



68th 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-eighth Annual Report for the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2022.

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-eighth Annual Report of the Northwest Territories Liquor & Cannabis Commission for the fiscal year ending March 31, 2022.

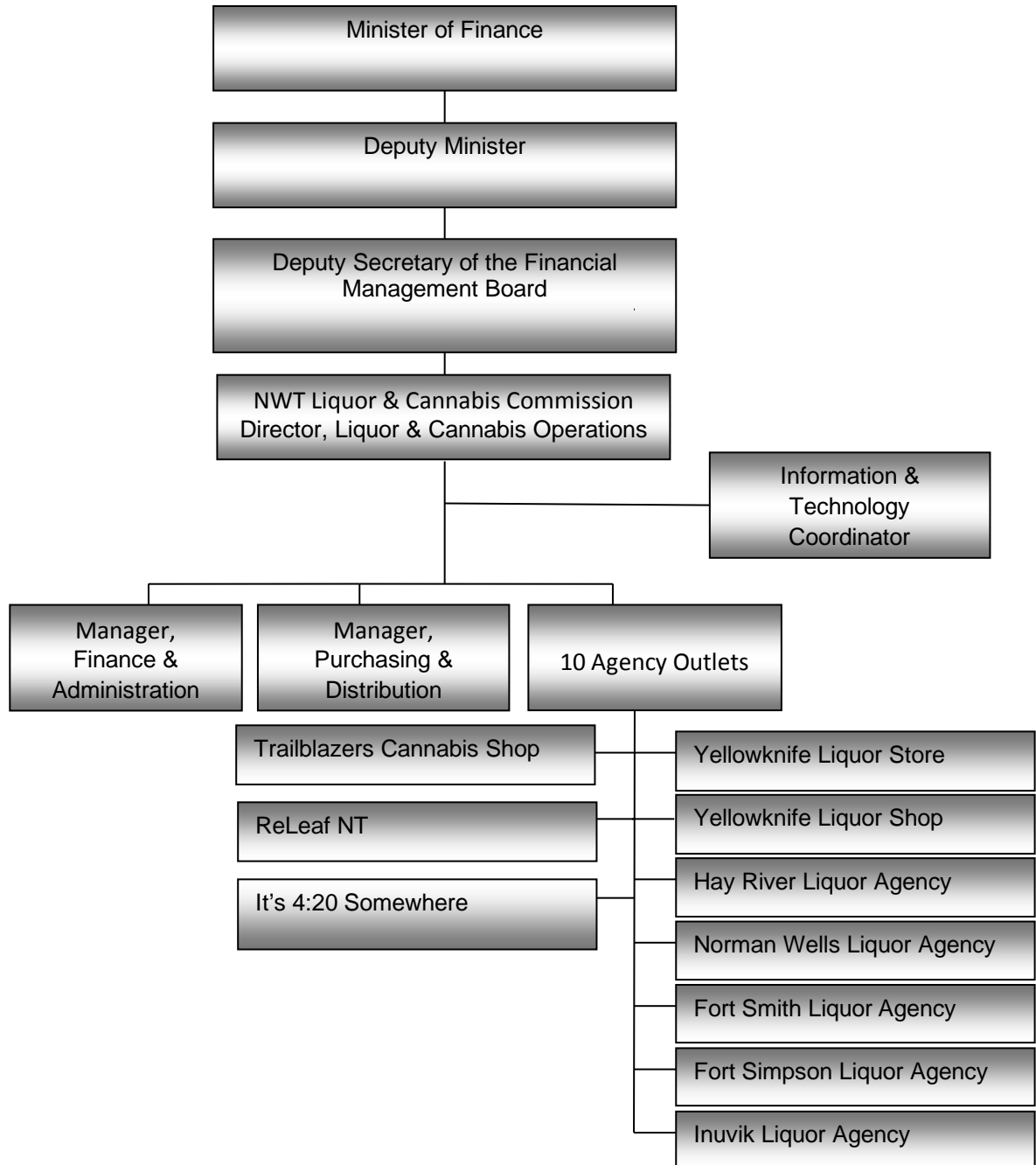
We wish to express our thanks to our staff for all their support and contributions to the progress of the Commission during the year.

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

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

William MacKay
Deputy Minister
Department of Finance

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 2021-2022 fiscal year showed a 12% sales decrease over the prior fiscal year at \$56 million in liquor sales. Budget estimates for the year were exceeded, with the annual surplus for liquor at 1.4% over the budget targets. The volume of liquor sold, in litres, decreased by 7% over 2020-2021.

Cannabis sales increased over 2020-21 by 15.4% with the addition of one new private cannabis vendor in Hay River and one of the Yellowknife private stores offering the only legal online cannabis sales to residents of the NWT. Product selection and supply continue to improve across Canada.

Combined sales for liquor and cannabis products provided for a total \$24 million dividend payment to the Government of the Northwest Territories.

Sale and distribution of liquor is carried out through a network consisting of seven retail outlets, which are contracted to private sector operators. Three of the seven retail outlets also sell cannabis. Vendor Designations were awarded to new private store(s) and there are now two private cannabis stores in Yellowknife, and one in Hay River.

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 continued to be 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

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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 2021–2022 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

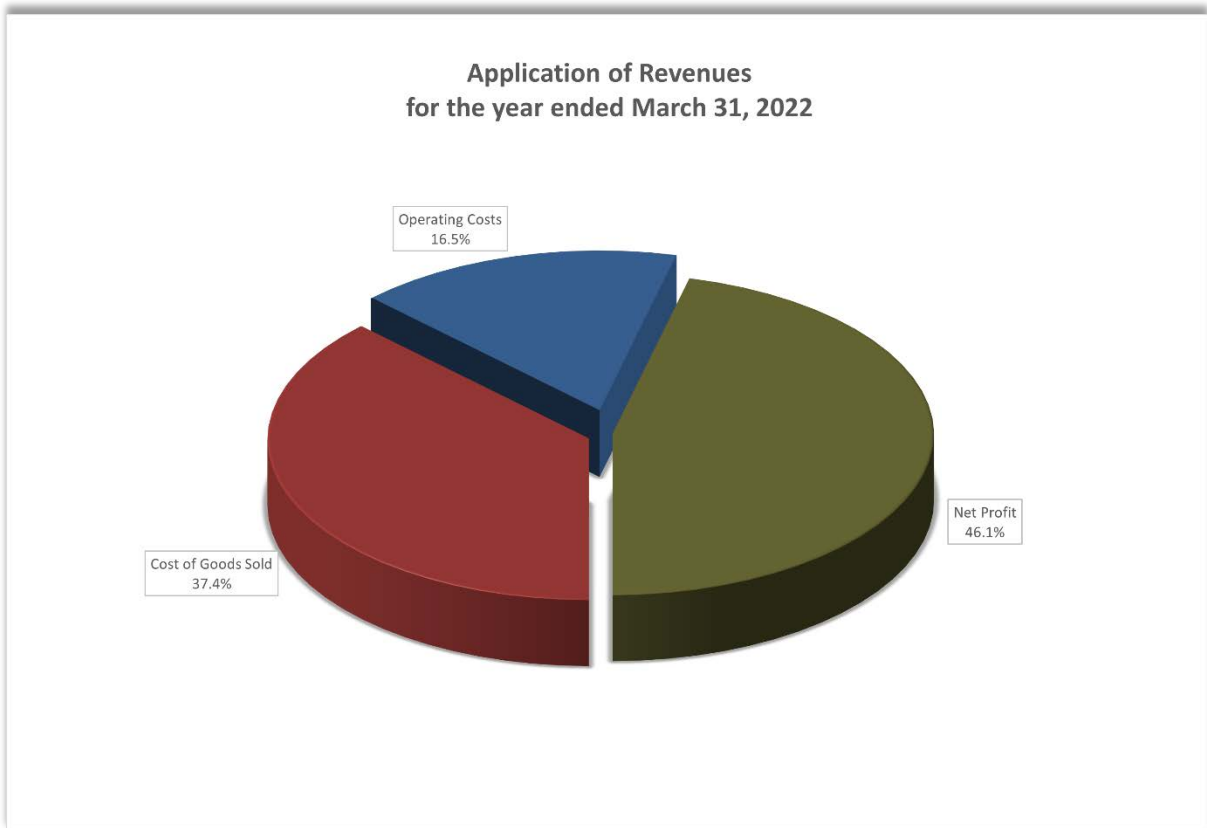
Goal #1

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 nine 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 16.5% of sales revenue, of which 11.7% 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.

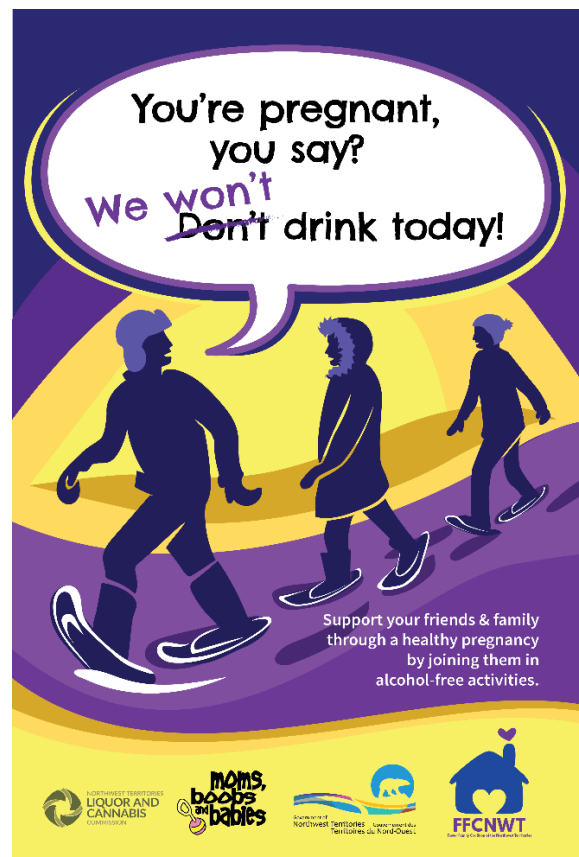
The NTLCC continues to promote increased awareness of Canada’s Low-Risk Drinking Guidelines, in all Stores through making available pamphlets and displaying Posters as provided by the Canadian Centre on Substance Use and Addictions.

We continue 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.



The NTLCC launched their “*Moderation is always in Good Taste! – Drink Responsibly*” Campaign with My True North Now radio station during 2021-22.

GOAL #3

Meet financial income targets.

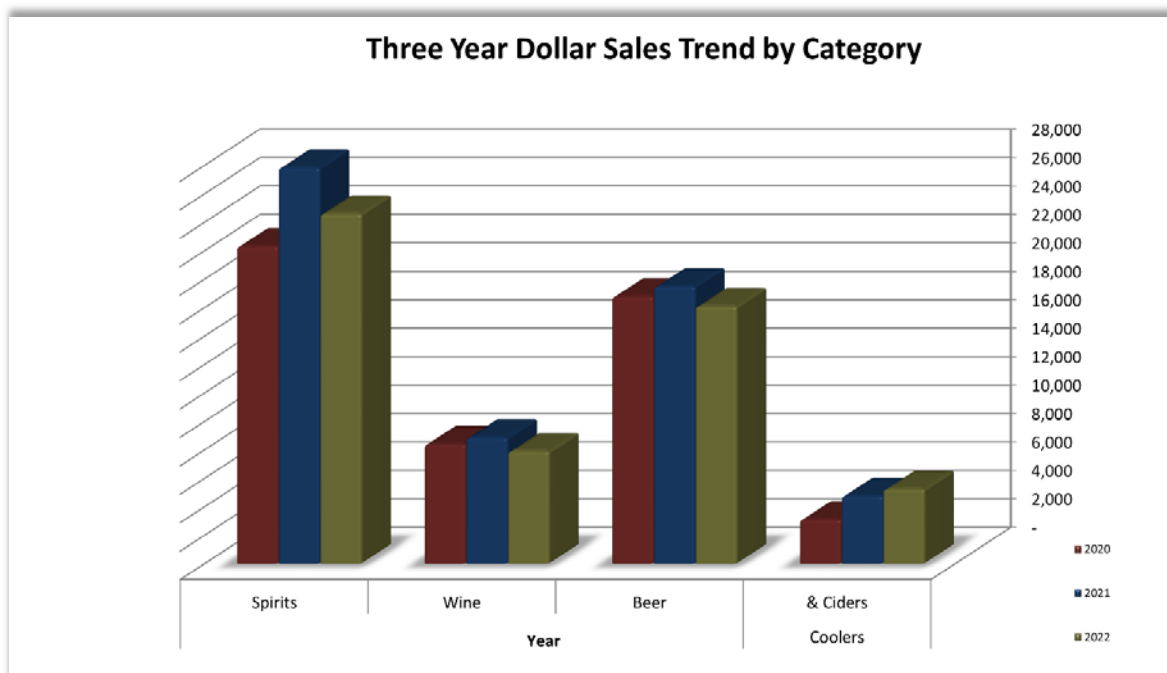
Performance Highlights

NTLCC annual surplus was (12%) below the previous fiscal year and 1.4% within budget targets.

Five Year Performance History					
for the year ending March 31					
(000's)					
	2022	2021	2020	2019	2018
Gross Sales	55,741	60,865	52,508	52,822	53,504
Gross Profit	34,892	38,638	33,310	33,482	34,068
as a % of sales	62.6%	63.5%	63.4%	63.4%	63.7%
Other Income	6	19	28	7	15
Net Surplus	25,721	29,338	24,652	24,924	25,662
as a % of sales	46.1%	48.2%	47.5%	47.2%	48.0%
Operating Expenses	9,177	9,319	8,686	8,565	8,421
as a % of sales	16.5%	15.3%	16.5%	16.2%	15.7%

Performance Highlights, continued

Gross Dollar Sales had an over-all decrease of (8.4%) from 2021; with decreases in the Spirits (11.6%), Wine (11.0%), Beer (7.1%) and in increase in Coolers & Ciders 10.1%.



Three Year Dollar Sales by Category

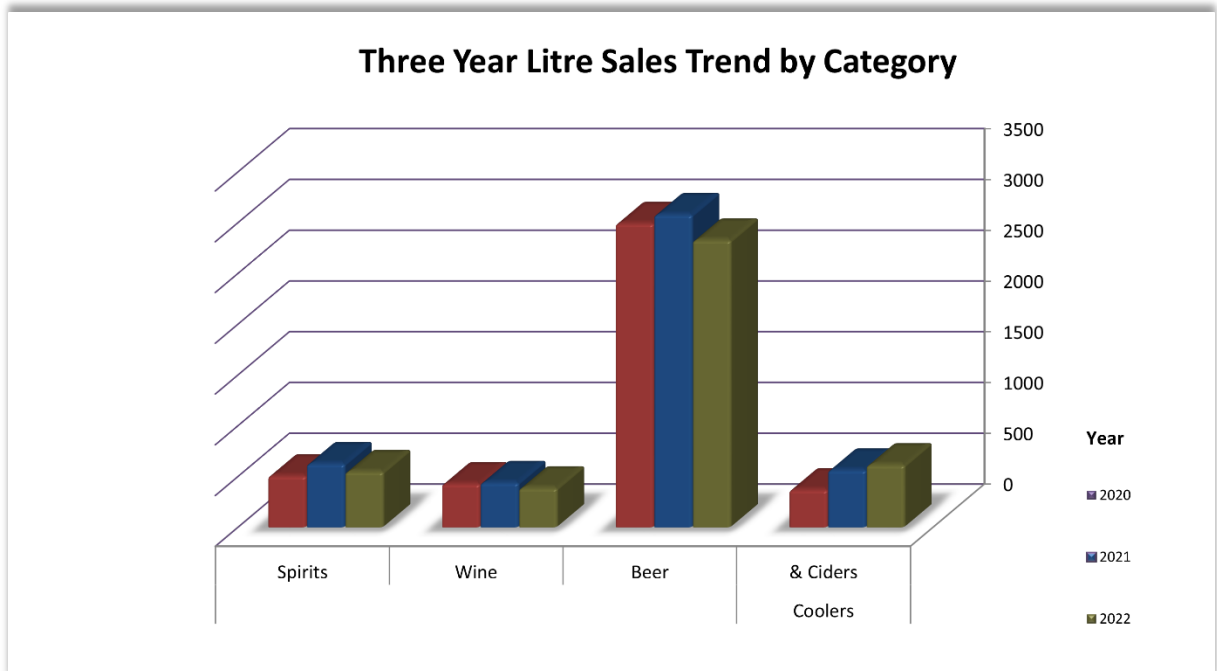
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers & Ciders	Total
2020	22,286	8,375	18,761	3,086	52,508
2021	27,814	8,848	19,467	4,736	60,865
2022	24,575	7,875	18,078	5,213	55,741

Performance Highlights, continued

Litre Sales had an overall decrease of (7%) from 2021. There was a decline in Spirits (12%), Wine (12%), Beer (8%) and growth in Coolers & Ciders 9%.



Three Year Litre Sales by Category

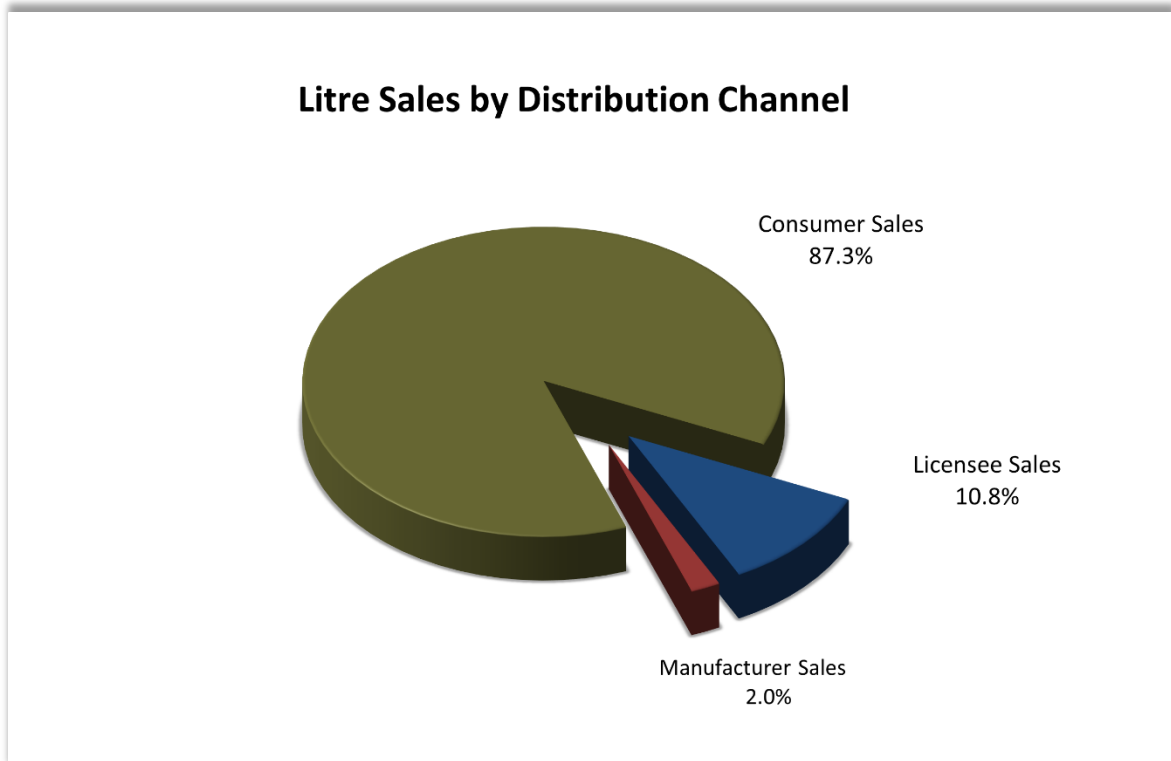
for the year ending March 31

(000's)

	Spirits	Wine	Beer	Coolers & Ciders	Total Total
2020	501	423	2,987	364	4,275
2021	620	435	3,074	558	4,687
2022	543	382	2,823	609	4,357

Performance Highlights, continued

Litre Sales by Distribution decreased over 2021. There were decreases in Consumer Sales (9%), and Manufacturer Sales (7%), and an increase in Licensee Sales 12%.



* 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)			
	2022	2021	2020
Sales to Consumers	3,802	4,174	3,555
Sales to Licensees	469	419	607
Sales to Manufacturers *	87	93	113
Total	4,357	4,686	4,275

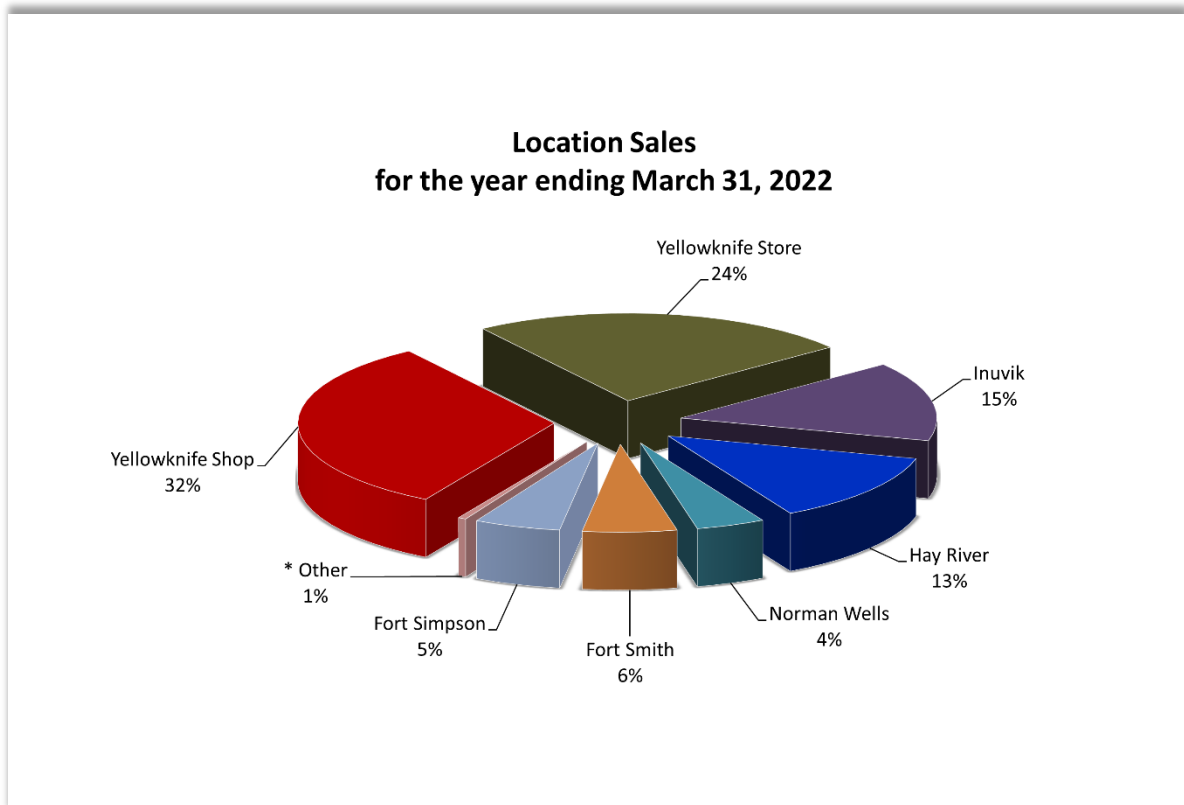
Three Year Dollar Sales by Distribution Channel			
for the year ending March 31			
(000's)			
	2022	2021	2020
Sales to Consumers	51,048	56,106	47,158
Sales to Licensees	4,635	4,697	5,274
Sales to Manufacturers *	58	62	76
Total	55,741	60,865	52,508

Gross Dollar Sales by Distribution decreased from 2021; Consumer Sales -9.02%, Licensee Sales – 1.3% and Manufacturer Sales - 6.5%.

The decrease in Licensee Sales is in part 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



Sales by Location

for the year ending March 31

(000's)

	2022	2021	Increase (Decrease)
Yellowknife Shop	17,864	18,951	(1,087)
Yellowknife Store	13,444	15,724	(2,280)
Inuvik	8,145	8,420	(275)
Hay River	7,217	8,057	(840)
Norman Wells	2,417	2,755	(338)
Fort Smith	3,304	3,477	(173)
Fort Simpson	3,036	3,177	(141)
* Other	314	304	10
	55,741	60,865	(5,124)

* 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, 2022 with comparative figures for 2021)
(revenue and expenses directly related to sales per location)

YELLOWKNIFE SHOP

(\$000's)

					2022	2021
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	6,295	2,702	5,074	1,758	15,829	17,003
Licensees	547	376	958	153	2,035	1,949
	6,842	3,078	6,033	1,911	17,864	18,952
Cost of goods sold	2,191	1,495	2,565	813	7,064	7,272
Gross margin	4,651	1,584	3,468	1,098	10,800	11,689
Other income					-	-
Operating expenses					2,505	2,494
Net income					8,295	9,195

YELLOWKNIFE STORE

(\$000's)

					2022	2021
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	6,554	2,643	3,333	915	13,444	15,724
Licensees	-	-	-	-	-	-
	6,554	2,643	3,333	915	13,444	15,724
Cost of goods sold	2,038	1,207	1,441	387	5,072	5,756
Gross margin	4,516	1,436	1,892	528	8,372	9,968
Other income					-	-
Operating expenses					1,392	1,574
Net income					6,980	8,394

INUVIK OPERATIONS

(\$000's)

					2022	2021
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	4,219	591	2,382	845	8,037	8,064
Licensees	90	15	239	36	380	336
	4,037	606	2,621	881	8,145	8,400
Cost of goods sold	1,211	264	1,118	388	2,981	2,986
Gross margin	2,827	341	1,503	494	5,165	5,414
Other income					-	-
Operating expenses					961	947
Net income					4,204	4,467

HAY RIVER OPERATIONS

(\$000's)

					2022	2021
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	2,910	716	2,381	577	6,584	6,680
Licensees	503	23	597	40	1,164	1,376
	2,965	739	2,883	630	7,217	8,056
Cost of goods sold	870	303	1,185	261	2,619	2,864
Gross margin	2,096	436	1,886	368	4,786	5,192
Other income					-	-
Operating expenses					1,053	1,088
Net income					3,733	4,104

NORMAN WELLS OPERATIONS

(\$000's)

					2022	2021
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,183	203	853	171	2,410	2,702
Licensees	9	6	29	5	48	53
	1,192	167	882	176	2,417	2,755
Cost of goods sold	338	76	364	79	857	973
Gross margin	854	91	518	97	1,560	1,782
Other income					-	-
Operating expenses					594	630
Net income					966	1,152

FORT SMITH OPERATIONS

(\$000's)

					2022	2021
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,124	315	1,336	415	3,189	3,407
Licensees	40	2	64	9	114	70
	1,164	317	1,400	424	3,304	3,477
Cost of goods sold	358	136	533	172	1,199	1,244
Gross margin	806	204	932	255	2,197	2,233
Other income					-	-
Operating expenses					630	653
Net income					1,567	1,580

FORT SIMPSON OPERATIONS

(\$000's)

					2022	2021
	Spirits	Wine	Beer	Coolers	Total	Total
Sales						
Consumers	1,757	147	712	259	2,875	3,002
Licensees	29	2	113	17	161	175
	<u>1,787</u>	<u>149</u>	<u>825</u>	<u>276</u>	<u>3,036</u>	<u>3,177</u>
Cost of goods sold	<u>486</u>	<u>60</u>	<u>300</u>	<u>107</u>	<u>953</u>	<u>1,024</u>
Gross margin	1,301	89	525	168	2,083	2,153
Other income					-	-
Operating expenses					<u>487</u>	<u>473</u>
Net income					<u>1,596</u>	<u>1,680</u>

Store Locations



Report on Cannabis

Mandate

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

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

The *Cannabis Legalization and Regulation Implementation Act* was amended March 31, 2020 to the *Cannabis Products Act and Regulations*, which authorizes the NTLCC to purchase, sell, classify, and distribute cannabis in the Northwest Territories. NWT residents can purchase recreational cannabis at NTLCC liquor stores in Fort Smith, Norman Wells and Fort Simpson, and three private stores in Yellowknife and Hay River. A new vendor designation for a private store was issued October 2021 in Hay River. Cannabis products are distributed from the NTLCC Cannabis warehouse in Hay River. NWT residents also have the option to purchase recreational cannabis on-line from ReLeaf NT one of the private stores in Yellowknife, the only legal NWT on-line store. The NTLCC's on-line cannabis store was closed in October 2021.

Operations

To respond to the needs and concerns of our customers and stakeholders in the fiscal year 2021–2022 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

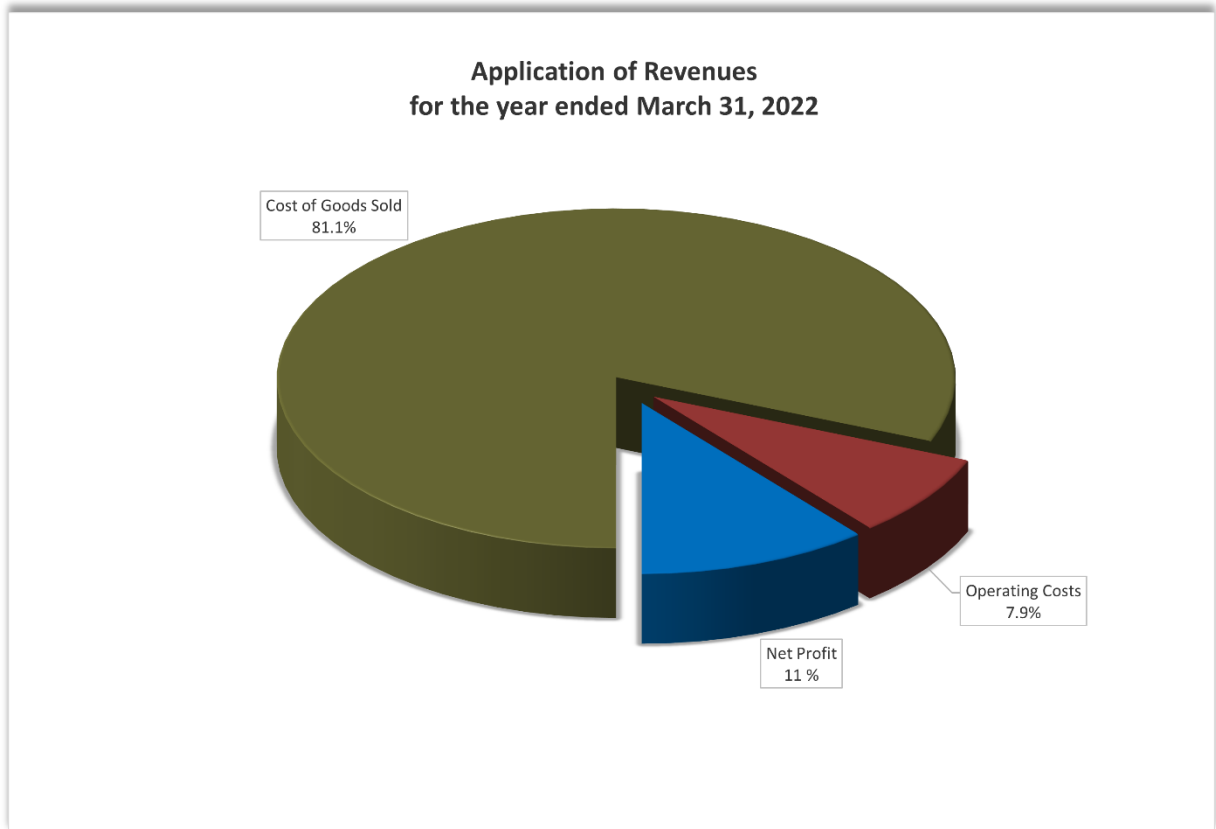
Operations are managed efficiently and comply with legislation, regulation and policy.

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 nine and a network of three private retail stores, including one also operating as an online store and 3 consignment 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 is now operated by one of the private stores and sells directly to NWT residents. The cost to deliver the sales and administration of cannabis product throughout the year was 7.9% of sales revenue, of which 3.6% 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.

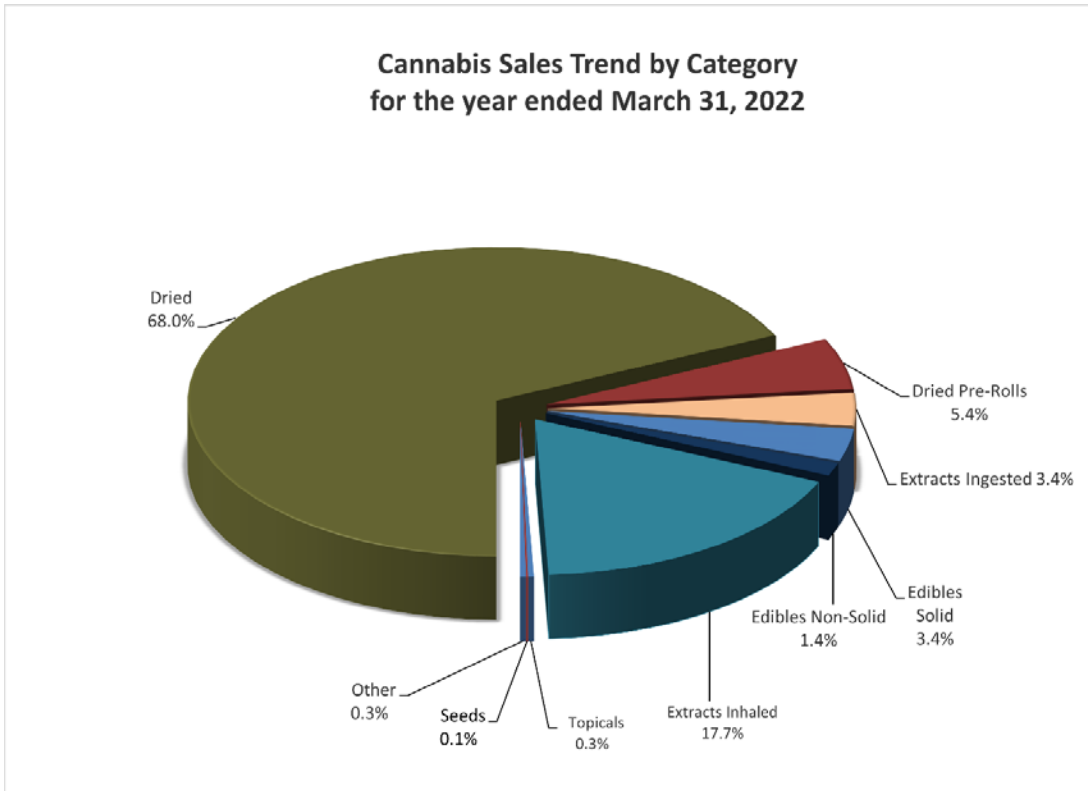
Performance Highlights

The NTLCC's annual surplus was 15.4% above the previous fiscal year. Change in Gross Profit Percentage from 30.8% to 18.9% is a result of a change in sales model from consignment to private stores in Yellowknife and Hay River as well as the online store. Private Stores purchase Cannabis from the NTLCC at a wholesale price rather than receiving a commission on sales.

Three Year Performance History			
for the year ending March 31			
(000's)			
	2022	2021	2020
Gross Sales	7447	5141	3,252
Gross Profit	1,405	1,581	1,200
as a % of sales	18.9%	30.8%	36.9%
Net Surplus	818	709	405
as a % of sales	11.0%	13.8%	12.5%
Operating Expenses	587	872	795
as a % of sales	7.9%	17.0%	24.4%

Performance Highlights, continued

Dollar Sales of Cannabis by Sales Category; Dried Cannabis represents 68% of product sold in the NWT with Dried Cannabis Pre-Rolls product at 5.4% (these products were formerly both sold under Dried. Extracts Ingested (formerly Cannabis Oil) product at 3.4%, Edibles Solid 3.4%, Edibles Non-Solid 1.4%, Extracts Inhaled 17.7%, Topicals 0.3%, and Seeds 0.1%.



Dollar Sales by Category

for the year ending March 31

(000's)

Cannabis	Dried	Dried Pre-Rolls*	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Topicals	Seeds	Other	Total
2020	2,959	-	275	6	N/A	6	0	6	N/A	3,252
2021	4,324	-	326	126	50	283	0	3	30	5,141
2022	5,065	400	255	254	104	1,318	23	5	23	7,447

* Dried Pre-Rolls were for formerly sold under Dried category.

Performance Highlights, continued

Volume Sales by Category

for the year ending March 31

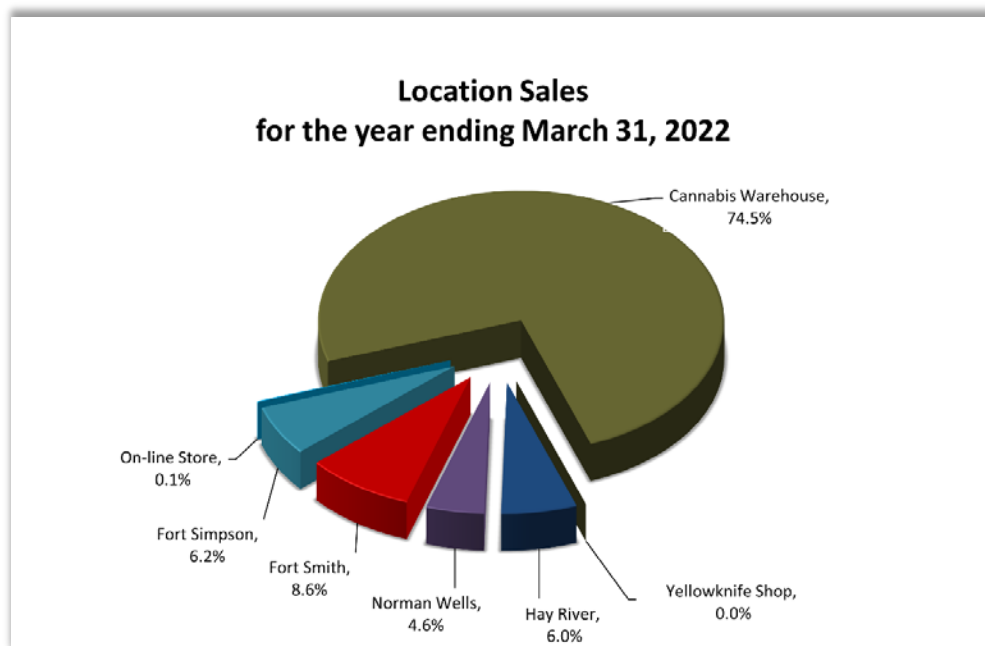
(\$000's)

Cannabis, GRAMS and Equivalent Grams	2022	2021
Dried	513.9	482.68
Dried Pre-Rolls *	162.27	-
Extracts Ingested	7.87	15.52
Edibles Solid	42.49	22.95
Edibles Non-Solid	69.04	45.96
Extracts Inhaled	104.16	10.54
Topicals	0.47	-
Seeds **	640	264

* Dried Pre-Rolls were formerly sold under Dried category.

** Seeds are reported by total number of seeds

Store Operations



Store Operations, continued

Sales by Location

for the year ending March 31

(000's)

	2022	2021	2020
Yellowknife Shop	-	1,730	1,874
Hay River	448	740	513
Norman Wells	344	335	289
Fort Smith	641	444	329
Fort Simpson	459	419	229
On-line Store	8	20	17
Cannabis Warehouse	5,547	1,453	-
	7,447	5,141	3,252

Statement of Operations by Location

(for the year ended March 31, 2022, with comparative figures for 2021)
(revenue and expenses directly related to sales per location)

YELLOWKNIFE SHOP

(\$000's)

	Product Type									2022	2021
	Dried	Pre-Rolls	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Topicals	Seeds	Other	Total	Total
Sales											
Consumers	-	-	-	-	-	-	-	-	-	-	1,730
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	1,102
Gross margin	-	-	-	-	-	-	-	-	-	-	628
Operating expenses										-	250
Net income										-	378

HAY RIVER OPERATIONS

(\$000's)

	Product Type									2022	2021
	Dried	Pre-Rolls	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Topicals	Seeds	Other	Total	Total
Sales											
Consumers	392	12	-	10	2	30	0	0	2	448	740
Cost of goods sold	261	8	-	7	1	20	0	0	1	299	470
Gross margin	131	4	-	3	1	10	0	0	1	149	270
Operating expenses										65	107
Net income										84	163

Store Operations, continued

NORMAN WELLS OPERATIONS											
(\$000's)											
	Dried	Dried Pre-Rolls	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Topicals	Seeds	Other	2022 Total	2021 Total
Sales											
Consumers	263	19	13	8	1	39	0	0	1	344	335
Cost of goods sold	178	13	8	5	1	26	0	0	1	232	217
Gross margin	86	6	4	3	0	13	0	0	0	112	118
Operating expenses										50	49
Net income										62	69
FORT SMITH OPERATIONS											
(\$000's)											
	Dried	Dried Pre-Rolls	Extracts Ingested	Edibles Solid	Edibles Non-Solid	Extracts Inhaled	Topicals	Seeds	Other	2022 Total	2021 Total
Sales											
Consumers	451	44	33	23	8	79	0	0	3	641	444
Cost of goods sold	292	29	21	15	5	51	0	0	2	415	260
Gross margin	145	16	11	8	3	16	0	0	1	226	184
Operating expenses										93	65
Net income										133	119

Store Operations, continued

FORT SIMPSON OPERATIONS

(\$000's)

	Dried	Extracts	Edibles	Edibles	Extracts					2022	2021
	Dried	Pre-Rolls	Ingested	Solid	Non Solid	Inhaled	Topicals	Seeds	Other	Total	Total
Sales											
Consumers	369	20	14	17	2	34	1	0	1	459	419
Cost of goods sold	240	13	9	11	1	22	0	0	1	298	251
Gross margin	130		5	6	1	12	0	0	-	161	168
Operating expenses										66	61
Net income										95	107

ONLINE STORE

(\$000's)

	Dried	Extracts	Edibles	Edibles	Extracts					2022	2021
	Dried	Pre-Rolls	Ingested	Solid	Non Solid	Inhaled	Topicals	Seeds	Other	Total	Total
Sales											
Consumers	5		-	1		2	-	-	-	8	20
Cost of goods sold	4	-	-	1	-	1	-	-	-	5	15
Gross margin	2		-	0		1	-	-	-	3	5
Operating expenses										212	333
Net income										(209)	(328)

CANNABIS WAREHOUSE

(\$000's)

	Dried	Extracts	Edibles	Edibles	Extracts					2022	2021
	Dried	Pre-Rolls	Ingested	Solid	Non Solid	Inhaled	Topicals	Seeds	Other	Total	Total
Sales											
Consumers	3,585	317	183	195	91	1,134	23	5	14	5,547	1,453
Cost of goods sold	3,098	273	159	168	79	980	20	4	12	4,793	1,245
Gross margin	487	43	25	27	12	154	3	1	2	754	208
Operating expenses										101	8
Net income										653	200

Audited Financial Statements
2021 – 2022

Northwest Territories Liquor & Cannabis Commission

Financial Statements

Year ended March 31, 2022

Northwest Territories Liquor & Cannabis Commission

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March 31, 2022

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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, 2022

INDEPENDENT AUDITOR'S REPORT

To the Ministers of 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, 2022, and the statements of operations, changes in accumulated surplus, changes in net financial assets (debt) 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, 2022, 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, 2022



Ashton Chartered Professional Accountants

Northwest Territories Liquor & Cannabis Commission

Statement of Financial Position

As at March 31 (\$000)	2022	2021
Financial Assets		
Cash	\$ 6,898	\$ 5,015
Accounts receivable	72	142
Inventories for resale (note 3)	3,399	3,698
	<u>10,369</u>	<u>8,855</u>
Financial Liabilities		
Accounts payable and accrued liabilities (note 7)	2,256	2,573
Pension and other employee benefits (note 4)	48	69
Due to the NWT Liquor Licensing Board (note 5)	114	138
	<u>2,418</u>	<u>2,780</u>
Net Financial Assets	<u>7,951</u>	<u>6,075</u>
Non-Financial Assets		
Tangible capital assets (note 6)	409	553
Prepaid expenses	92	37
	<u>501</u>	<u>590</u>
Accumulated Surplus	<u>\$ 8,452</u>	<u>\$ 6,665</u>

Contractual obligations (note 8)

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)	2022		2021	
	Budget	Actual	Actual	
Sales				
Beer	\$ 18,985	\$ 18,079	\$	19,467
Spirits	23,680	24,574		27,814
Wine	8,494	7,875		8,848
Coolers and Ciders	3,867	5,213		4,736
Cannabis	8,243	7,447		5,141
	<u>63,269</u>	<u>63,188</u>		<u>66,006</u>
Cost of goods sold				
Beer	7,738	7,506		7,937
Spirits	7,049	7,491		8,451
Wine	3,847	3,645		4,011
Coolers and ciders	1,639	2,207		2,004
Cannabis	6,654	6,042		3,384
	<u>26,927</u>	<u>26,891</u>		<u>25,787</u>
Gross profit on sales	<u>36,342</u>	<u>36,297</u>		<u>40,219</u>
Other income				
Government contribution - services provided without charge (note 7)	-	1		13
Import fees and Income	8	5		6
	<u>8</u>	<u>6</u>		<u>19</u>
Expenses (notes 7)				
Commissions to agents - Liquor	6,642	6,510		6,779
Commissions to agents - Cannabis	263	275		534
Licensee Discounts	559	455		396
Salaries, wages and employee benefits	1,080	1,165		1,094
Administration - Liquor	794	759		682
Administration - Cannabis	113	150		200
Travel	30	20		21
Rent	298	255		242
Amortization of tangible capital assets (note 6)	161	175		243
	<u>9,940</u>	<u>9,764</u>		<u>10,191</u>
Annual surplus	<u>\$ 26,410</u>	<u>\$ 26,539</u>	<u>\$</u>	<u>30,047</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)	2022		2021	
	Budget	Actual	Actual	
Accumulated surplus, beginning of the year	\$ 6,665	\$ 6,665	\$ 5,622	
Annual surplus	26,410	26,539	30,047	
Amounts transferred to the Consolidated Revenue Fund	(25,660)	(24,217)	(28,496)	
Amounts Transferred to the NWT Liquor Licensing Board (note 5)	(748)	(535)	(508)	
Increase in accumulated surplus	2	1,787	1,043	
Accumulated surplus, end of year	\$ 6,667	\$ 8,452	\$ 6,665	

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

Northwest Territories Liquor & Cannabis Commission

Statement of Changes in Net Financial Assets

<u>For the year ended March 31 (\$000)</u>	<u>2022</u>	<u>2022</u>	<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Net financial assets, beginning of year	\$ 6,075	\$ 6,075	\$ 4,972
Items affecting net financial resources:			
Increase (decrease) in accumulated surplus	2	1,787	1,043
Net investment in tangible capital assets:			
Acquisitions	-	(30)	(170)
Amortization expense	161	174	243
Increase in prepaid expenses	-	(55)	(13)
Net financial assets, end of year	\$ 6,238	\$ 7,951	\$ 6,075

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)	2022	2021
Operating activities		
Cash received from customers	\$ 63,263	\$ 65,967
Cash paid to employees and suppliers	(36,574)	(38,210)
Cash provided by operating activities	26,689	27,757
Capital activities		
Purchase of tangible capital assets	(30)	(170)
Financing activities		
Cash transferred to the Consolidated Revenue Fund	(24,217)	(28,496)
Cash transferred to the NWT Licensing Board	(559)	(431)
Cash provided by financing activities	(24,776)	(28,927)
Change in cash	1,883	(1,340)
Cash, beginning of year	5,015	6,355
Cash, end of Year	\$ 6,898	\$ 5,015

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

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2022 (\$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, 2022 the Fund's assets exceeded the liabilities by \$7,951 (2021 - \$6,075).

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

2. Significant accounting policies

(a) Basis of accounting

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

(b) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from those estimates. The more significant management estimates include the calculation of the liability for employee future benefits and estimation of the useful life of the tangible capital assets.

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2022 (\$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, 2022 (\$000)

3. Inventories for resale

	2022	2021
Spirits	\$ 1,167	\$ 1,244
Beer	770	904
Wine	546	548
Coolers and ciders	253	230
Cannabis	663	772
	\$ 3,399	\$ 3,698

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 (2021 - 1.01) the employees' contributions for employees who started prior to January 2013 and 1.00 times (2021 - 1.00) the employees' contributions for all other employees. The Employers contributions and the Commission's employees' contribution for the year were as follows:

	2022	2021
Commission's contributions (recognized as expense)	\$ 87	\$ 90
Employees' contribution	87	89

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, 2022 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits

	2022			2021		
	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	\$ 59	\$ 15	\$ 74	\$ 95	\$ 16	\$ 111
Current Service Costs	4	1	5	4	1	5
Interest Cost	2		2	2	0	2
Benefits paid during the year	(29)	(2)	(31)	-	-	-
Actuarial (gain)/loss	53		53	(42)	(2)	(44)
Accrued benefit obligation, end of the year	\$ 89	\$ 14	\$ 103	\$ 59	\$ 15	\$ 74
Unamortized net actuarial gain (loss)	(18)	(37)	(55)	38	(43)	(5)
Accrued benefit (liability)/asset	\$ 71	\$ (23)	\$ 48	\$ 97	\$ (28)	\$ 69

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, 2022 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, 2022 (\$000)

4. Pension and other employee benefits (continued)

b) Other employee benefits (continued)

The actuarial valuation at March 31, 2022 reflects management's best estimate based upon a number of future orientated assumptions including:

	<u>2022</u>	<u>2021</u>
Expected inflation rate	2.0%	2.0%
Discount rate used to determine the accrued benefit obligation	4.1%	3.3%
Expected average remaining service life of related employee groups (EARSL)	10.3	8.3

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

2023	\$	15
2024		13
2025		13
2026		17
2027		13
2028 and beyond		<u>44</u>
	\$	<u>115</u>

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2022 (\$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	2022	2021
Cost:					
Opening balance	\$ 133	\$ 1,074	\$ 860	\$ 2,067	\$ 1,897
Acquisitions	12	18	-	30	170
Disposals and write-downs	-	(346)	-	(346)	-
Closing balance	145	746	860	1,751	2,067
Accumulated Amortization:					
Opening balance	(121)	(872)	(520)	(1,513)	(1,270)
Amortization	(6)	(135)	(34)	(175)	(243)
Disposals and write-downs	-	346	-	346	-
	(127)	(661)	(554)	(1,342)	(1,513)
Net book value	\$ 18	\$ 85	\$ 305	\$ 409	\$ 553

Northwest Territories Liquor & Cannabis Commission

Notes to Financial Statements

March 31, 2022 (\$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 \$1,165 (2021 – \$1,094) 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 \$1 (2021 – \$13). 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 \$158 (2021 – \$168) for bottle deposits payable to the Department of Environment and Natural Resources, \$176 (2021 – \$261) for salaries, wages, and employee benefits payable to the Department of Finance, and \$0 (2021 - \$12) other various Government Departments.

8. Contractual obligations

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

2022/23	\$ 248
2023/24	\$ 248
2024/25	\$ 248
2025/26	\$ 248
2026/27	\$ 88

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

9. Financial instruments

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

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

The carrying value of the financial instrument approximates fair value.