



2013 – 2014 60TH ANNUAL REPORT

**NORTHWEST
TERRITORIES
LIQUOR COMMISSION**

TABLE OF CONTENTS

Members of the Legislative Assembly	ii
Minister of Finance	iii
Organization Chart	iv

NORTHWEST TERRITORIES LIQUOR COMMISSION

General Manager's Report	7
Mandate	8
Operational Review	9
Strategic Objectives	9
Five Year Performance History	12
Three Year Dollar Sales by Category	13
Three Year Litre Sales by Category	14
Three Year Litre Sales by Distribution Channel	15
Store Operations	16
Statement of Operations by Location	17
Store Locations	19

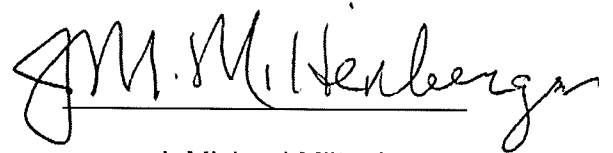
AUDITED FINANCIAL REPORT STATEMENTS

Management's Responsibility for Financial Reporting	23
Auditor's Report	24
Statement of Financial Position	26
Statement of Operations	27
Statement of Accumulated Surplus	28
Statement of Change in Net Financial Resources	29
Statement of Cash Flows	30
Notes to Financial Statement	31

MEMBERS OF LEGISLATIVE ASSEMBLY

NWT Liquor Commission Annual Report

I am pleased to present, for the information of the Members of the Legislative Assembly, the sixtieth Annual Report for the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2014.

A handwritten signature in black ink, reading "J. Michael Miltenberger". The signature is written in a cursive style with a horizontal line underneath the name.

J. Michael Miltenberger
Minister Responsible for the
NWT Liquor Commission

**THE HONOURABLE J. MICHAEL MILTENBERGER
MINISTER OF FINANCE**

NWT Liquor Commission

Pursuant to Subsection 64 (1) of the *Liquor Act*, we are pleased to submit the sixtieth Annual Report of the Northwest Territories Liquor Commission for the fiscal year ending March 31, 2014.

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

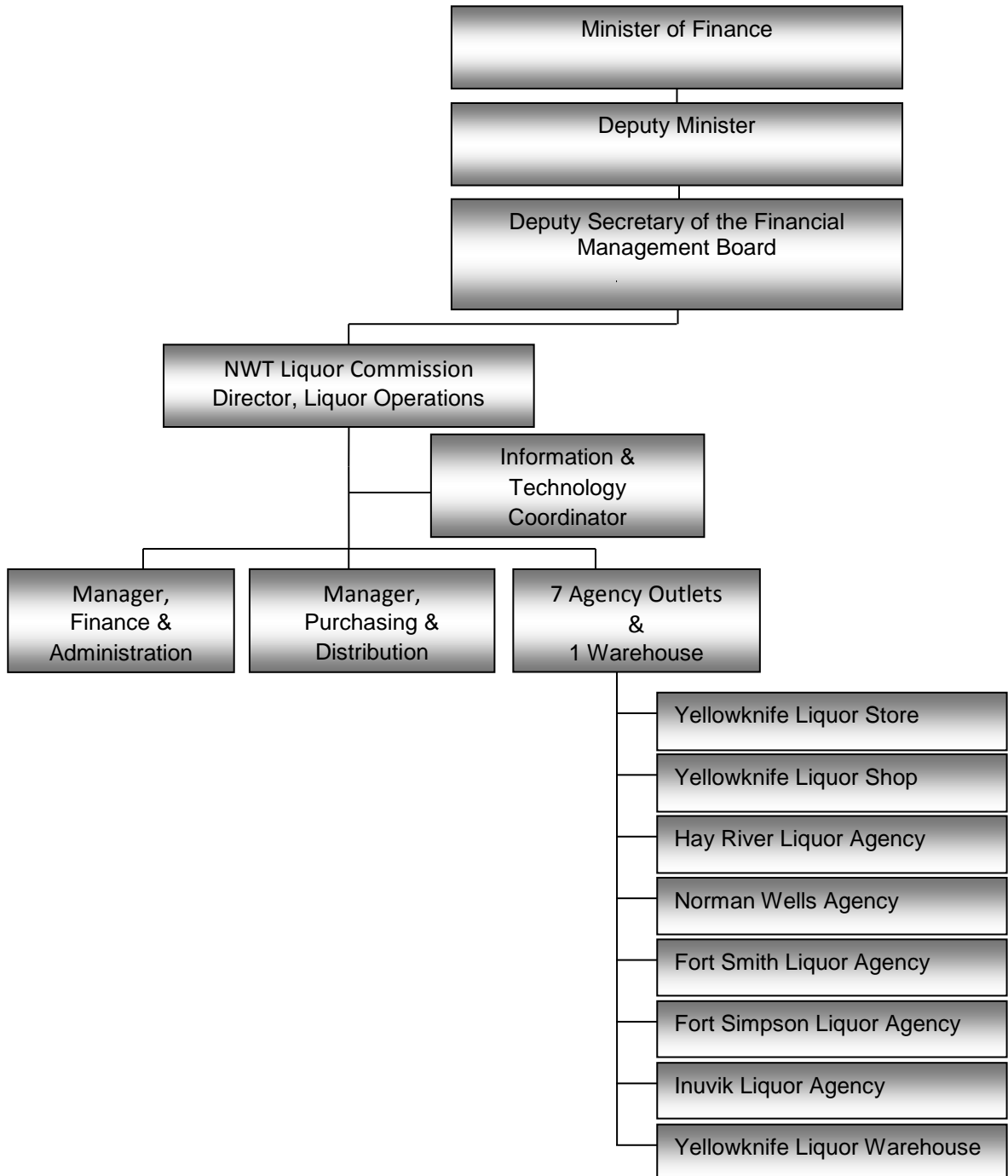


Peter Maher
Director, Liquor Operations
NWT Liquor Commission



Mike Aumond
Deputy Minister
Department of Finance

ORGANIZATION CHART



NORTHWEST TERRITORIES LIQUOR COMMISSION

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

www.fin.gov.nt.ca/liquor



DIRECTOR, LIQUOR OPERATION'S REPORT

The Northwest Territories Liquor Commission (NWTLC) is established under the *Liquor Act* of the Northwest Territories to purchase, sell classify and distribute liquor in the Northwest Territories.

The year showed no growth in sales over the prior year at \$47 million. Budget estimates for the year were not achieved, with liquor sales down 2.1% and the annual surplus 3.3% below budget. The volume of liquor sold, in litres, was down 2.5% over 2012/13, however \$26 million was transferred to the Territorial Treasury.

Sales and distribution are carried out through a network consisting of seven retail outlets and one Yellowknife warehouses, contracted to private sector operators.

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

1. Efficient operations, 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.

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

Peter Maher
Director, Liquor Operations

MANDATE

Vision

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

Mission Statement

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

Values

We value our customers and employees.

We encourage and support the responsible use of alcohol.

We will be efficient and cost effective.

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

We will treat others with dignity and courtesy.

We will support one another to achieve our goals.

OPERATIONAL REVIEW

The NWTLC has a number of stakeholders including the people of the Northwest Territories, our customers, employees, private sector contractors, suppliers, industry partners and all those who share our concern for social responsibility and public safety. Our customer base includes the public who access our products through our retail network, as well as commercial clients such as restaurants and bars.

To respond to the needs and concerns of our customers and stakeholders in the fiscal year 2013 – 2014 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

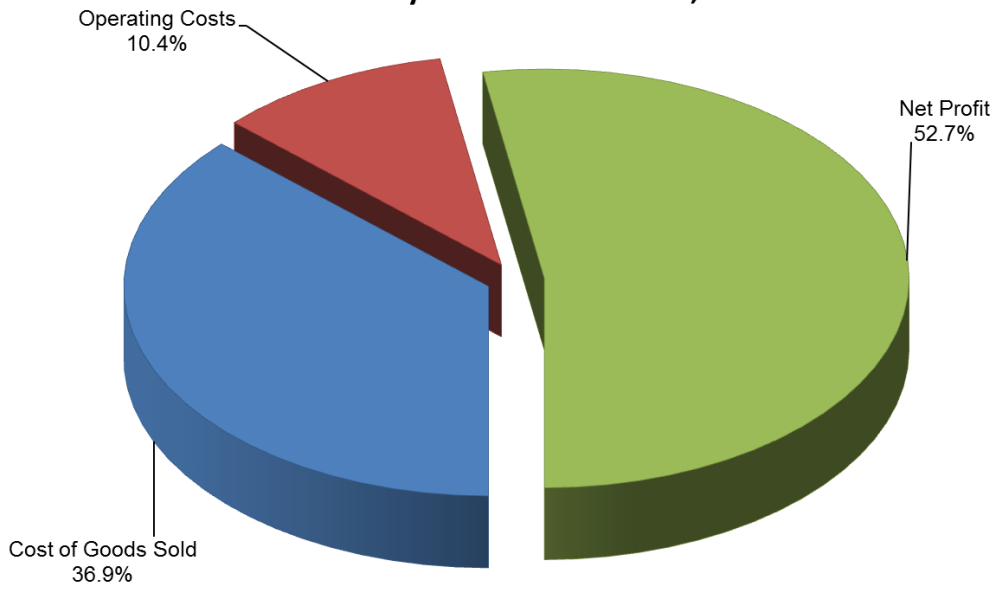
Operations are managed efficiently and comply with legislation, regulation and policy.

Performance Highlights

The operational structure of the NWTLC is designed to deliver optimal service levels for the best possible costs, and consists of a headquarters administrative staff of nine and a network of seven stores and one warehouse, operated by private contractors. Five of the private agency stores operate with inventory on consignment from the Commission and the two Yellowknife stores purchase inventory directly from the Yellowknife warehouse. Sales to consumers and licensees are incurred through sales by the consignment stores. Sales to private stores are realized through their purchase of liquor products from our warehouse. The cost to deliver the sales and administration throughout the year was 10.4% of sales revenue, of which 6.4% was paid to liquor store and warehouse contractors.

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.

Application of Revenues for the year ended March 31, 2014



Social Responsibility Awareness Programs

We ID anyone who appears under 25 Responsible Retailing

We ask for ID because we care!

Our employees now wear a Responsible Retailing Tag.

We want you to be aware that we now ask potential customers, who appear to be under 25 years of age, for proof of age.

This helps us ensure that minors who look older than their years are not served.

It's our responsibility.

We believe in Responsible Retailing.

Alberta Liquor Commission

NO Alcohol During Pregnancy
We can all help prevent FASD!

Goal #2

Actively and continuously promote the responsible use of alcohol.

Performance Highlights

The NWTLC 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 NWTLC liquor store training program and demonstrate competence in the service of beverage alcohol.

The Check 25 program is intended to strengthen controls in place 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.

Warnings messaging with regard to the dangers of alcohol consumption during pregnancy were delivered to all retail customers, in the form of warning labels on beverage alcohol containers.

In conjunction with the GNWT Department of Health an FASD poster and brochure program, "No Alcohol during Pregnancy", "We can all help prevent FASD", was promoted in stores and licensed establishments.

In conjunction with Educ' Alcool, a booklet titled "Be Prepared To Talk To Your Children About Alcohol" was distributed through the liquor stores and supplied to medical clinics, schools and drug and alcohol committees throughout the Northwest Territories.

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

The NWTLC supported the poster campaign *"Moderation is always in good taste"*, in conjunction with 9 other Canadian Liquor Jurisdictions.

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

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

GOAL #3

Meet financial income targets.

Performance Highlights

NWTLC annual surplus was 3.6% lower than the previous fiscal year and 3.3% below budget. The primary reason for this was that sales were 1.7% lower than the previous year and 2.1% below budget. Sales volume in litres was approximately 2.5% lower than the previous year. Most of the decline in sales was seen in Yellowknife.

Part of the reason for the decline in sales is that the new Deh Cho Bridge provides year-round access to Northerners and the two private stores in Yellowknife no longer need to stock up during the winter freeze and spring thaw.

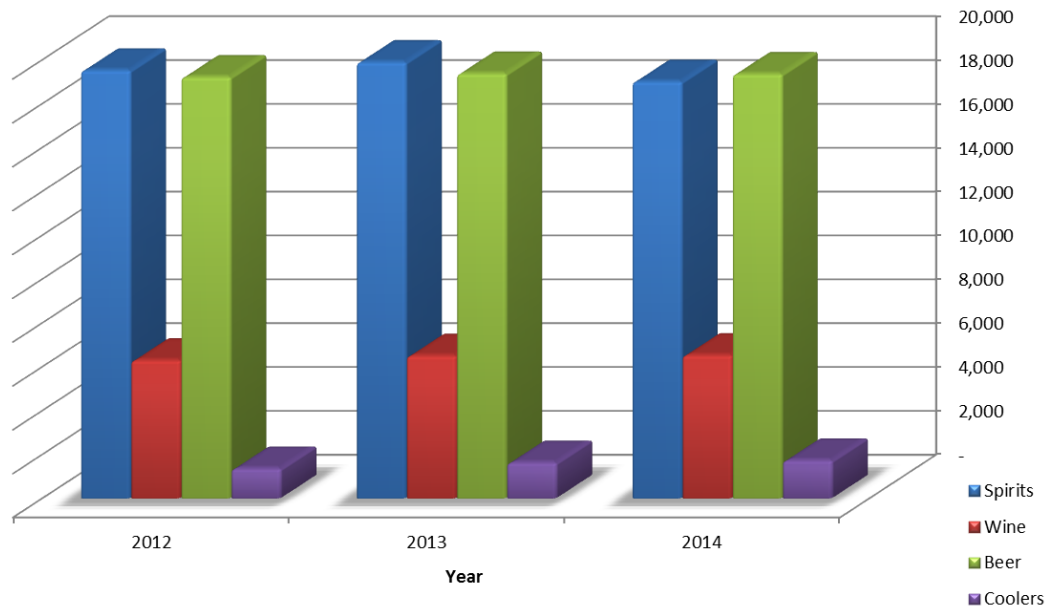
Five Year Performance History

For the year ending March 31st

(\$000's)

	2014	2013	2012	2011	2010
Gross sales	46,527	47,313	46,300	45,312	44,780
Gross profit	29,350	30,239	29,378	28,782	28,398
as a % of sales	63.1	63.9	63.5	63.5	63.4
Net surplus	24,523	25,441	24,463	24,072	23,602
as a % of sales	52.7	53.8	52.8	53.1	52.7
Operating expenses	4,834	4,807	4,936	4,721	4,858
as a % of sales	10.4	10.2	10.7	10.4	10.8

Three Year Dollar Sales Trend by Category



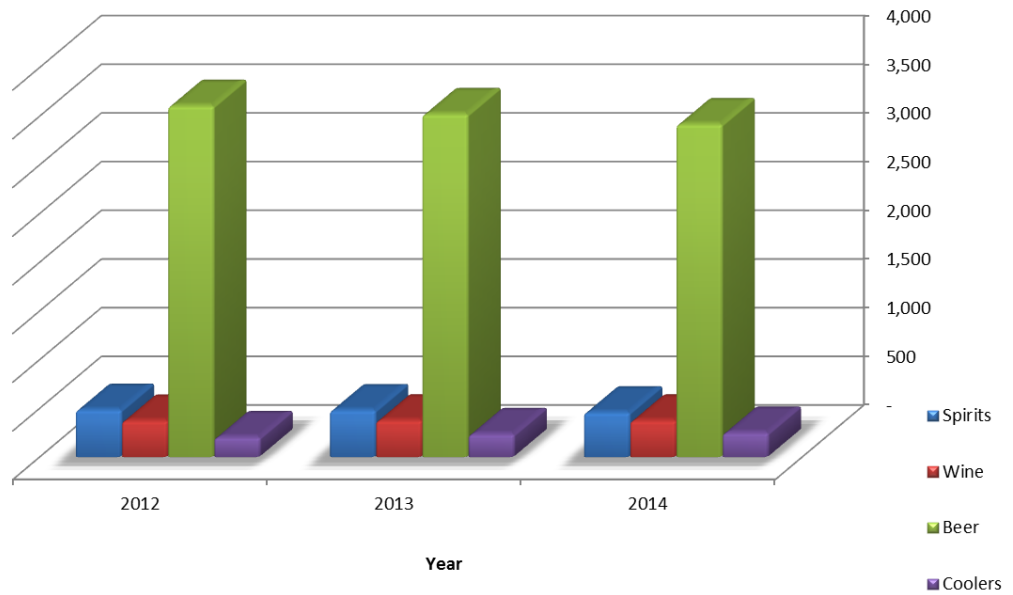
Three Year Dollar Sales by Category

for the year ending March 31

(\$000's)

	Spirits	Wine	Beer	Coolers	Total
2012	19,499	6,273	19,192	1,336	46,300
2013	19,872	6,482	19,351	1,608	47,313
2014	18,985	6,506	19,329	1,707	46,527

Three Year Litre Sales Trend by Category



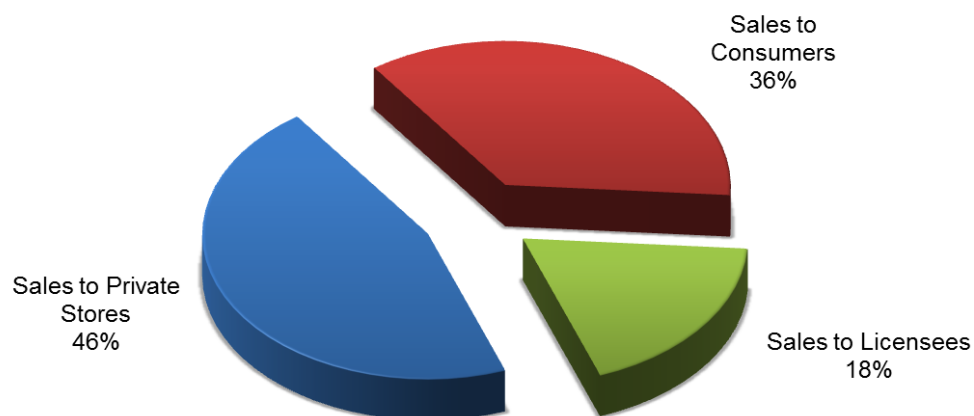
Three Year Litre Sales by Category

for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers	Total
2012	474	363	3,595	193	4,625
2013	470	366	3,510	225	4,571
2014	448	364	3,407	239	4,458

Litre Sales by Distribution Channel



Three Year Litre Sales by Distribution Channel

for the year ending March 31

(000's)

	2014	2013	2012
Sales to Private Stores	2,035	2,116	2,116
Sales to Consumers	1,606	1,616	1,625
Sales to Licensees	817	839	884
Total	4,458	4,571	4,625

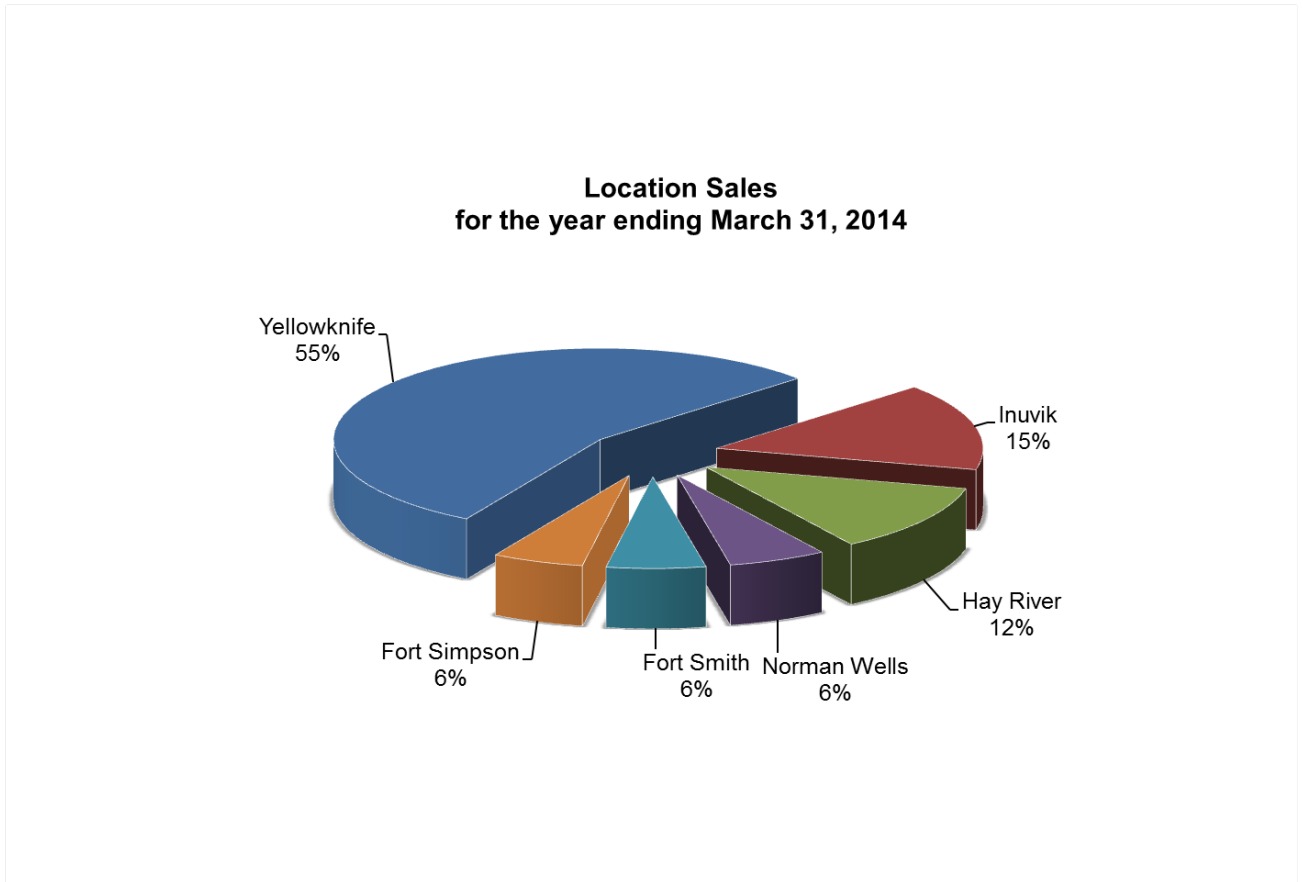
Three Year Dollar Sales by Distribution Channel

for the year ending March 31

(000's)

	2014	2013	2012
Sales to Private Stores	21,916	22,539	21,936
Sales to Consumers	19,248	19,025	18,671
Sales to Licensees	5,363	5,749	5,693
Total	46,527	47,313	46,300

STORE OPERATIONS



Sales by Location

for the year ended March 31

(\$000's)

	2014	2013	Increase (Decrease)
Yellowknife	\$ 25,498	\$ 26,300	\$ -802
Inuvik	7,156	7,204	-48
Hay River	5,627	5,755	-128
Norman Wells	2,745	2,638	107
Fort Smith	2,780	2,745	35
Fort Simpson	2,568	2,525	43
*Other	153	146	7
Total	\$ 46,527	\$ 47,313	\$ -786

* 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, 2014 with comparative figures for 2013)
(revenue and expenses directly related to sales per location)

YELLOWKNIFE OPERATIONS

(\$000's)

					2014	2013
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Private Stores	9,125	3,909	8,042	840	21,916	22,539
Licensees	751	468	2,239	124	3,582	3,760
	9,876	4,377	10,281	964	25,498	26,299
Cost of goods sold	2,807	2,050	4,677	441	9,975	10,071
Gross margin	7,069	2,327	5,604	523	15,523	16,228
Other income					-	-
Operating expenses					839	865
Net income					14,684	15,363

INUVIK OPERATIONS

(\$000's)

					2014	2013
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	3,230	682	2,311	204	6,427	6,369
Licensees	153	36	510	30	729	835
	3,383	718	2,821	234	7,156	7,204
Cost of goods sold	928	285	1,158	98	2,469	2,436
Gross margin	2,455	433	1,663	136	4,687	4,768
Other income					-	-
Operating expenses					791	793
Net income					3,896	3,975

HAY RIVER OPERATIONS

(\$000's)

					2014	2013
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	2,183	548	2,311	224	5,266	5,331
Licensees	71	32	248	10	361	424
	2,254	580	2,559	234	5,627	5,755
Cost of goods sold	609	233	966	94	1,902	1,876
Gross margin	1,645	347	1,593	140	3,725	3,879
Other income					-	-
Operating expenses					580	609
Net income					3,145	3,270

NORMAN WELLS OPERATIONS

(\$000's)

					2014	2013
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,209	187	995	54	2,445	2,387
Licensees	53	47	195	5	300	251
	1,262	234	1,190	59	2,745	2,638
Cost of goods sold	344	109	490	24	967	906
Gross margin	918	125	700	35	1,778	1,732
Other income					-	-
Operating expenses					356	340
Net income					1,422	1,393

FORT SMITH OPERATIONS

(\$000's)

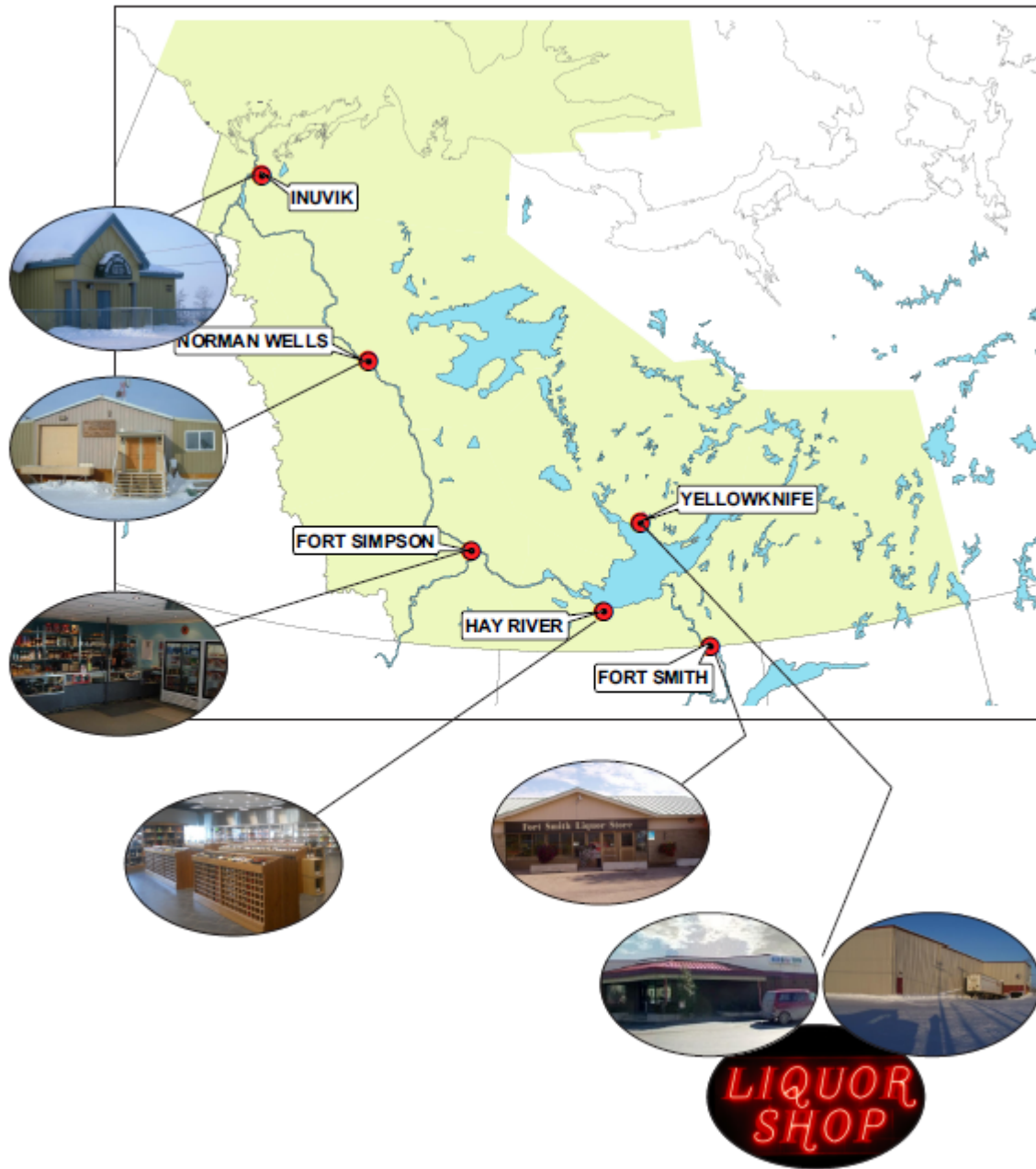
					2014	2013
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	889	338	1,297	128	2,652	2,572
Licensees	26	1	96	5	128	172
	915	339	1,393	133	2,780	2,745
Cost of goods sold	270	132	528	51	981	956
Gross margin	645	207	865	82	1,799	1,788
Other income					-	-
Operating expenses					452	432
Net income					1,347	1,356

FORT SIMPSON OPERATIONS

(\$000's)

					2014	2013
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,252	152	829	72	2,305	2,219
Licensees	33	1	221	8	263	307
	1,285	153	1,050	80	2,568	2,525
Cost of goods sold	337	67	395	31	830	781
Gross margin	948	86	655	49	1,738	1,744
Other income					-	-
Operating expenses					328	322
Net income					1,410	1,422

STORE LOCATIONS



AUDITED FINANCIAL STATEMENTS
2013 – 2014

NORTHWEST TERRITORIES LIQUOR COMMISSION

Financial Statements

Year ended March 31, 2014

NORTHWEST TERRITORIES LIQUOR COMMISSION

Index to Financial Statements

March 31, 2014

Management's Responsibility for Financial Reporting	23
Auditor's Report	24
Statement of Financial Position	26
Statement of Operations	27
Statement of Accumulated Surplus	28
Statement of Change in Net Financial Resources.....	29
Statement of Cash Flows.....	30
Notes to Financial Statements	31

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements of the Northwest Territories Liquor 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 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 Operations
Northwest Territories Liquor Commission
June 30, 2014

Chris Polselli, CA
5 Deer Park Point
Spruce Grove, AB, T7X 4N6

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Liquor Commission

Report on the Financial Statements

I have audited the accompanying financial statements of the Northwest Territories Liquor Commission, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, accumulated surplus, change in net financial resources and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northwest Territories Liquor Commission as at March 31, 2014 and the results of its operations, changes in its net financial resources, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Independent Auditor's Report (Continued)

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Northwest Territories Liquor Commission and the financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Liquor Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of the Northwest Territories (and regulations) and the *Liquor Act* of the Northwest Territories (and regulations).



June 30, 2014
Spruce Grove, Canada



NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Financial Position

As at March 31 (\$000)	2014		2013	
Financial Assets				
Cash	\$	1,748	\$	3,905
Accounts Receivable		-		10
Inventories for resale (note 3)		2,720		2,940
		4,468		6,855
Financial Liabilities				
Accounts payable and accrued liabilities		1,572		2,667
Pension and other employee benefits (note 4)		75		73
Due to the NWT Liquor Licensing Board (note 5)		128		129
		1,775		2,869
Net Financial Resources		2,693		3,986
Non-Financial Assets				
Tangible capital assets (note 6)		661		737
Prepaid Expenses		33		36
		694		773
Accumulated Surplus	\$	3,387	\$	4,759

Contractual obligations (note 8)

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

Approved by the Northwest Territories Liquor Commission:



Peter Maher
Director of Liquor Operations

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Operations

For the year ended March 31 (\$000)	2014	2014	2013
	Budget	Actual	
Sales			
Beer	\$ 18,621	\$ 19,329	\$ 19,351
Spirits	20,720	18,985	19,872
Wine	6,428	6,506	6,482
Coolers and Ciders	1,780	1,707	1,608
	<u>47,549</u>	<u>46,527</u>	<u>47,313</u>
Cost of goods sold			
Beer	7,716	8,216	7,948
Spirits	5,836	5,294	5,535
Wine	2,927	2,923	2,889
Coolers and ciders	760	744	702
	<u>17,239</u>	<u>17,177</u>	<u>17,074</u>
Gross profit on sales	<u>30,310</u>	<u>29,350</u>	<u>30,239</u>
Other income			
Government contribution - services provided without charge (note 7)	-	-	1
Import fees and Income	5	7	8
	<u>5</u>	<u>7</u>	<u>9</u>
Expenses (notes 7)			
Commissions to agents	3,086	2,981	2,977
Salaries, wages and employee benefits	1,069	1,112	1,048
Administration	452	384	425
Travel	52	31	33
Rent	221	222	213
Amortization of tangible capital assets	101	104	111
	<u>4,981</u>	<u>4,834</u>	<u>4,807</u>
Annual surplus	<u>25,334</u>	<u>24,523</u>	<u>\$ 25,441</u>

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Accumulated Surplus

For the year ended March 31 (\$000)	2014	2014	2013
	Budget	Actual	
Accumulated surplus, beginning of the year	\$ 4,759	\$ 4,759	\$ 3,974
Annual surplus	25,334	24,523	25,441
Amounts transferred to the Consolidated Revenue Fund	(24,981)	(25,601)	(24,462)
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(353)	(294)	(194)
Increase in accumulated surplus	-	(1,372)	785
Accumulated surplus, end of year	\$ 4,759	\$ 3,387	\$ 4,759

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Change in Net Financial Resources

For the year ended March 31 (\$000)	2014		2014		2013
	Budget		Actual		
Net financial resources, beginning of the year	\$	3,986	\$	3,986	\$ 3,148
Items affecting net financial resources:					
Increase (decrease) in accumulated surplus		-		(1,372)	785
Net investment in tangible capital assets:					
Acquisitions		-		(28)	(69)
Amortization expense		101		104	111
Increase in prepaid expenses		-		3	11
Net financial resources, end of year	\$	4,087	\$	2,693	\$ 3,986

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows

For the year ended March 31 (\$000)	2014	2013
Operating activities		
Cash received from customers	\$ 46,544	\$ 47,311
Cash paid to employees and suppliers	(22,777)	(21,010)
Cash provided by operating activities	23,767	26,301
Capital activities		
Purchase of tangible capital assets	(28)	(69)
Financing activities		
Cash transferred to the Consolidated Revenue Fund	(25,601)	(24,462)
Cash Transferred to the NWT Licensing Board	(295)	(165)
Change in cash	(2,157)	1,605
Cash, beginning of year	3,905	2,300
Cash, end of Year	\$ 1,748	\$ 3,905

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

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

1. Authority and operations

The Northwest Territories Liquor 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 \$6,500.
- 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, 2014, the Fund's assets exceeded the liabilities by \$2,693 (2013 – \$3,986).

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 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 COMMISSION

Notes to Financial Statements

March 31, 2014 (\$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) Employee severance benefits

Employees are entitled to severance benefits and reimbursement of removal costs, as provided for under labour contracts and conditions of employment, based upon years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these benefits is accrued as the employees render the services necessary to earn them. The cost of the benefits has been determined based on management's best estimates using the expected compensation level and employee leave credits.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

3. Inventories for resale

	2014	2013
Spirits	\$ 1,120	\$ 1,207
Beer	929	1,023
Wine	569	593
Coolers and ciders	102	117
	\$ 2,720	\$ 2,940

4. Pension and other employee benefits

a) 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. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. As of March 31, 2014, the employer contribution rates for employees hired before January 1, 2013 is 1.45 times employee's contributions. The employer's contribution rate for employees hired after January 1, 2013 is 1.43 times employee's contributions. As of March 31, 2013, the rate was 1.64 for all employees.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings.

The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. The Commission's and employees' contributions to the Plan for the year were as follows:

	2014	2013
Commission's contributions (recognized as expense)	\$ 102	\$ 103
Employees' contribution	64	59

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

4. Pension and other employee benefits (continued)

b) Severance and removal benefits

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. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Information about the plan, measured as at the statement of financial position date, is as follows:

	2014	2013
Accrued benefit obligation, beginning of year	\$ 73	\$ 71
Cost for the year	2	2
Benefits paid during the year	-	0
Accrued benefit obligation, end of year	\$ 75	\$ 73

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 the use by the Board and Enforcement without charge.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

6. Tangible capital assets

	Furniture and fixtures	Computer hardware and software	Leasehold improvements	2014	2013
Cost:					
Opening balance	\$ 92	\$ 617	\$ 841	\$ 1,550	\$ 1,553
Acquisitions	11	10	7	28	69
Disposals and write-downs	(3)	(16)	-	(19)	(72)
Closing balance	100	611	848	1,559	1,550
Accumulated Amortization:					
Opening balance	(91)	(538)	(184)	(813)	(774)
Amortization	(3)	(45)	(56)	(104)	(111)
Disposals and write-downs	3	16	-	19	72
	(91)	(567)	(240)	(898)	(813)
Net book value	\$ 9	\$ 44	\$ 608	\$ 661	\$ 737

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 \$1,112 (2013 – \$1,048) 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 (2013 – \$1). The cost of the services noted above has been recognized on the statement of operations.

Included in accounts payable and accrued liabilities is an amount of \$146 (2013 – \$164) for bottle deposits payable to the Department of Environment and Natural Resources, \$64 (2013 – \$105) for salaries, wages, and employee benefits to the Department of Finance, and \$4 (2013 – \$4) for other government departments.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

March 31, 2014 (\$000)

8. Contractual obligations

The Commission has a five year lease agreement ending April 30, 2016 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:

2014/15	\$ 226
2015/16	\$ 226
2016/17	\$ 150
2017/18	\$ 143
2018/19	\$ 143

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 and 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.