25.

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 had partnered with Manitoba Liquor and Lotteries in their UnDrunk Campaign; in an effort to promote awareness that drinking, and driving extends to the use of recreational vehicles.

During the 2018-19 year, Uphere Magazine’s designers, in conjunction with the new Logo for the NWT Liquor and Cannabis Commission updated our Summer and Winter UnDrunk Campaign to include all forms of Impairment that was in Uphere Magazine, News North, L’Aguilon, and in the Yellowknife Chamber of Commerce Insider.



GOAL #3

Meet financial income targets.

Performance Highlights

NTLCC annual surplus was (.03%) over the previous fiscal year and 1% within budget targets.

Five Year Performance History

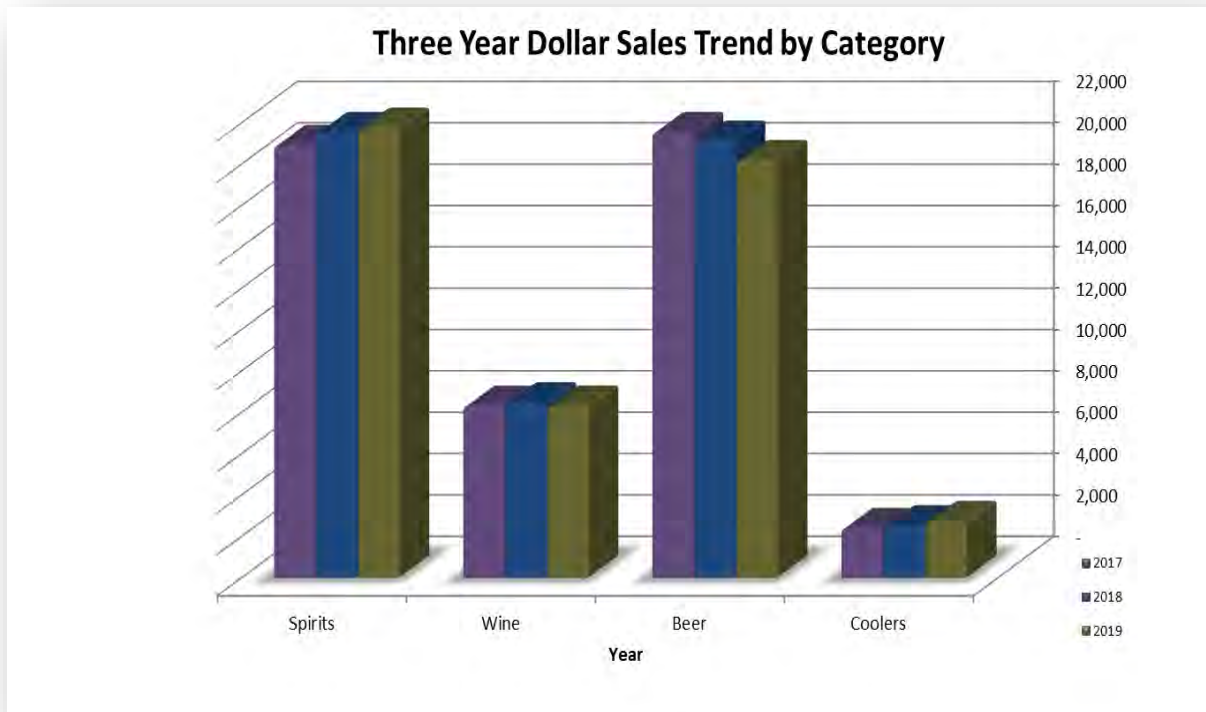
for the year ending March 31

(000's)

	2019	2018	2017	2016	2015
Gross Sales	52,822	53,504	52,998	49,238	48,157
Gross Profit	33,482	34,068	33,772	30,984	39,976
as a % of sales	63.4%	63.7%	63.7%	62.9%	62.2%
Other Income	7	15	13	9	10
Net Surplus	24,924	25,662	25,681	24,362	25,043
as a % of sales	47.2%	48.0%	48.5%	48.5%	52.0%
Operating Expenses	8,565	8,421	8,104	6,631	4,943
as a % of sales	16.2%	15.7%	15.3%	13.5%	10.3%

Performance Highlights, continued

Gross Dollar Sales decline of 1.3% over 2018 in all categories. With increases in the Spirits - .9%, Coolers & Ciders Category - 8.1% and declines in the Wine - 1.8% and Beer Category - 4.4%.



Three Year Dollar Sales by Category

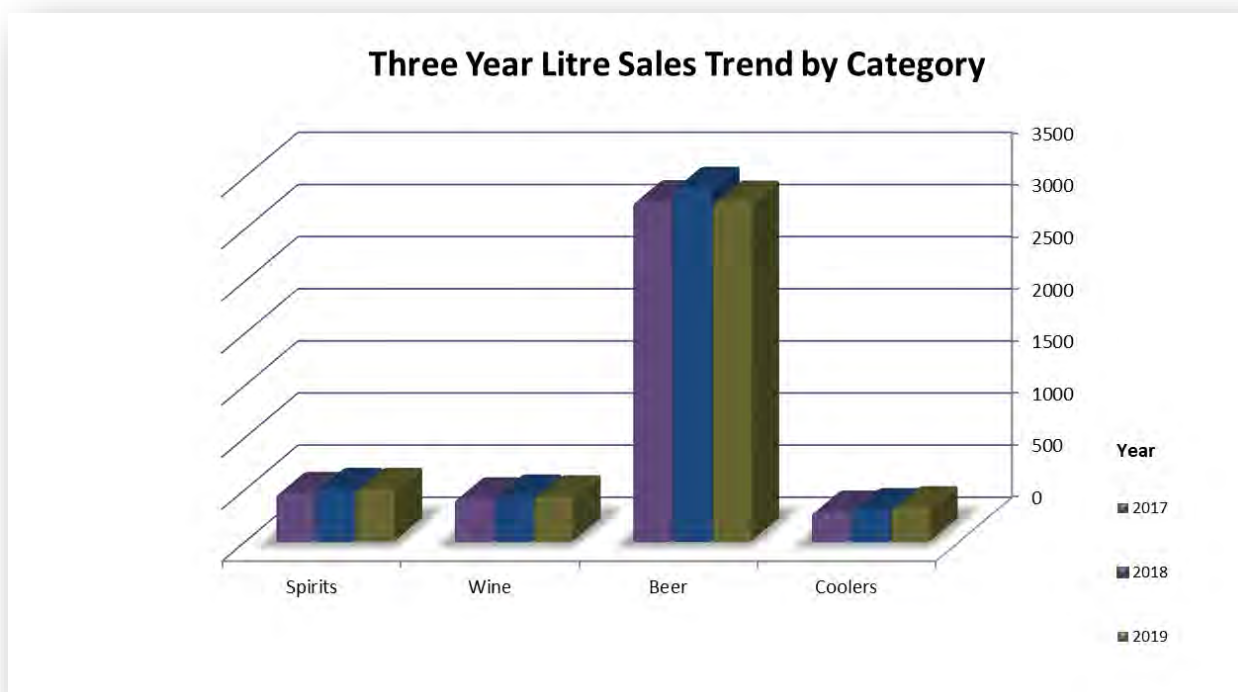
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers	Total
2017	20,875	8,264	21,505	2,354	52,998
2018	21,505	8,430	21,081	2,488	53,504
2019	21,708	8,276	20,148	2,690	52,822

Performance Highlights, continued

Litre Sales decline of 3% over 2018. With no growth in Spirits, growth in Coolers - 6%, decline in Wine - 2%, and Beer - 4%, Categories.



Three Year Litre Sales by Category

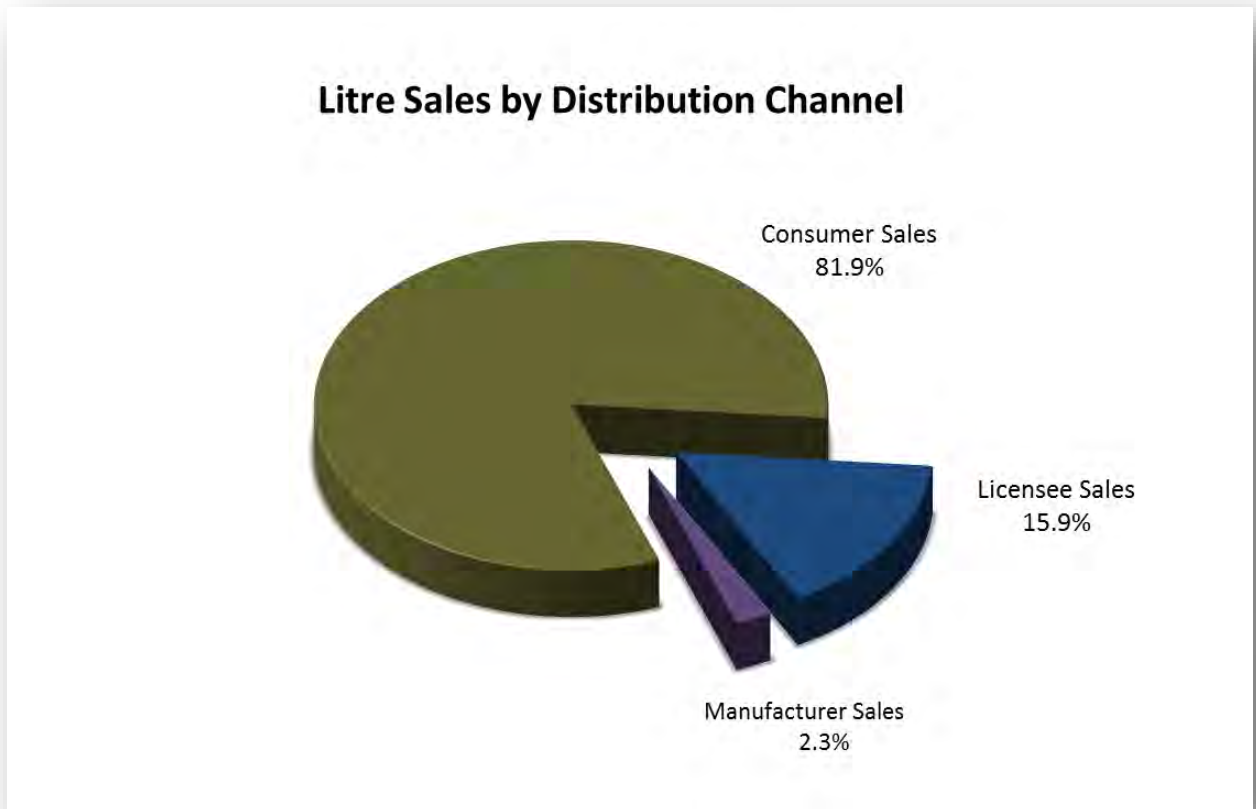
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers	Total
2017	450	398	3,249	271	4,368
2018	490	427	3,377	295	4,589
2019	490	419	3,244	313	4,466

Performance Highlights, continued

Litre Sales by Distribution decreased over 2018; Consumer Sales - 3%, Licensee Sales - 6% and increased over 2018 Manufacturer Sales – 22%.



* 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)

	2019	2018	2017
Sales to Consumers	3,656	3,750	3,574
Sales to Licensees	708	756	729
Sales to Manufacturers *	102	83	65
Total	4,466	4,589	4,368

Three Year Dollar Sales by Distribution Channel

for the year ending March 31

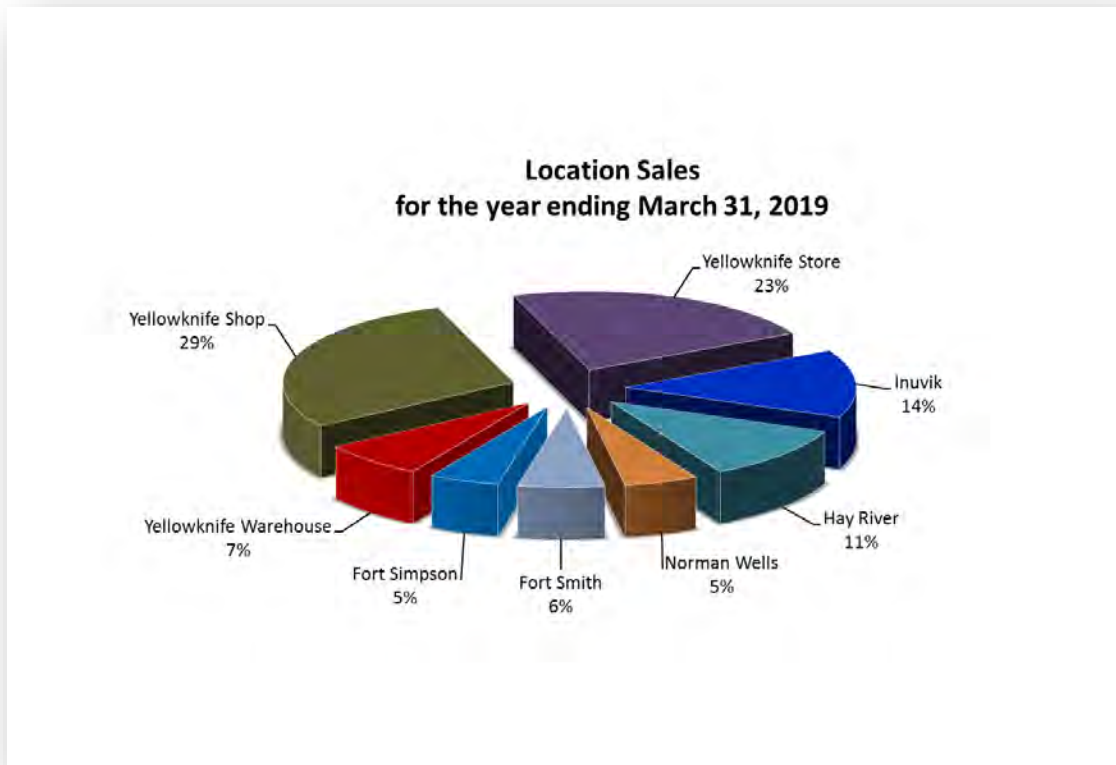
(000's)

	2019	2018	2017
Sales to Consumers	47,126	47,563	47,077
Sales to Licensees	5,628	5,873	5,849
Sales to Manufacturers *	68	68	72
Total	52,822	53,504	52,998

Gross Dollar Sales by Distribution decreased over 2018; Consumer Sales - 1%, Licensee Sales - 4% and Manufacturer Sales – 0%.

* 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)

	2019	2018	Increase (Decrease)
Yellowknife Warehouse	3,875	4,060	(185)
Yellowknife Shop	15,218	14,818	400
Yellowknife Store	11,883	12,514	(631)
Inuvik	7,287	7,185	102
Hay River	5,801	6,050	(249)
Norman Wells	2,715	2,780	(65)
Fort Smith	3,197	3,279	(82)
Fort Simpson	2,578	2,510	68
* Other	268	308	(40)
	52,822	53,504	(682)

* 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, 2019 with comparative figures for 2018)
 (revenue and expenses directly related to sales per location)

YELLOWKNIFE WAREHOUSE

(\$000's)

					2019	2018
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Licensees	830	618	2,250	177	3,875	4,060
Cost of goods sold	330	328	1,377	132	2,167	2,257
Gross margin	500	290	873	45	1,708	1,803
Other income					-	-
Operating expenses					1,106	953
Net income					602	850

YELLOWKNIFE SHOP

(\$000's)

					2019	2018
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	6,663	2,463	5,251	841	15,218	14,818
Cost of goods sold	1,856	1,100	1,915	341	5,212	5,032
Gross margin	4,807	1,363	3,336	500	10,006	9,786
Other income					-	-
Operating expenses					1,696	1,624
Net income					8,310	8,162

YELLOWKNIFE STORE

(\$000's)

					2019	2018
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	4,793	2,828	3,796	466	11,883	12,514
Cost of goods sold	1,446	1,214	1,413	191	4,264	4,424
Gross margin	3,347	1,614	2,383	275	7,619	8,090
Other income					-	-
Operating expenses					1,249	1,315
Net income					6,370	6,775

INUVIK OPERATIONS

(\$000's)

					2019	2018
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	3,277	725	2,360	321	6,683	6,840
Licensees	118	36	418	32	604	646
	3,395	761	2,778	353	7,287	7,486
Cost of goods sold	958	318	1,172	161	2,609	2,648
Gross margin	2,437	443	1,606	192	4,678	4,838
Other income					-	-
Operating expenses					807	830
Net income					3,871	4,008

HAY RIVER OPERATIONS

(\$000's)

					2019	2018
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	2,194	706	2,089	326	5,315	5,549
Licensees	78	31	355	22	486	501
	2,272	737	2,444	348	5,801	6,050
Cost of goods sold	634	296	970	149	2,049	2,122
Gross margin	1,638	441	1,474	199	3,752	3,928
Other income					-	-
Operating expenses					704	700
Net income					3,048	3,228

NORMAN WELLS OPERATIONS

(\$000's)

					2019	2018
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,270	219	922	95	2,506	2,592
Licensees	30	35	130	14	209	187
	1,300	254	1,052	109	2,715	2,779
Cost of goods sold	367	124	449	53	993	997
Gross margin	933	130	603	56	1,722	1,782
Other income					-	-
Operating expenses					618	622
Net income					1,104	1,160

FORT SMITH OPERATIONS

(\$000's)

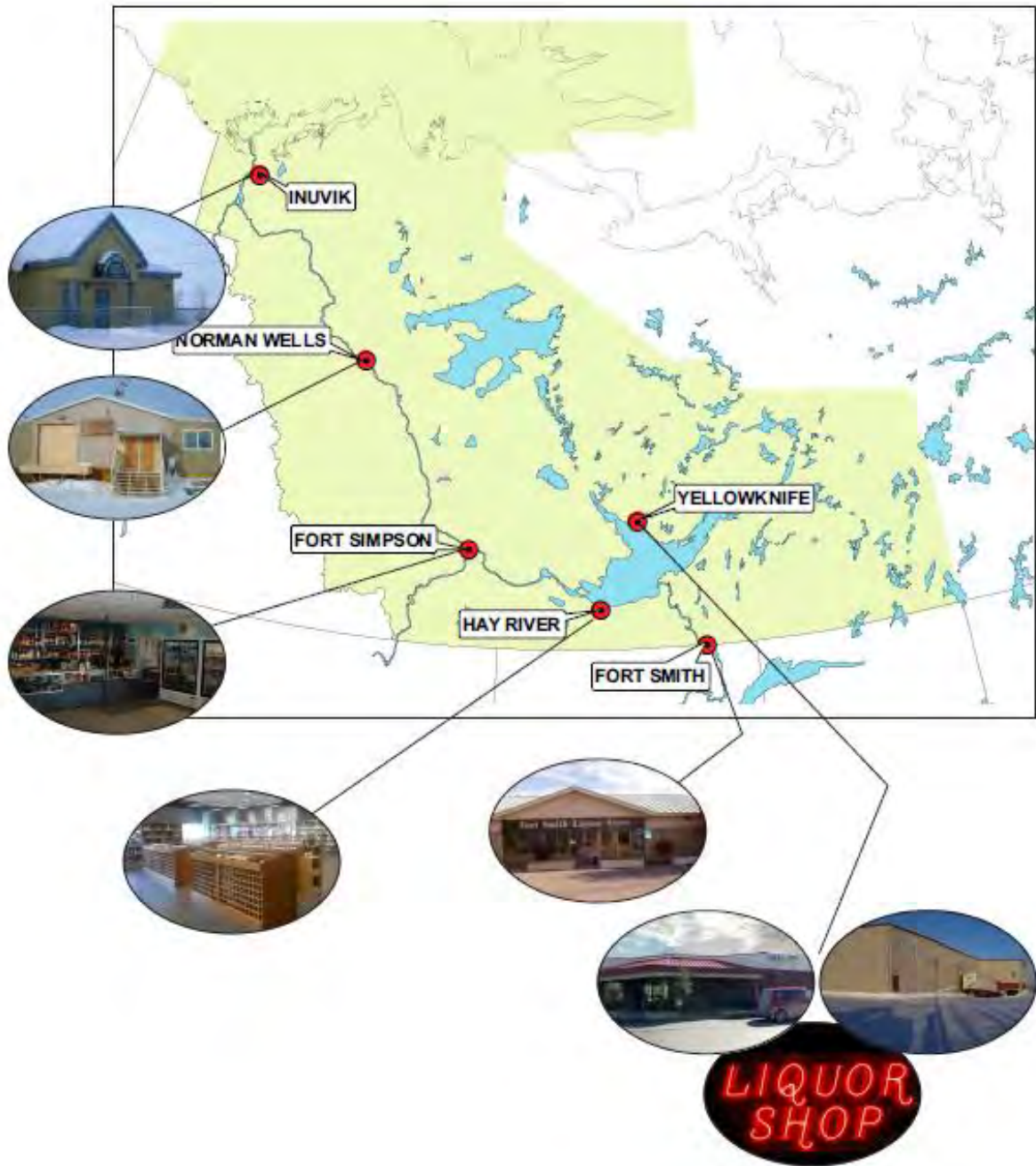
					2019	2018
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,041	341	1,420	259	3,061	3,102
Licensees	32	3	93	8	136	178
	1,073	344	1,513	267	3,197	3,280
Cost of goods sold	310	135	582	108	1,135	1,165
Gross margin	762	228	990	159	2,062	2,115
Other income					-	-
Operating expenses					592	592
Net income					1,470	1,523

FORT SIMPSON OPERATIONS

(\$000's)

					2019	2018
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,334	111	701	114	2,260	2,198
Licensees	39	8	258	13	318	311
	1,373	119	959	127	2,578	2,509
Cost of goods sold	358	53	367	51	829	802
Gross margin	1,015	66	592	76	1,749	1,707
Other income					-	-
Operating expenses					424	412
Net income					1,325	1,295

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 Act Come into Force.

Bill 6, Cannabis Legalization and Regulation Implementation Act, 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. They also have the option to purchase recreational cannabis from the NTLCC on-line store. (www.ntlcc.ca).

OPERATIONS

To respond to the needs and concerns of our customers and stakeholders in the fiscal year 2018–2019 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

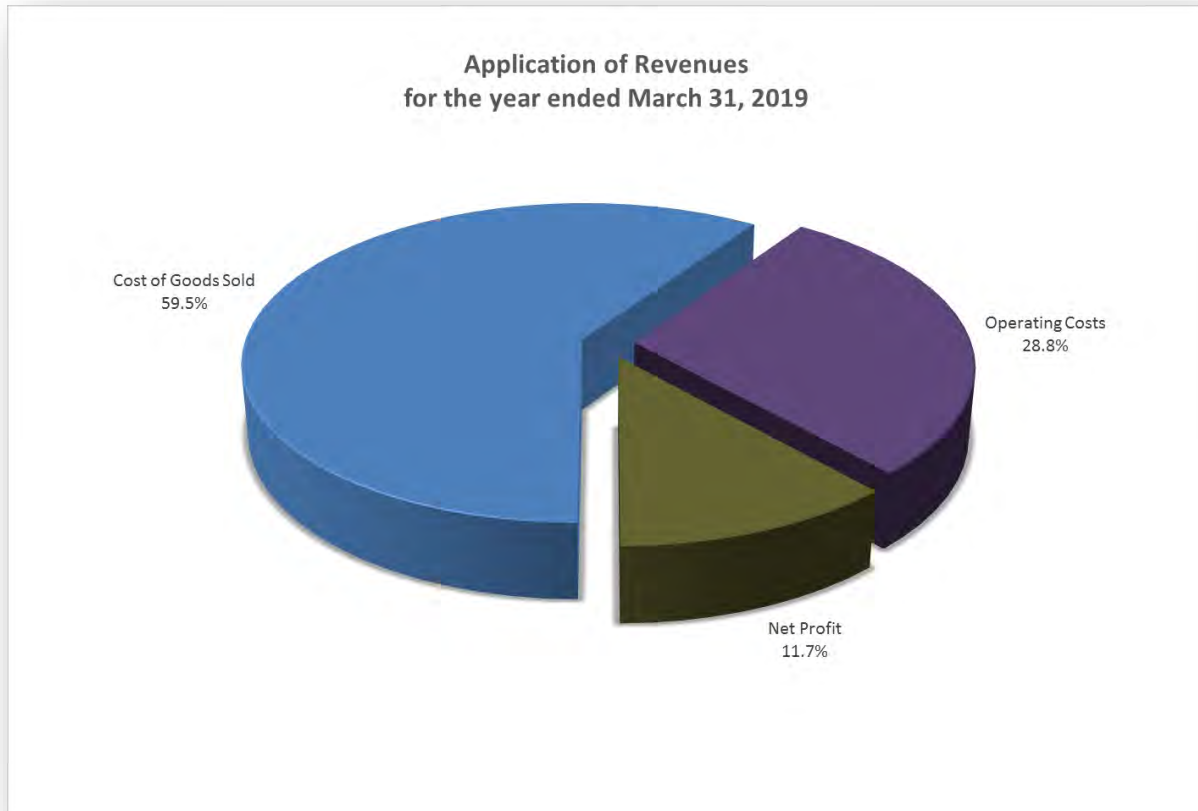
Operations are managed efficiently and comply with legislation, regulation and policy.

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, a network of seven stores and one warehouse - operated by private contractors. Only five of the private agency stores operate with Cannabis inventory on consignment from the Commission. Sales to consumers are incurred through sales by the consignment stores. The On-line Cannabis Store sells directly to NWT residents. The cost to deliver the sales and administration throughout the year was 28.8% of sales revenue, of which 17.8% was paid to liquor and on-line stores contractors in Cannabis Commissions.

Performance Highlights, continued

Operational compliance with contracts, regulation and legislation by the stores and on-line store operators was maintained throughout the year. The operations of all liquor outlets 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 supports the responsible use of cannabis jointly 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”.

GOAL #3

Meet financial income targets.

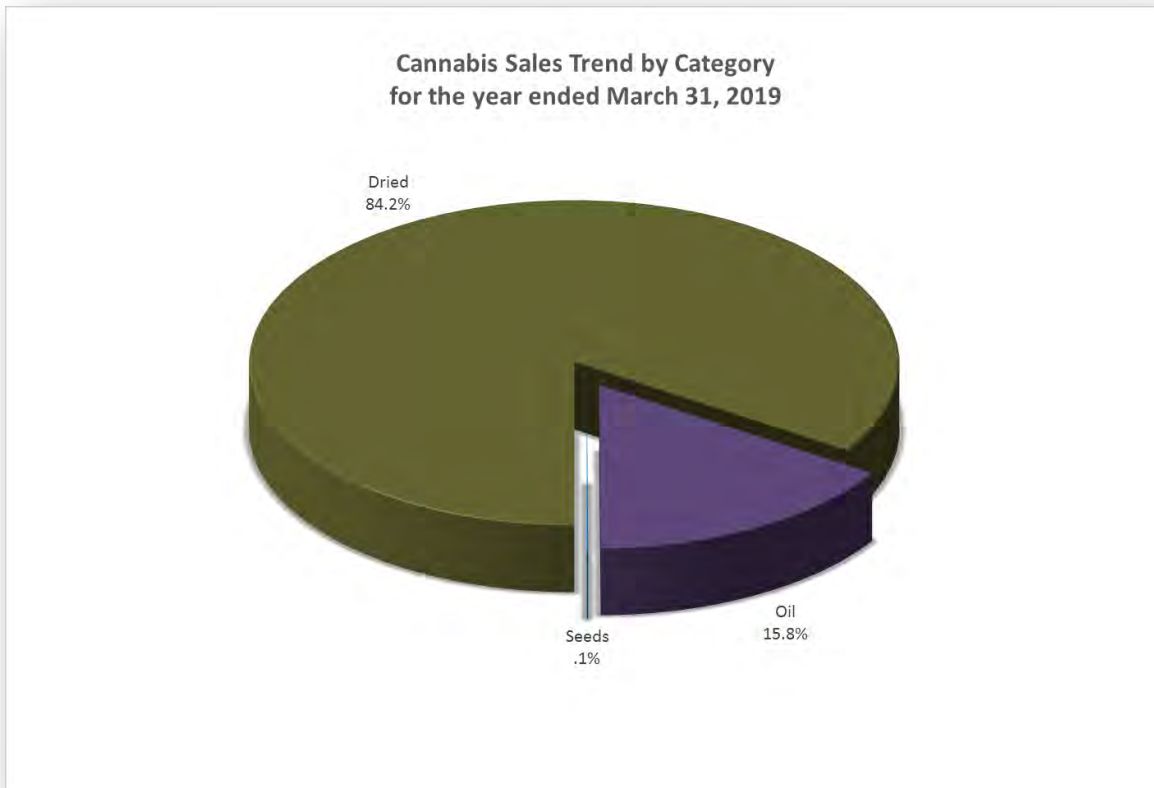
Performance Highlights

NTLCC annual surplus was lower than budget targets by 80.8%. The 2018-19 year represents the first time this product was legally available for sale and it was not known the potential revenue that would be generated in the first year. Further, revenues were largely affected by the availability of supply across Canada.

Year Performance History		
for the year ending March 31		
(000's)		
	2019	Budget
Gross Sales	1,364	4,929
Gross Profit	552	1,748
as a % of sales	40.5%	35.5%
Net Surplus	159	827
as a % of sales	11.7%	16.8%
Operating Expenses	393	921
as a % of sales	28.8%	18.7%

Performance Highlights, continued

Dollar Sales of Cannabis by Sales Category; Dried Cannabis represent 84.2% of product sold in the NWT available since implementation October 17, with Cannabis Oil product at 15.8%, available November and Seeds .1% available March.



Dollar Sales by Category

for the year ending March 31

(000's)

Cannabis	Dried	Oil	Seed	Total
2019	1,148	215	1	1,364

Performance Highlights, continued

Cannabis Volume Sales by Category

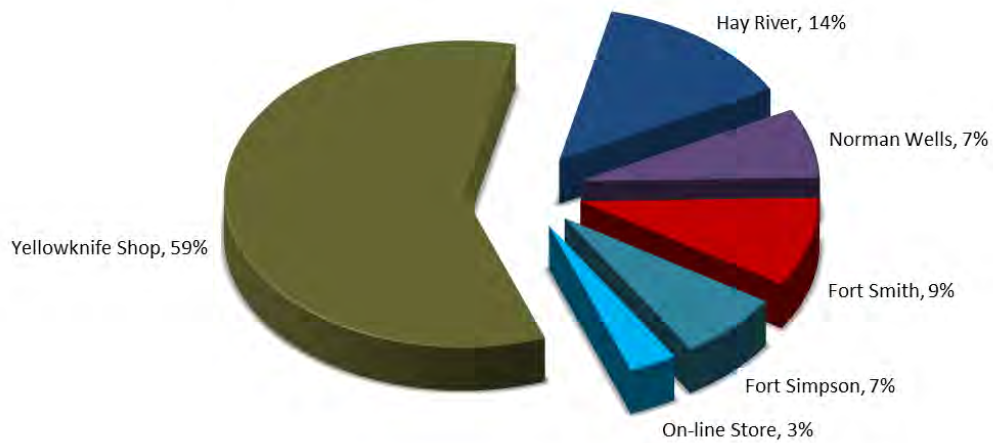
Volume Sales by Category

for the year ending March 31

	Volume
Dried	85,605 grams
Oil	67,142.5 mls
Seeds	9 units

STORE OPERATIONS

**Location Sales
for the year ending March 31, 2019**



Store Operations, continued

Sales by Location

for the year ending March 31

(000's)

	2019
Yellowknife Shop	806
Hay River	187
Norman Wells	101
Fort Smith	129
Fort Simpson	97
On-line Store	44
	1,364

Store Operations, continued

Statement of Operations by Location

(for the year ended March 31, 2019)

(revenue and expenses directly related to sales per location)

YELLOWKNIFE SHOP

(\$000's)

				2019
	Dried	Oil	Seeds	Total
Sales				
Consumers	669	136	1	806
Cost of goods sold	400	81	0	481
Gross margin	269	55	1	325
Operating expenses				141
Net income				184

ONLINE STORE

(\$000's)

				2019
	Dried	Oil	Seed	Total
Sales				
Consumers	44	-	-	44
Cost of goods sold	24	-	-	24
Gross margin	20	-	-	20
Operating expenses				156
Net income			-	136

Store Operations, continued

HAY RIVER OPERATIONS

(\$000's)

	Dried	Oil	Seeds	2019 Total
Sales				
Consumers	152	35	0	187
Cost of goods sold	89	21	0	110
Gross margin	63	14	0	77
Operating expenses				35
Net income				42

NORMAN WELLS OPERATIONS

(\$000's)

	Dried	Oil	Seeds	2019 Total
Sales				
Consumers	91	10	-	101
Cost of goods sold	57	6	-	63
Gross margin	34	4	-	38
Operating expenses				19
Net income				19

Store Operations, continued

FORT SMITH OPERATIONS

(\$000's)

	Dried	Oil	Seeds	2019 Total
Sales				
Consumers	108	21	-	129
Cost of goods sold	64	13	-	77
Gross margin	44	8	-	52
Operating expenses				24
Net income				28

FORT SIMPSON OPERATIONS

(\$000's)

	Dried	Oil	Seeds	2019 Total
Sales				
Consumers	85	12	-	97
Cost of goods sold	49	7	-	56
Gross margin	36	5	-	41
Other income				-
Operating expenses				18
Net income				23

AUDITED FINANCIAL STATEMENTS
2018 – 2019

**NORTHWEST TERRITORIES LIQUOR & CANNABIS
COMMISSION**

Financial Statements

Year ended March 31, 2019

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

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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, he also examines transactions that have come to his 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 27, 2019

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the NWT Liquor & Cannabis Commission

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, 2019, and the statements of operations, changes in net financial assets (debt), changes in accumulated surplus 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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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

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.

Report on Other Legal and Regulatory Requirements

We further report in accordance with the Financial Administration Act that, in our opinion, proper books of account have been kept by the Northwest Territories Liquor and Cannabis Commission and the financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Liquor & Cannabis Commission that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act of the Northwest Territories and regulations and the Liquor Act of the Northwest Territories and regulations.



Hay River, Northwest Territories
June 27, 2019

Ashton, Chartered Accountants

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Statement of Financial Position

As at March 31 (\$000)	2019	2018
Financial Assets		
Cash	\$ 5,460	\$ 4,166
Accounts receivable	21	89
Inventories for resale (note 3)	3,509	3,628
	<u>8,990</u>	<u>7,883</u>
Financial Liabilities		
Accounts payable and accrued liabilities (note 7)	3,976	2,597
Pension and other employee benefits (note 4)	70	92
Due to the NWT Liquor Licensing Board (note 5)	104	198
	<u>4,150</u>	<u>2,887</u>
Net Financial Resources	<u>4,840</u>	<u>4,996</u>
Non-Financial Assets		
Tangible capital assets (note 6)	742	569
Prepaid expenses	40	57
	<u>782</u>	<u>626</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)	2019	2019	2018
	Budget	Actual	Actual
Sales			
Beer	\$ 21,560	\$ 20,148	\$ 21,081
Spirits	20,991	21,708	21,505
Wine	8,334	8,276	8,430
Coolers and Ciders	2,374	2,690	2,488
Cannabis	4,929	1,364	-
	58,188	54,186	53,504
Cost of goods sold			
Beer	8,735	8,244	8,516
Spirits	5,868	6,259	6,133
Wine	3,676	3,650	3,705
Coolers and ciders	1,039	1,187	1,082
Cannabis	3,181	812	-
	22,499	20,152	19,436
Gross profit on sales	35,689	34,034	34,068
Other income			
Government contribution - services provided without charge (note 7)	-	-	8
Import fees and Income	8	7	7
	8	7	15
Expenses (notes 7)			
Commissions to agents - Liquor	6,551	6,609	6,477
Commissions to agents - Cannabis	735	243	-
Salaries, wages and employee benefits	944	997	988
Administration - Liquor	590	564	563
Administration - Cannabis	186	100	-
Travel	35	27	48
Rent	246	247	232
Amortization of tangible capital assets (note 6)	93	171	111
	9,380	8,958	8,419
Annual surplus	\$ 26,317	\$ 25,083	\$ 25,664

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

For the year ended March 31 (\$000)	2019	2019	2018
	Budget	Actual	Actual
Accumulated surplus, beginning of the year	\$ 5,622	\$ 5,622	\$ 5,912
Annual surplus	26,317	25,083	25,664
Amounts transferred to the Consolidated Revenue Fund	(24,783)	(24,531)	(25,326)
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(707)	(552)	(628)
Increase in accumulated surplus	827	-	(290)
Accumulated surplus, end of year	\$ 6,449	\$ 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)	2019	2019	2018
	Budget	Actual	Actual
Net financial resources, beginning of year	\$ 4,996	\$ 4,996	5,313
Items affecting net financial resources:			
Increase (decrease) in accumulated surplus	827	-	(290)
Net investment in tangible capital assets:			
Acquisitions	-	(344)	(111)
Amortization expense	93	171	111
Increase in prepaid expenses	-	17	(27)
Net financial resources, end of year	\$ 5,916	4,840	4,996

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

For the year ended March 31 (\$000)	2019	2018
Operating activities		
Cash received from customers	\$ 54,261	\$ 53,483
Cash paid to employees and suppliers	(27,446)	(26,902)
Cash provided by operating activities	26,815	26,581
Capital activities		
Purchase of tangible capital assets	(344)	(111)
Financing activities		
Cash transferred to the Consolidated Revenue Fund	(24,531)	(25,326)
Cash transferred to the NWT Licensing Board	(646)	(517)
Cash provided by financing activities	(25,177)	(25,843)
Increase in cash	1,294	627
Cash, beginning of year	4,166	3,539
Cash, end of Year	\$ 5,460	\$ 4,166

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2019 (\$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, 2019 the Fund's assets exceeded the liabilities by \$4,840 (2018 - \$4,996).

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, 2019 (\$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, 2019 (\$000)

3. Inventories for resale

	2019	2018
Spirits	\$ 1,135	\$ 1,388
Beer	1,049	1,208
Wine	663	877
Coolers and ciders	141	155
Cannabis	521	-
	\$ 3,509	\$ 3,628

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 (2017 - 1.01) the employees' contributions for employees who started prior to January 2013 and 1.0 times (2017 - 1.01) the employees' contributions for all other employees. The Employers contributions and the Commission's employees' contribution for the year were as follows:

	2019	2018
Commission's contributions (recognized as expense)	\$ 108	\$ 77
Employees' contribution	109	79

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, 2019 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits

	2019			2018		
	Severance and Accumulated Removal Obligation	Sick & Special Obligation	Total	Severance and Accumulated Removal Obligation	Sick & Special Obligation	Total
Accrued benefit obligation, beginning of the year	\$ 92	\$ 14	\$ 106	\$ 95	\$ 14	\$ 109
Current Service Costs	4	1	5	4	1	5
Interest Cost	3	1	4	3	-	3
Benefits paid during the year	-	(33)	(33)	-	-	-
Actuarial (gain)/loss	2	33	35	(10)	(1)	(11)
Accrued benefit obligation, end of the year	\$ 101	\$ 15	\$ 117	\$ 92	\$ 14	\$ 106
Unamortized net actuarial gain (loss)	(22)	(25)	(47)	(23)	9	(14)
Accrued benefit (liability)/asset	\$ 79	\$ (10)	\$ 70	\$ 69	\$ 23	\$ 92

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, 2019 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, 2019 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits (continued)

The actuarial valuation at March 31, 2019 reflects management's best estimate based upon a number of future orientated assumptions including:

	<u>2019</u>	<u>2018</u>
Expected inflation rate	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	3.2%	3.8%
Expected average remaining service life of related employee groups (EARSL)	8.3	8.0
Expected age at termination	59.2	58.7

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

2020	\$	15
2021		44
2022		27
2023		14
2024		10
2025 and beyond		<u>21</u>
	\$	<u>131</u>

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2019 (\$000)

5. Due to 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	2019	2018
Cost:					
Opening balance	\$ 119	\$ 804	\$ 848	\$ 1,771	\$ 1,685
Acquisitions	6	338	-	344	111
Disposals and write-downs	-	(6)	-	(6)	(25)
Closing balance	125	1,136	848	2,109	1,771
Accumulated Amortization:					
Opening balance	(103)	(678)	(421)	(1,202)	(1,116)
Amortization	(7)	(131)	(33)	(171)	(111)
Disposals and write-downs	-	6	-	6	25
	(110)	(803)	(454)	(1,367)	(1,202)
Net book value	\$ 15	\$ 333	\$ 394	\$ 742	\$ 569

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2019 (\$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 \$997 (2018 – \$988) 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 \$0 (2018 – \$8). 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 \$169 (2018 – \$179) for bottle deposits payable to the Department of Environment and Natural Resources, \$123 (2018 – \$370) for salaries, wages, and employee benefits payable to the Department of Finance, and \$1,826 (2018 - \$0) 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:

2019/20	\$ 225
2020/21	\$ 91
2021/22	\$ NIL
2022/23	\$ 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.