

67TH ANNUAL REPORT



NORTHWEST TERRITORIES
**LIQUOR AND
CANNABIS**
COMMISSION

Photo credit:
CHCooper



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-seventh Annual Report for the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2021.

A handwritten signature in blue ink, appearing to read 'Caroline Wawzonek', positioned above a horizontal line.

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-seventh Annual Report of the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2021.

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 "Carrie Herring-Cooper".

Carrie Herring-Cooper
Director, Liquor & Cannabis Operations
NWT Liquor & Cannabis Commission

A handwritten signature in black ink, appearing to read "Sandy Kalgutkar".

Sandy Kalgutkar
Deputy Minister
Department of Finance

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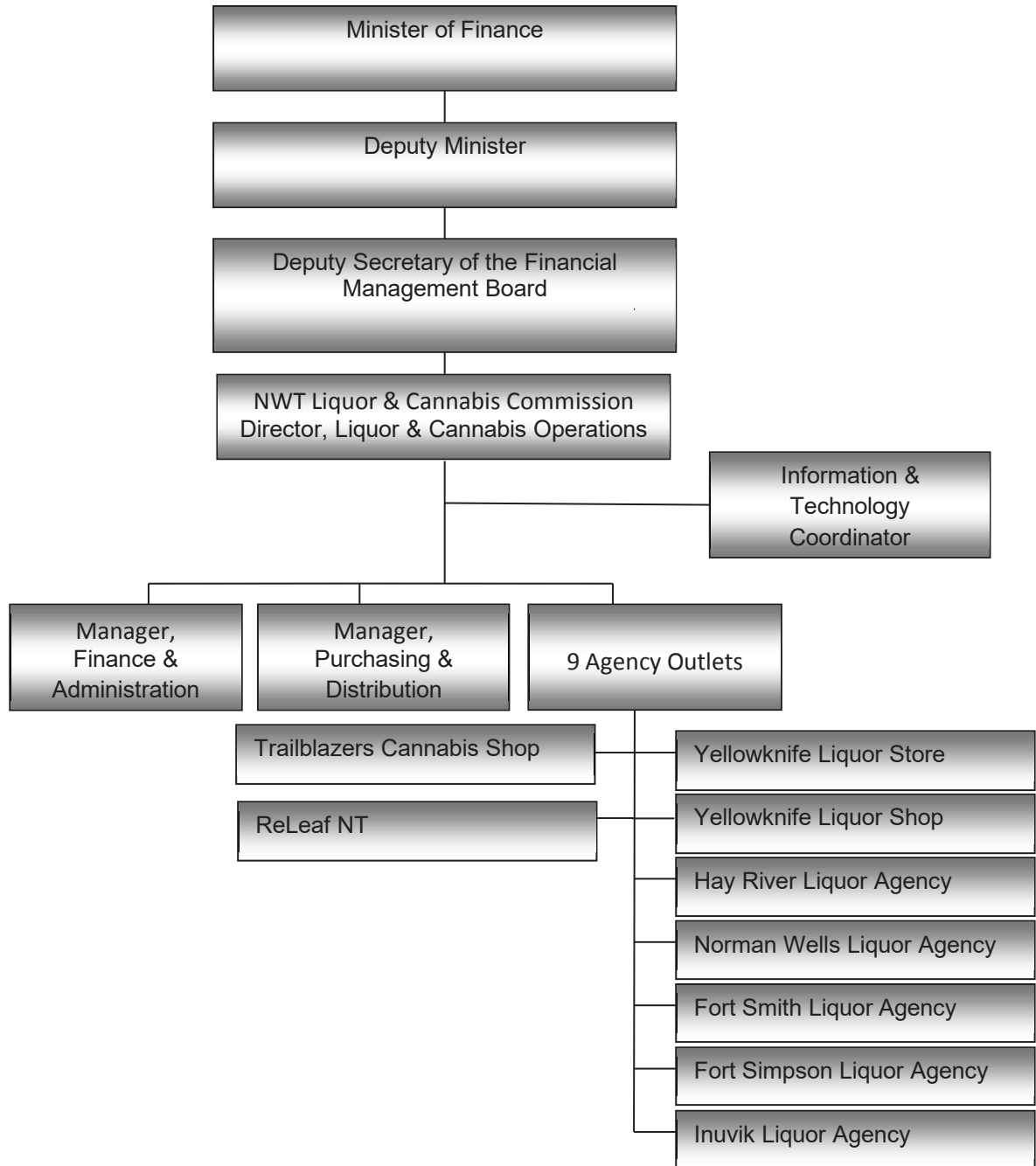
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ORGANIZATION CHART





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 2020-2021 fiscal year showed a 15.9% sales increase over the prior fiscal year at \$61 million in liquor sales. Budget estimates for the year were exceeded, with the annual surplus for liquor at 3.9 % over the budget targets. The volume of liquor sold, in litres, increased by 10% over 2019-2020.

Cannabis sales increased over 2019-20 by 58% and were higher than budgeted by 15.8%, product selection and supply continue to improve across Canada.

Combined sales for liquor and cannabis products provided for a total \$28 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. Four of the seven retail outlets also sell cannabis. Vendor Designations were awarded to a new private store and there are now two private cannabis stores in Yellowknife.

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

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

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

The NTLCC like other retailers across the NWT were affected by Covid-19 pandemic and were committed to the Public Health Orders in ensuring the safety of staff and customers. The NTLCC and our private retailers implemented a number of health & safety measures to continue to serve our customers.

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

A handwritten signature in blue ink, appearing to read "Carrie Herring-Cooper".

Carrie Herring-Cooper
Director, Liquor & Cannabis Operations

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

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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 2020–2021 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

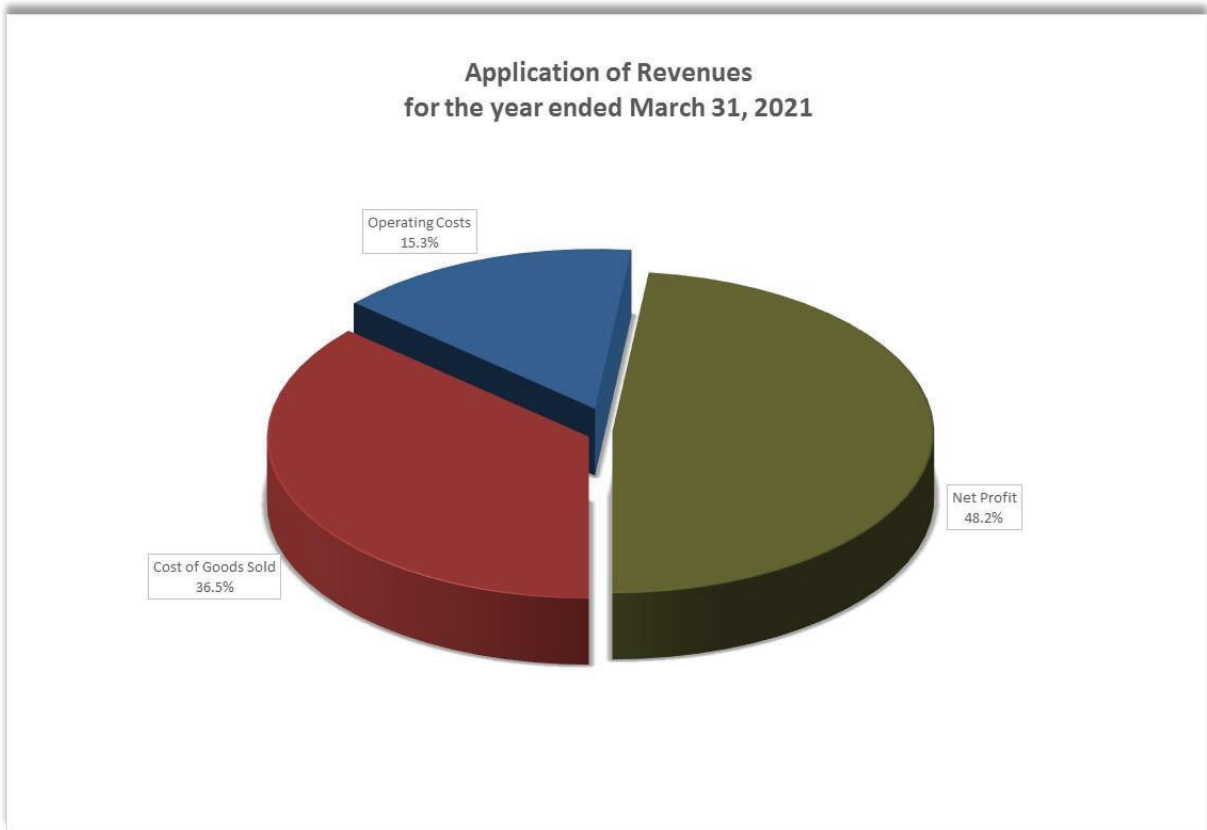
Goal #1

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 15.3% of sales revenue, of which 11.1% 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.



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.

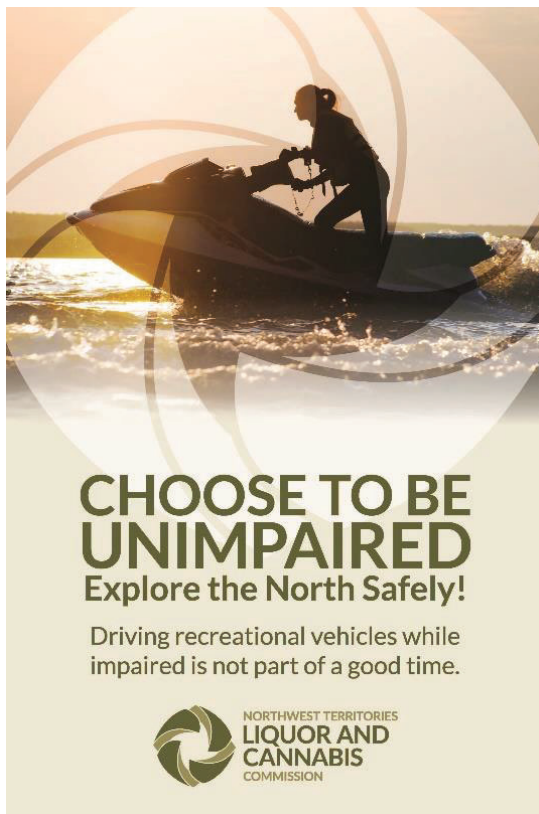
In support of MADD Canada, all liquor stores participated in the Red Ribbon program, “*Its Time to Change the Meaning of Tie One On, “Drive Safe, Drive Sober”*”.

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.

The NTLCC continues to promote 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.

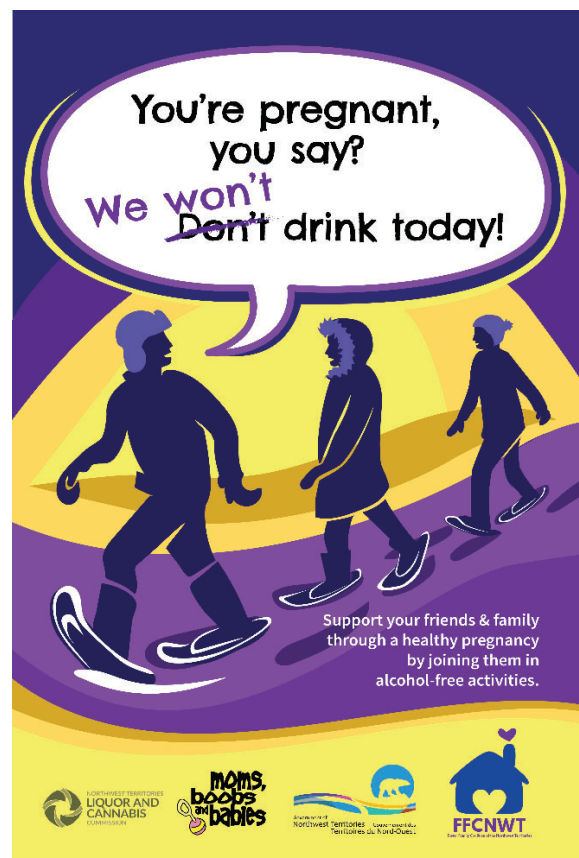
We continue the to promote awareness that drinking and driving extends to the use of recreational vehicles.



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

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

These posters also were made into a video clip that was played in movie theatres across the North.



GOAL #3

Meet financial income targets.

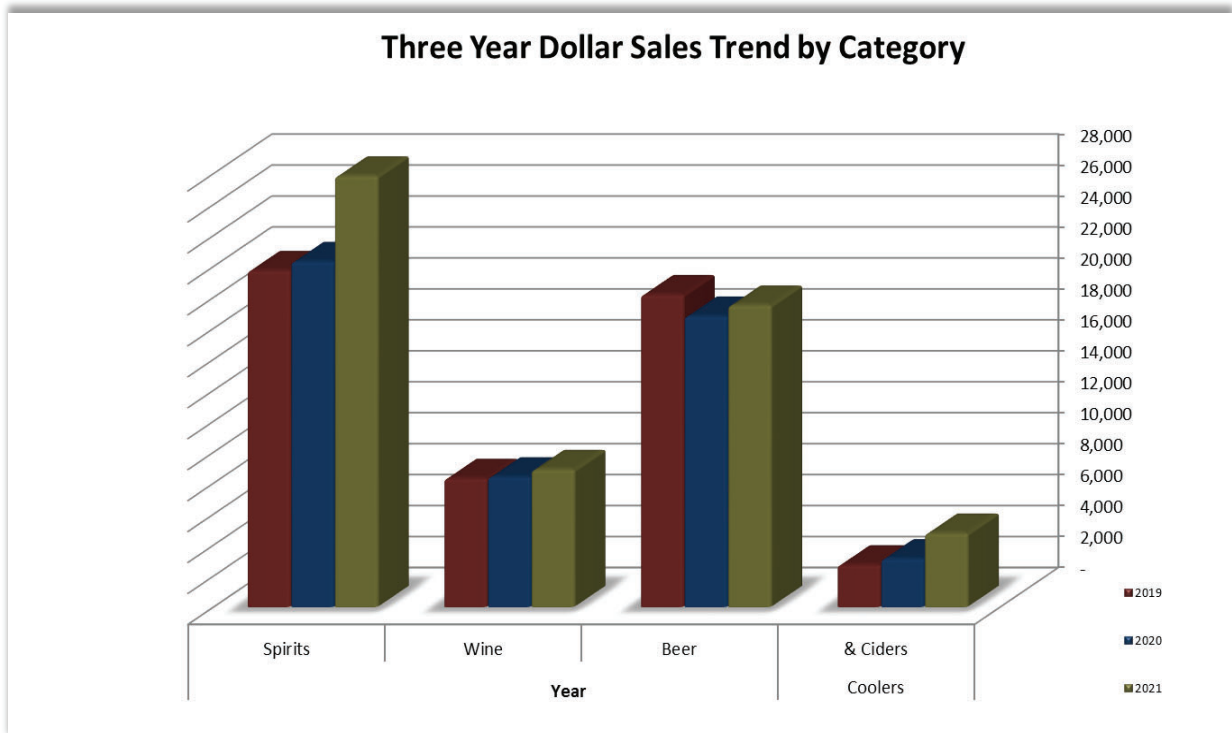
Performance Highlights

NTLCC annual surplus was 19% over the previous fiscal year and 3.3% within budget targets.

Five Year Performance History					
for the year ending March 31					
(000's)					
	2021	2020	2019	2018	2017
Gross Sales	60,865	52,508	52,822	53,504	52,998
Gross Profit	38,638	33,310	33,482	34,068	33,772
as a % of sales	63.5%	63.4%	63.4%	63.7%	63.7%
Other Income	19	28	7	15	13
Net Surplus	29,338	24,652	24,924	25,662	25,681
as a % of sales	48.2%	47.5%	47.2%	48.0%	48.5%
Operating Expenses	9,319	8,686	8,565	8,421	8,104
as a % of sales	15.3%	16.5%	16.2%	15.7%	15.3%

Performance Highlights, continued

Gross Dollar Sales had an over-all increase of 15.9% over 2020; with increases in the Spirits 24.8%, Coolers & Ciders 53.85, Wine 5.6%, and Beer 3.8% categories.



Three Year Dollar Sales by Category

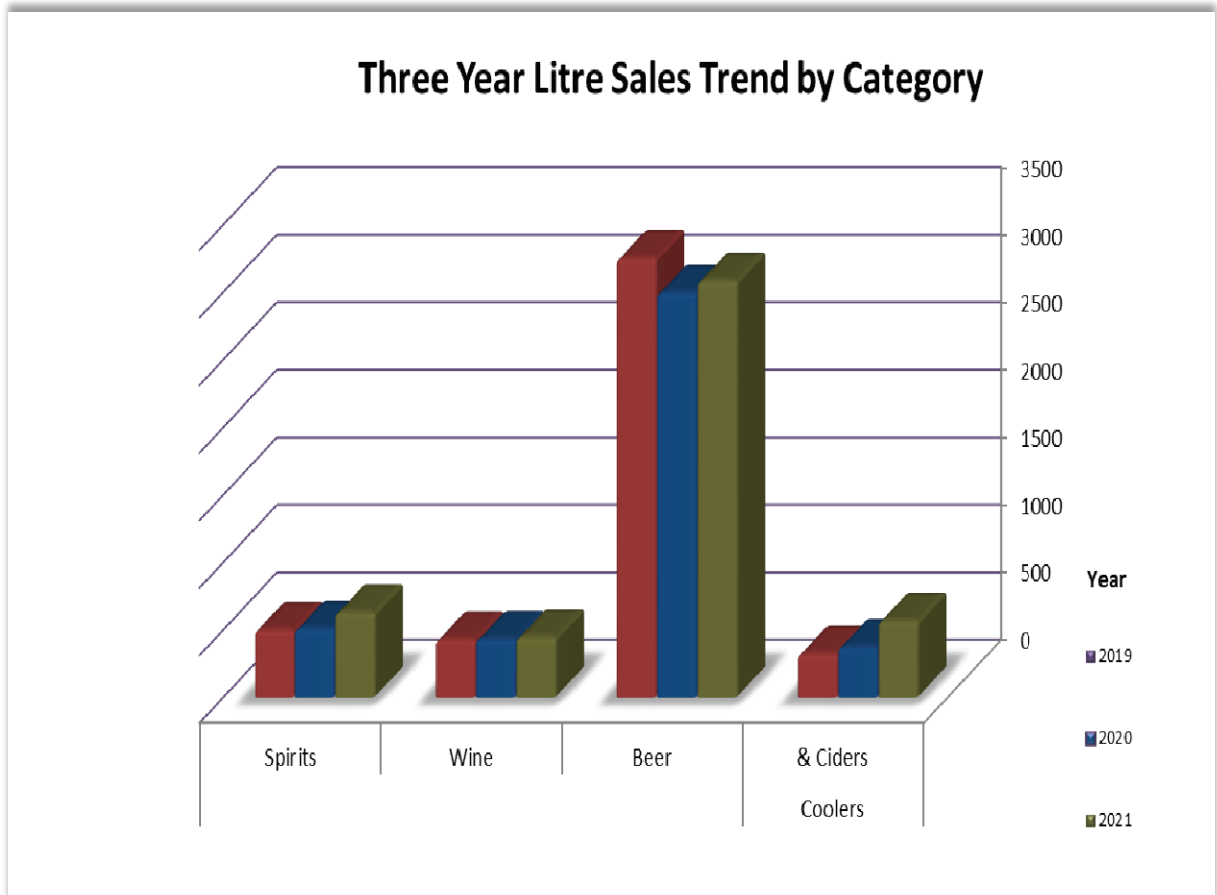
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers & Ciders	Total
2019	21,708	8,276	20,148	2,690	52,822
2020	22,286	8,375	18,761	3,086	52,508
2021	27,814	8,848	19,467	4,736	60,865

Performance Highlights, continued

Litre Sales had a increase of 10% over 2020. With a growth in Spirits 24%, Wine 3%, Beer 3% and Coolers & Ciders 53% Categories.



Three Year Litre Sales by Category

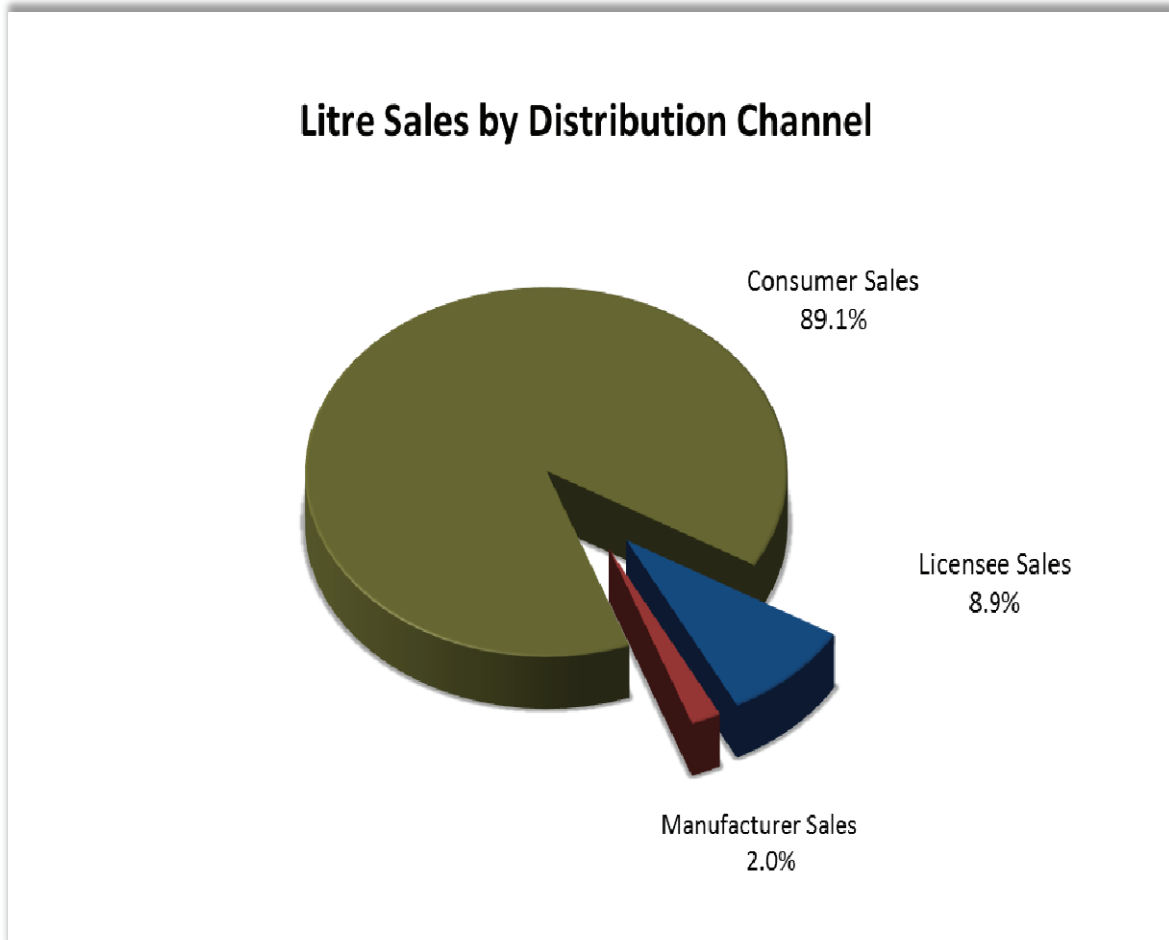
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers & Ciders	Total Total
2019	490	419	3,244	313	4,466
2020	501	423	2,987	364	4,275
2021	620	435	3,074	558	4,687

Performance Highlights, continued

Litre Sales by Distribution increased over 2020; Decreased in Licensee Sales (31%), Manufacturer Sales (17%) and increased over 2020 Consumer Sales 17%.



* 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)

	2021	2020	2019
Sales to Consumers	4,174	3,555	3,656
Sales to Licensees	419	607	708
Sales to Manufacturers *	93	113	102
Total	4,686	4,275	4,466

Three Year Dollar Sales by Distribution Channel

for the year ending March 31

(000's)

	2021	2020	2019
Sales to Consumers	56,106	47,158	47,126
Sales to Licensees	4,697	5,274	5,628
Sales to Manufacturers *	62	76	68
Total	60,865	52,508	52,822

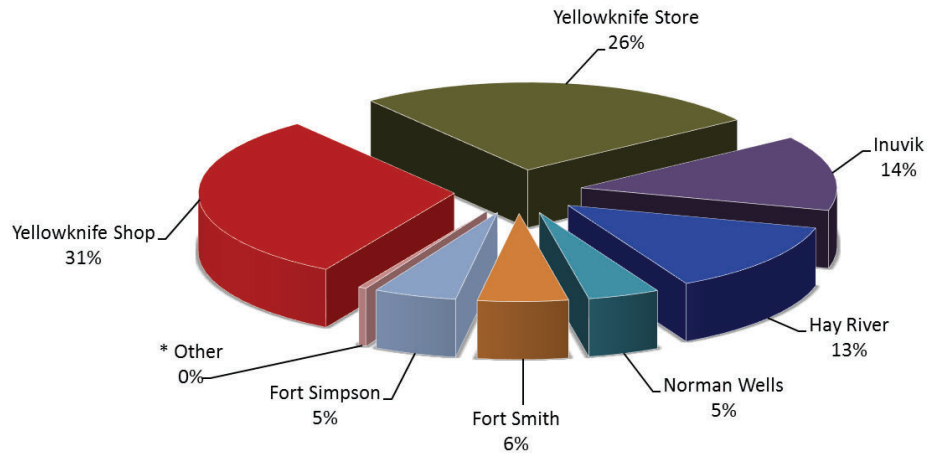
Gross Dollar Sales by Distribution increased over 2020; Consumer Sales +19%, Licensee Sales – 10.9% and Manufacturer Sales - 18.4%.

The decrease in Licensee Sales is due to the closure and restriction on licensees as a result of the Covid-19 Pandemic.

* 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

**Location Sales
for the year ending March 31, 2021**



Sales by Location

for the year ending March 31

(000's)

	2021	2020	Increase (Decrease)
Yellowknife Shop	18,951	17,587	1,364
Yellowknife Store	15,724	12,727	2,997
Inuvik	8,420	7,395	1,025
Hay River	8,057	6,362	1,695
Norman Wells	2,755	2,704	51
Fort Smith	3,477	3,087	390
Fort Simpson	3,177	2,381	796
* Other	304	265	39
	60,865	52,508	8,357

* 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, 2021 with comparative figures for 2020)
(revenue and expenses directly related to sales per location)

YELLOWKNIFE SHOP

(\$000's)

					2021	2020
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	7,171	2,995	5,176	1,661	17,003	14,016
Licensees	500	370	945	134	1,949	3,571
	<u>7,671</u>	<u>3,365</u>	<u>6,121</u>	<u>1,795</u>	<u>18,952</u>	<u>17,587</u>
Cost of goods sold	<u>2,390</u>	<u>1,582</u>	<u>2,535</u>	<u>765</u>	<u>7,272</u>	<u>6,725</u>
Gross margin	5,281	1,783	3,585	1,030	11,679	10,862
Other income					-	-
Operating expenses					<u>2,494</u>	<u>2,554</u>
Net income					9,185	8,308

YELLOWKNIFE STORE

(\$000's)

					2021	2020
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	7,967	3,019	3,896	842	15,724	12,723
Licensees	-	-	-	-	-	4
	<u>7,967</u>	<u>3,019</u>	<u>3,896</u>	<u>842</u>	<u>15,724</u>	<u>12,727</u>
Cost of goods sold	<u>2,424</u>	<u>1,363</u>	<u>1,611</u>	<u>358</u>	<u>5,756</u>	<u>4,705</u>
Gross margin	5,543	1,656	2,285	484	9,968	8,022
Other income					-	-
Operating expenses					<u>1,574</u>	<u>1,317</u>
Net income					8,394	6,705

INUVIK OPERATIONS

(\$000's)

					2021	2020
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	4,219	701	2,527	637	8,084	6,773
Licensees	83	5	223	25	336	622
	4,302	706	2,750	662	8,420	7,395
Cost of goods sold	1,222	302	1,168	294	2,986	2,633
Gross margin	3,080	404	1,582	368	5,434	4,762
Other income					-	-
Operating expenses					947	879
Net income					4,487	3,883

HAY RIVER OPERATIONS

(\$000's)

					2021	2020
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	2,910	812	2,381	577	6,680	5,552
Licensees	559	22	769	26	1,376	810
	3,469	834	3,150	603	8,056	6,362
Cost of goods sold	1,009	340	1,264	251	2,864	2,265
Gross margin	2,460	494	1,886	352	5,192	4,097
Other income					-	-
Operating expenses					1,088	849
Net income					4,104	3,248

NORMAN WELLS OPERATIONS

(\$000's)

					2021	2020
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,426	203	947	126	2,702	2,520
Licensees	6	8	35	4	53	184
	1,432	211	982	130	2,755	2,704
Cost of goods sold	409	99	404	61	973	954
Gross margin	1,023	112	578	69	1,782	1,750
Other income					-	-
Operating expenses					630	638
Net income					1,152	1,112

FORT SMITH OPERATIONS

(\$000's)

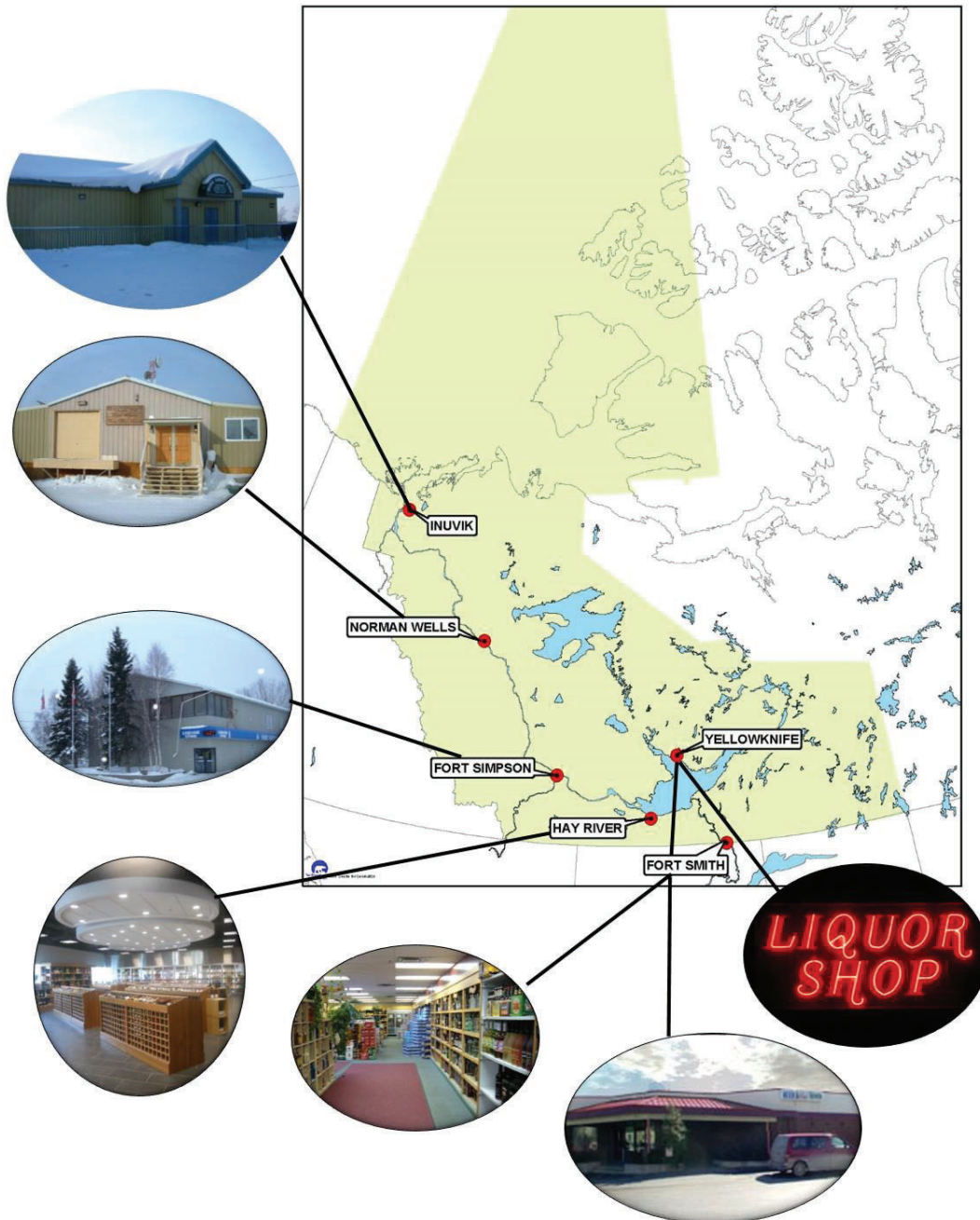
					2021	2020
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,170	345	1,480	412	3,407	2,868
Licensees	23	1	41	5	70	219
	1,193	346	1,521	417	3,477	3,087
Cost of goods sold	351	142	589	162	1,244	1,090
Gross margin	842	204	932	255	2,233	1,997
Other income					-	-
Operating expenses					653	620
Net income					1,580	1,377

FORT SIMPSON OPERATIONS

(\$000's)

					2021	2020
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,732	170	832	268	3,002	2,175
Licensees	25	2	129	19	175	206
	<u>1,757</u>	<u>172</u>	<u>961</u>	<u>287</u>	<u>3,177</u>	<u>2,381</u>
Cost of goods sold	<u>469</u>	<u>75</u>	<u>366</u>	<u>114</u>	<u>1,024</u>	<u>746</u>
Gross margin	1,288	97	595	173	2,153	1,635
Other income					-	-
Operating expenses					<u>473</u>	<u>458</u>
Net income					<u>1,680</u>	<u>1,177</u>

STORE LOCATIONS



REPORT ON CANNABIS

MANDATE

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

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

The *Cannabis Legalization and Regulation Implementation Act* was amended March 31, 2020 to the *Cannabis Products Act and Regulations*, which authorizes the NTLCC to purchase, sell, classify, and distribute cannabis in the Northwest Territories. NWT residents can purchase recreational cannabis at NTLCC liquor stores in Hay River, Fort Smith, Norman Wells and Fort Simpson, and two private stores in Yellowknife. A new vendor designation for a private store was issued December 1, 2020 in Yellowknife. Cannabis products are distributed from the NTLCC Cannabis warehouse in Hay River. 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 2020–2021 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

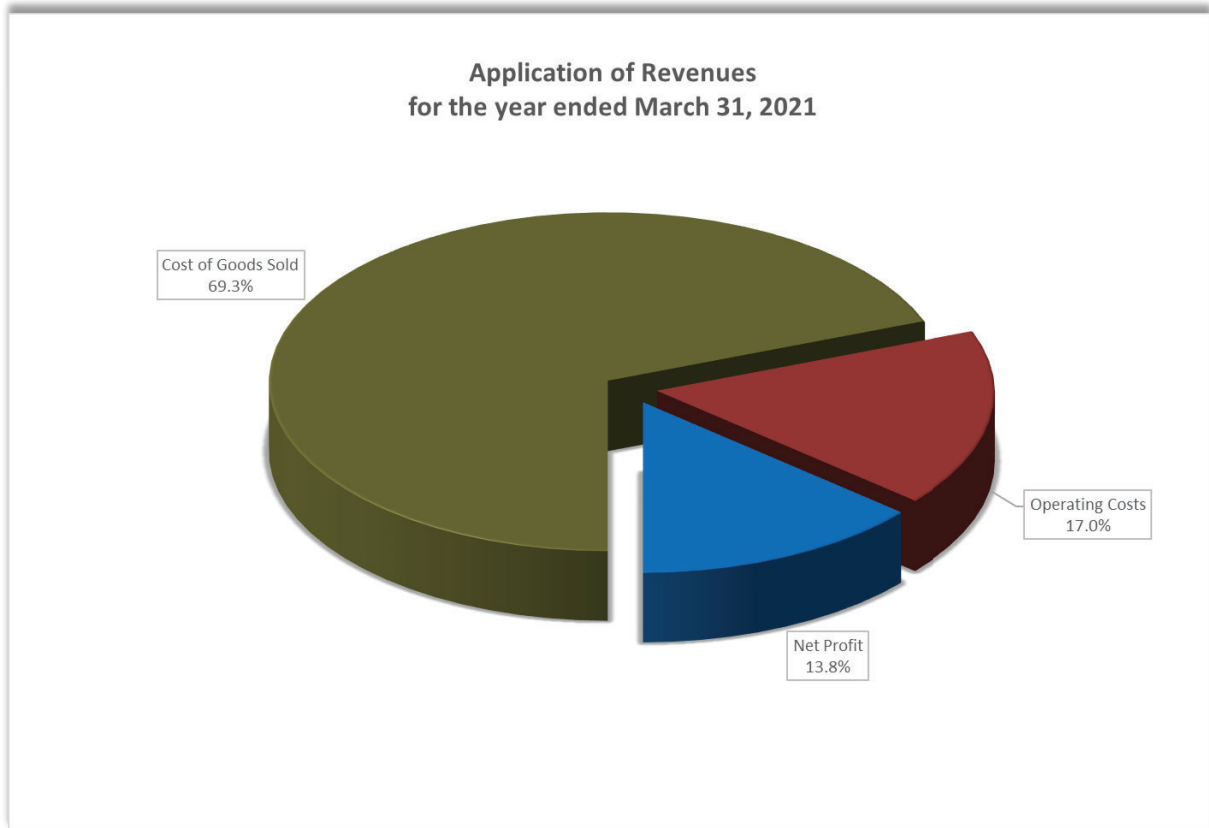
Operations are managed efficiently and comply with legislation, regulation and policy.

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 six retail stores, operated by private contractors. Cannabis inventory is owned by the NTLCC until it is sold to the retail customer from the Liquor Stores selling cannabis and wholesaled to the Private Stores. 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 17% of sales revenue, of which 10.4% was paid to liquor 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.

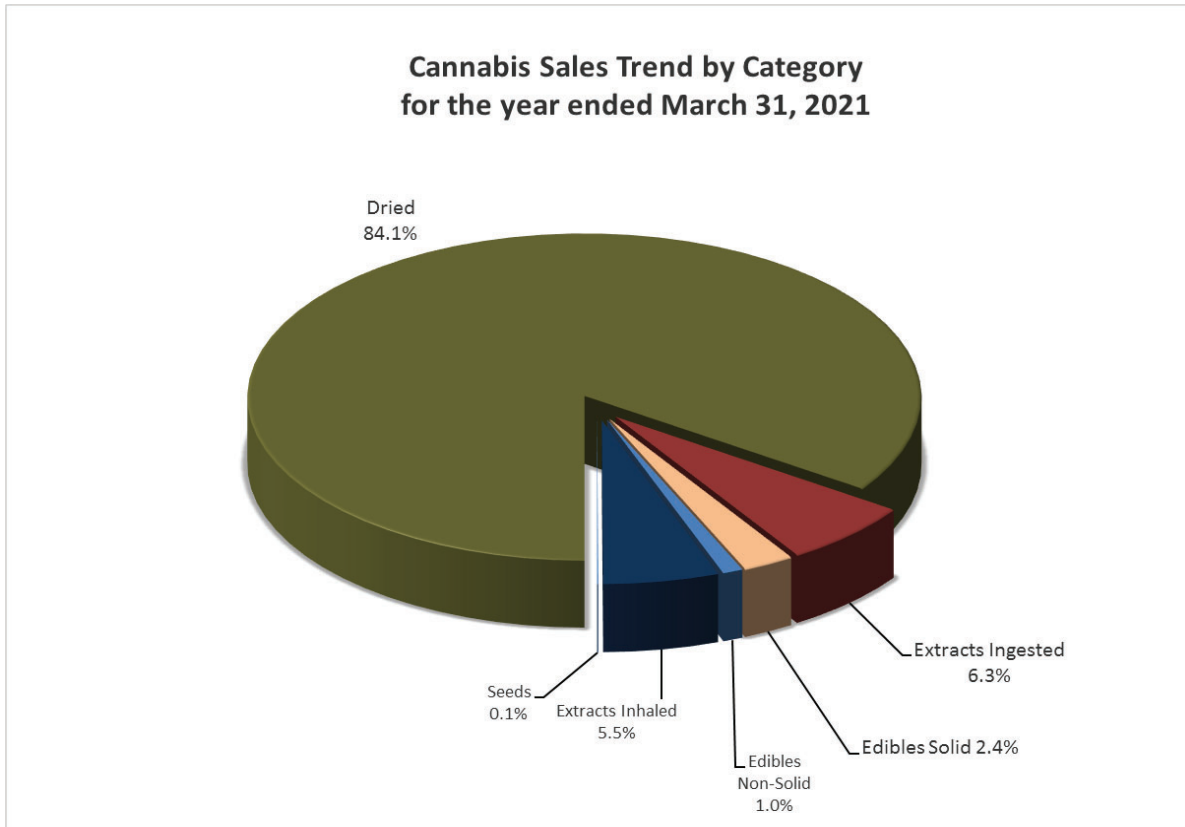
Performance Highlights

The NTLCC's annual surplus was lower than budget targets by 13%. The 2020-21 year represents the first year that cannabis products were sold through Private Cannabis Vendors at a wholesale price. All cannabis categories were largely affected by the availability of supply across Canada.

Three Year Performance History			
for the year ending March 31			
(000's)			
	2021	2020	Oct 2018 to March 2019
Gross Sales	5141	3,252	1,364
Gross Profit	1,581	1,200	552
as a % of sales	30.8%	36.9%	40.5%
Net Surplus	709	405	159
as a % of sales	13.8%	12.5%	11.7%
Operating Expenses	872	795	393
as a % of sales	24.5%	24.5%	28.8%

Performance Highlights, continued

Dollar Sales of Cannabis by Sales Category; Dried Cannabis represent 84.1% of product sold in the NWT with Extracts Ingested (formerly Cannabis Oil) product at 6.3%, Seeds 0.1%, Edibles Solid 2.4%, Edibles Non-Solid 1.0% and Extracts Inhaled, 5.5%.



Dollar Sales by Category

for the year ending March 31

(000's)

Cannabis	Dried	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Seeds	Other	Total
Oct 2018 - Mar 2019	1,148	215	N/A	N/A	N/A	1	N/A	1,364
2020	2,959	275	6	N/A	6	6	N/A	3,252
2021	4,324	326	126	50	283	3	30	5,141

Performance Highlights, continued

Volume Sales by Category

for the year ending March 31

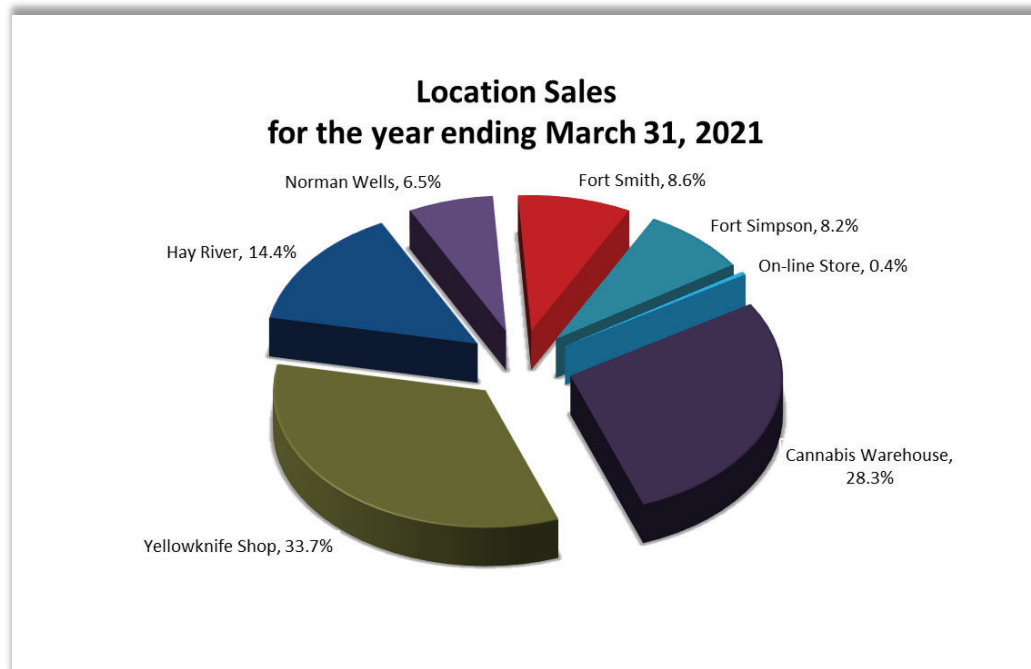
(\$000's)

Cannabis, GRAMS and Equivalent Grams	2021
Dried	482.68
Extracts Ingested	15.52
Edibles Solid	22.95
Edibles Non-Solid	45.96
Extracts Inhaled	10.54
Seeds *	264

* Seeds are reported by total number of seeds

Cannabis Volume Sales by Category

STORE OPERATIONS



Store Operations, continued

Sales by Location

for the year ending March 31

(000's)

	2021	2020	Oct 18 to Mar 2019
Yellowknife Shop	1,730	1,874	806
Hay River	740	513	187
Norman Wells	335	289	101
Fort Smith	444	329	129
Fort Simpson	419	229	97
On-line Store	20	17	44
Cannabis Warehouse	1,453	-	-
	5,141	3,252	1,364

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	Edibles Non-Solid	Extracts Inhaled	Seeds	Other	2021 Total	2020 Total
Sales									
Consumers	1,517	109	28	7	62	1	6	1,730	1,874
Cost of goods sold	966	69	18	4	40	1	4	1,102	1,156
Gross margin	551	40	10	3	22	0	2	628	718
Operating expenses								250	283
Net income								377	435

HAY RIVER OPERATIONS

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Seeds	Other	2021 Total	2020 Total
Sales									
Consumers	649	34	13	3	38	0	3	740	513
Cost of goods sold	412	22	8	2	24	0	2	470	311
Gross margin	237	12	5	1	14	0	1	270	202
Operating expenses								107	79
Net income								163	123

Store Operations, continued

NORMAN WELLS OPERATIONS

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Seeds	Other	2021 Total	2020 Total
Sales									
Consumers	289	20	7	1	17	0	1	335	289
Cost of goods sold	187	13	4	1	11	0	1	217	188
Gross margin	102	7	2	0	6	0	0	118	101
Operating expenses								49	43
Net income								69	58

FORT SMITH OPERATIONS

(\$000's)

	Dried	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Seeds	Other	2021 Total	2020 Total
Sales									
Consumers	351	36	12	5	38	0	2	444	329
Cost of goods sold	206	21	7	3	22	0	1	260	239
Gross margin	145	15	5	2	16	0	1	184	90
Operating expenses								65	51
Net income								119	39

Store Operations, continued

FORT SIMPSON OPERATIONS

(\$000's)

	Extracts Dried	Extracts Ingested	Edibles Solid	Edibles Non Solid	Extracts Inhaled	Seeds	Other	2021 Total	2020 Total
Sales									
Consumers	385	11	6	3	13	0	1	419	229
Cost of goods sold	230	6	4	2	8	0	1	251	153
Gross margin	155	5	2	1	5	0	-	168	76
Operating expenses								61	36
Net income								107	40

ONLINE STORE

(\$000's)

	Extracts Dried	Extracts Ingested	Edibles Solid	Edibles Non Solid	Extracts Inhaled	Seeds	Other	2021 Total	2020 Total
Sales									
Consumers	17	-	2		1	-	-	20	17
Cost of goods sold	13	-	1	-	1	-	-	15	7
Gross margin	4	-	1		0	-	-	5	10
Operating expenses								333	304
Net income								(327)	(294)

CANNABIS WAREHOUSE

(\$000's)

	Extracts Dried	Extracts Ingested	Edibles Solid	Edibles Non Solid	Extracts Inhaled	Seeds	Other	2021 Total	2020 Total
Sales									
Consumers	1,113	115	60	31	116	2	16	1,453	229
Cost of goods sold	952	98	51	27	99	2	14	1,245	153
Gross margin	154	17	9	4	17	0	2	208	76
Operating expenses								8	36
Net income								200	40

AUDITED FINANCIAL STATEMENTS
2020 – 2021

**NORTHWEST TERRITORIES LIQUOR & CANNABIS
COMMISSION**

Financial Statements

Year ended March 31, 2021

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

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March 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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



Carrie Herring-Cooper
Director, Liquor & Cannabis Operations
NWT Liquor & Cannabis Commission
June 30, 2021

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, 2021, 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, 2021, 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, 2021



Ashton Chartered Professional Accountants

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Statement of Financial Position

As at March 31 (\$000)	2021	2020
Financial Assets		
Cash	\$ 5,015	\$ 6,355
Accounts receivable	142	97
Inventories for resale (note 3)	3,698	3,072
	<u>8,855</u>	<u>9,524</u>
Financial Liabilities		
Accounts payable and accrued liabilities (note 7)	2,573	4,437
Pension and other employee benefits (note 4)	69	54
Due to the NWT Liquor Licensing Board (note 5)	138	61
	<u>2,780</u>	<u>4,552</u>
Net Financial Assets	<u>6,075</u>	<u>4,972</u>
Non-Financial Assets		
Tangible capital assets (note 6)	553	626
Prepaid expenses	37	24
	<u>590</u>	<u>650</u>
Accumulated Surplus	<u>\$ 6,665</u>	<u>\$ 5,622</u>

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

Approved by the Northwest Territories Liquor & Cannabis Commission:



Carrie Herring-Cooper
Director of Liquor & Cannabis Operations

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Statement of Operations

For the year ended March 31 (\$000)	2021	2021	2020
	Budget	Actual	Actual
Sales			
Beer	\$ 18,588	\$ 19,467	\$ 18,760
Spirits	26,889	27,814	22,285
Wine	8,105	8,848	8,375
Coolers and Ciders	5,052	4,736	3,087
Cannabis	4,439	5,141	3,252
	<u>63,073</u>	<u>66,006</u>	<u>55,759</u>
Cost of goods sold			
Beer	7,767	7,937	7,616
Spirits	7,916	8,275	6,506
Wine	3,658	4,011	3,727
Coolers and ciders	2,236	2,004	1,348
Cannabis	2,785	3,560	2,052
	<u>24,362</u>	<u>25,787</u>	<u>21,249</u>
Gross profit on sales	<u>38,711</u>	<u>40,219</u>	<u>34,510</u>
Other income			
Government contribution - services provided without charge (note 7)	-	13	19
Import fees and Income	8	6	9
	<u>8</u>	<u>19</u>	<u>28</u>
Expenses (notes 7)			
Commissions to agents - Liquor	6,619	6,779	6,119
Commissions to agents - Cannabis	675	534	494
Licensee Discounts	-	396	526
Salaries, wages and employee benefits	1,127	1,094	1014
Administration - Liquor	562	682	655
Administration - Cannabis	200	200	200
Travel	30	21	39
Rent	242	242	238
Amortization of tangible capital assets (note 6)	208	243	196
	<u>9,663</u>	<u>10,191</u>	<u>9,481</u>
Annual surplus	<u>\$ 29,056</u>	<u>\$ 30,047</u>	<u>\$ 25,057</u>

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Statement of Accumulated Surplus

For the year ended March 31 (\$000)	2021		2021		2020	
	Budget		Actual		Actual	
Accumulated surplus, beginning of the year	\$	5,622	\$	5,622	\$	5,622
Annual surplus		29,056		30,047		25,057
Amounts transferred to the Consolidated Revenue Fund		(28,322)		(28,496)		(24,540)
Amounts Transferred to the NWT Liquor Licensing Board (note 5)		(734)		(508)		(517)
Increase in accumulated surplus		-		1,043		-
Accumulated surplus, end of year	\$	5,622	\$	6,665	\$	5,622

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Statement of Changes in Net Financial Assets

For the year ended March 31 (\$000)	2021		2021		2020
	Budget		Actual		Actual
Net financial assets, beginning of year	\$ 4,972	\$	4,972	\$	4,840
Items affecting net financial assets:					
Increase (decrease) in accumulated surplus	-		1,043		-
Net investment in tangible capital assets:					
Acquisitions	-		(170)		(80)
Amortization expense	208		243		196
Change in prepaid expenses	-		(13)		16
Net financial assets, end of year	\$ 5,180	\$	6,075	\$	4,972

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)	2021	2020
Operating activities		
Cash received from customers	\$ 65,967	\$ 55,167
Cash paid to employees and suppliers	(38,210)	(29,226)
Cash provided by operating activities	27,757	25,941
Capital activities		
Purchase of tangible capital assets	(170)	(80)
Financing activities		
Cash transferred to the Consolidated Revenue Fund	(28,496)	(24,406)
Cash transferred to the NWT Licensing Board	(431)	(560)
Cash provided by financing activities	(28,927)	(24,966)
Change in cash	(1,340)	895
Cash, beginning of year	6,355	5,460
Cash, end of Year	\$ 5,015	\$ 6,355

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

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2021 (\$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, 2021 the Fund's assets exceeded the liabilities by \$6,075 (2020 - \$4,972).

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, 2021 (\$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) Reclassification

Certain comparative figures have been reclassified to conform to the current year presentation.

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2021 (\$000)

2. Significant accounting policies (continued)

(i) 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 was actuarially determined using the projected unit credit valuation methodology and expected utilization methods.

3. Inventories for resale

	2021	2020
Spirits	\$ 1,244	\$ 993
Beer	904	826
Wine	548	578
Coolers and ciders	230	158
Cannabis	772	518
	\$ 3,698	\$ 3,072

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 (2020 - 1.01) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2020 - 1.00) the employees' contributions for all other employees. The Employers contributions and the Commission's employees' contribution for the year were as follows:

	2021	2020
Commission's contributions (recognized as expense)	\$ 90	\$ 113
Employees' contribution	89	120

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, 2021 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits

	2021			2020		
	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	\$ 95	\$ 16	\$ 111	\$ 102	\$ 15	\$ 117
Current Service Costs	4	1	5	3	1	4
Interest Cost	2	0	2	3	1	4
Benefits paid during the year	-	-	-	-	(30)	(30)
Actuarial (gain)/loss	(42)	(2)	(44)	(12)	29	17
Accrued benefit obligation, end of the year	\$ 59	\$ 15	\$ 74	\$ 96	\$ 16	\$ 112
Unamortized net actuarial gain (loss)	38	(43)	(5)	(6)	(52)	(58)
Accrued benefit (liability)/asset	\$ 97	\$ (28)	\$ 69	\$ 90	\$ (36)	\$ 55

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, 2021 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, 2021 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits (continued)

The actuarial valuation at March 31, 2021 reflects management's best estimate based upon a number of future orientated assumptions including:

	<u>2021</u>	<u>2020</u>
Expected inflation rate	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	3.3%	2.7%
Expected average remaining service life of related employee groups (EARSL)	8.3	8.3

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

2022	\$	27
2023		14
2024		10
2025		6
2026		5
2027 and beyond		<u>16</u>
	\$	<u>78</u>

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2021 (\$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	2021	2020
Cost:					
Opening balance	\$ 126	\$ 916	\$ 855	\$ 1,897	\$ 2,109
Acquisitions	7	158	5	170	80
Disposals and write-downs	-	-	-	-	(293)
Closing balance	133	1,074	860	2,067	1,896
Accumulated Amortization:					
Opening balance	(115)	(668)	(487)	(1,270)	(1,367)
Amortization	(6)	(204)	(34)	(243)	(196)
Disposals and write-downs	-	-	-	-	293
	(121)	(872)	(520)	(1,513)	(1,270)
Net book value	\$ 12	\$ 203	\$ 339	\$ 553	\$ 626

NORTHWEST TERRITORIES LIQUOR & CANNABIS COMMISSION

Notes to Financial Statements

March 31, 2021 (\$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 \$1,094 (2020 – \$1,014) 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 \$13 (2020 – \$19). 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 \$168 (2020 – \$157) for bottle deposits payable to the Department of Environment and Natural Resources, \$261 (2020 – \$128) for \salaries, wages, and employee benefits payable to the Department of Finance, and \$12 (2020 - \$1,682) 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:

2021/22	\$ 141
2022/23	\$ NIL
2023/24	\$ NIL
2024/25	\$ NIL
2025/26	\$ 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.