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Building *Nunavut* Together
Nunavut liuqatigiingniq
Bâtir le *Nunavut* ensemble

Nunavut Liquor Commission Annual Report 2017-2018

August 2018

The Honourable Nellie Kusugak
Commissioner
Government of Nunavut

Re: Nunavut Liquor Commission 2017-18 Annual Report

Dear Commissioner,

Please accept the attached submission of the Nunavut Liquor Commission's annual report of the year ending March 31, 2018.

Respectfully submitted,



Hon. George Hickes
Minister of Finance
Minister responsible for Liquor

The Honourable George Hickes
Minister of Finance
Minister responsible for Liquor

Re: Nunavut Liquor Commission 2017-18 Annual Report

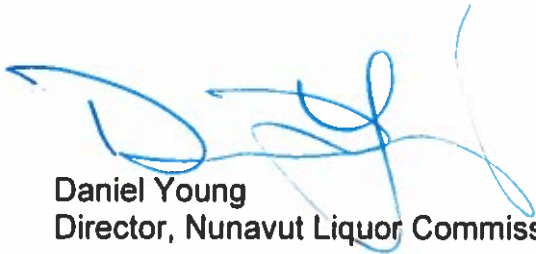
Minister Hickes,

We are pleased to present you with the Annual Report of the Nunavut Liquor Commission covering the period of April 1, 2017 to March 31, 2018, pursuant to Subsection 61 (1) of the *Liquor Act*.

The effort and support of the Nunavut Liquor Commission's staff were instrumental in progressing the initiatives of the Commission during this past year.



Jeff Chown,
Deputy Minister, Finance



Daniel Young
Director, Nunavut Liquor Commission

Table of Contents

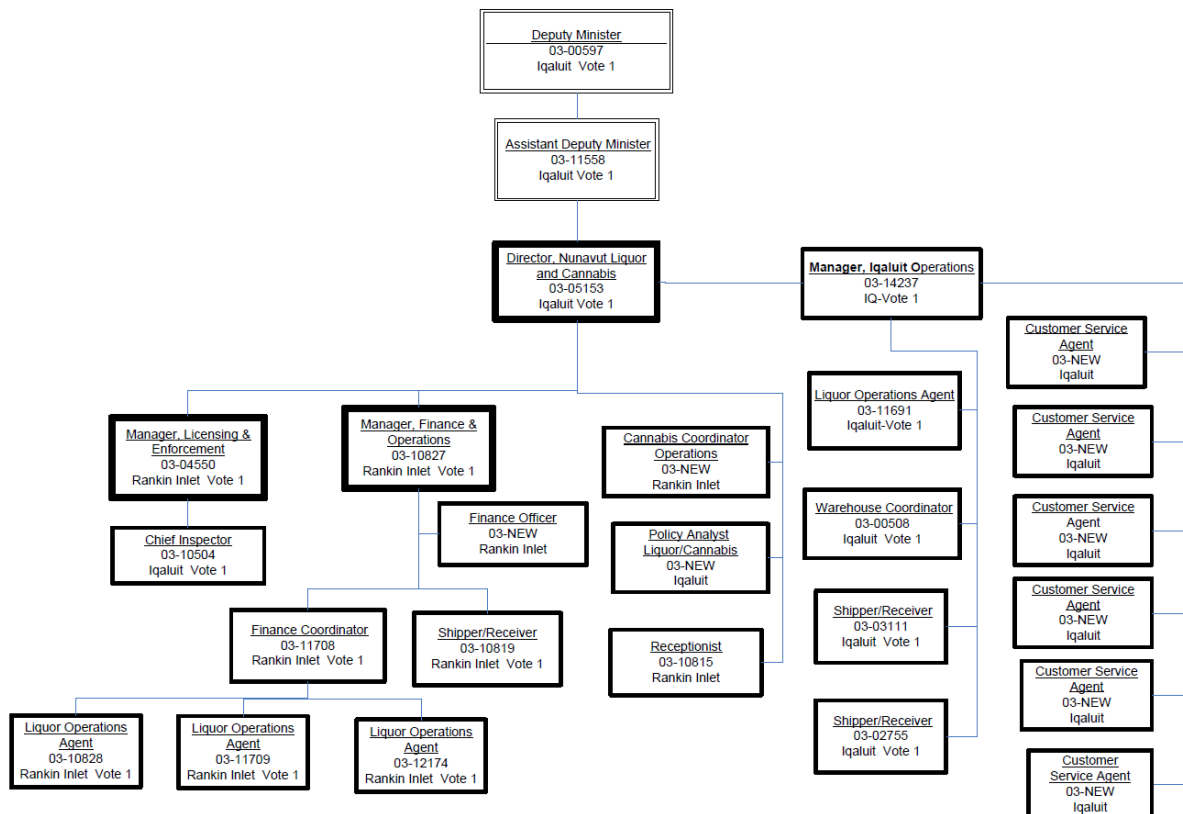
About the Nunavut Liquor Commission	5
Liquor Distribution in Nunavut	6
Product Sales	6
Import Permits	7
Social Responsibility	8
Awareness and Education Campaigns	8
Activities and Community Events.....	10
National Contributions to Social Responsibility	10
Iqaluit Beer and Wine Store	10
Staff Training.....	11
Controlling Quantities.....	11
Measuring the Impacts of the Store	11
Plebiscites	14
Conclusion	14
Financial Statements	15

About the Nunavut Liquor Commission

The Nunavut Liquor Commission (NULC, the Commission), established under Section 56 of Nunavut's *Liquor Act*, is responsible for purchasing, selling, classifying and distributing alcohol beverage products in Nunavut. The Commission administers Part II of the Act and, as a public agency of the Government of Nunavut (GN), is subject to budget and reporting requirements of the *Financial Administration Act*.

Under the responsibility of the Minister of Finance, the Nunavut Liquor Commission (NULC, the Commission) reports to Assistant Deputy Minister of Finance. The structure of the NULC has changed in 2017-18 to accommodate major changes in the Commission, namely the opening of Iqaluit's Beer and Wine Store. Previously under the Manger, Finance and Operations, the Iqaluit warehouse has grown, necessitating the creation of a new position, Manager, Iqaluit Operations. This change has led to a shift from the majority of employees in Rankin Inlet, to the majority of employees now working out of Iqaluit.

Aside from the two employees in the Licensing and Enforcement Section who are in the Department of Finance, all other employees under the Director, Nunavut Liquor are situated in the Commission.



The Commission operates using the Liquor Revolving Fund (LRF) which is separate from the GN's consolidated revenue fund. The LRF is subject to rules and limits set out in the *Revolving Funds Act*. All Commission expenditures are audited annually and presented to the Minister of Finance and can be found on page 15 of this report. The activities of the Licensing and Enforcement Section are funded through the Department of Finance's budget.

Liquor Distribution in Nunavut

Nunavut has unique controls in place relating to alcohol. Alcohol is completely prohibited in 6 of Nunavut's 25 communities and in 13 others alcohol is restricted, meaning individuals can only access alcohol by applying to, and receiving approval from, their local Alcohol Education Committee (AEC) before bringing alcohol into their community. The AECs may place restrictions on the purchase or completely deny any application to import alcohol into a restricted community. In the remaining six unrestricted communities, there are no limits on the consumption and import of alcohol. The summary of prohibited, restricted, and unrestricted communities is in the table below.

Nunavut communities by their chosen system (March 31, 2018)	
Unrestricted	Baker Lake; Cambridge Bay; Grise Fiord; Iqaluit; Rankin Inlet; Taloyoak.
Restricted	Arctic Bay; Cape Dorset; Chesterfield Inlet; Clyde River; Hall Beach; Igloolik; Kimmirut; Kugluktuk; Pond Inlet; Qikiqtarjuaq; Naujaat; Resolute Bay; Whale Cove.
Prohibited	Arviat, Coral Harbour, Gjoa Haven, Kugaaruk, Pangnirtung, Sanikiluaq.

The NULC operates in a competitive landscape where consumers have some choice in where they would like to purchase their alcohol. Restrictions on purchasing and limited product selection from the NULC play into the consideration of consumers when they purchase alcohol.

Product Sales

The quantity of alcohol products sold, by litre, has grown dramatically from 570,361 litres in 2016-17 to 1,003,901 litres in 2017-18 – a growth of 76%. With the opening of the Iqaluit Beer and Wine Store in 2017-18, the Commission saw a large shift in sales toward beer and wine, and away from spirits. The most notable shifts were in Iqaluit with a 350% increase in wine and a 73% increase in beer sold, by volume.

As in past years, most of the Commission's revenue is generated through sales in Iqaluit. This is partially due to the City's larger population and higher concentration of licensees. With the opening of the Beer and Wine Store in Iqaluit, the percentage of the Commission's revenues generated in Iqaluit has increased from 89% in 2016-17 to 93% in 2017-18.

Of the \$9.3 million in revenues from liquor sales, the NULC paid about \$4.3 million to purchase the underlying products. Other sales revenue, consisting mainly of bottle deposits and license handling fees, added about \$542,000 to overall revenues.

Sales by Location in Litres

Category	Iqaluit			Rankin Inlet			Cambridge Bay			Total		
	2017-18	2016-17	Change	2017-18	2016-17	Change	2017-18	2016-17	Change	2017-18	2016-17	Change
Spirits	23,041	26,415	-12.77%	6,603	7,651	-13.70%	701	675	3.85%	30,345	34,741	-12.65%
Wine	125,522	27,894	350.00%	4,407	6,442	-31.59%	763	685	11.39%	130,692	35,021	273.18%
Cooler	5,766	6,579	-12.36%	2,084	1,006	107.16%	77	178	-56.74%	7,927	7,763	2.11%
Beer	780,163	451,070	72.96%	38,364	26,575	44.36%	16,410	15,191	8.02%	834,937	492,836	69.41%
Total	934,492	511,958	82.53%	51,458	41,674	23.48%	17,951	16,729	7.30%	1,003,901	570,361	76.01%

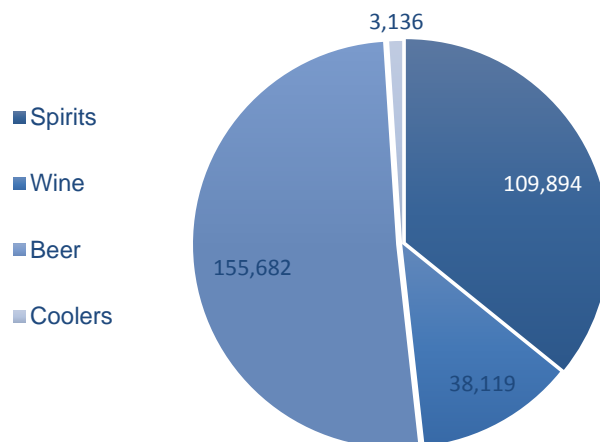
Sales by Location in \$000's

Category	Iqaluit			Rankin Inlet			Cambridge Bay			Total		
	2017-18	2016-17	Change	2017-18	2016-17	Change	2017-18	2016-17	Change	2017-18	2016-17	Change
Spirits	964	1,100	-12.36%	273	317	-13.88%	30	28	7.14%	1,267	1,445	-12.32%
Wine	2,237	496	351.01%	70	107	-34.58%	9	10	-10.00%	2,316	613	277.81%
Cooler	61	68	-10.29%	21	10	110.00%	1	2	-50.00%	83	80	3.75%
Beer	5,304	2,939	80.47%	256	171	49.71%	106	98	8.16%	5,666	3,208	76.62%
Product Sales	8,566	4,603	86.10%	620	605	2.48%	146	138	5.80%	9,332	5,346	74.56%
Other Revenue	440	346	27.34%	75	57	31.63%	27	35	-21.75%	542	437	24.03%
Total	9,006	4,949	81.99%	695	662	4.99%	173	173	0.29%	9,874	5,783	70.74%

Import Permits

An import permit is required for anyone who wishes to import alcohol into the territory. Through the purchase of a permit, the GN adds a fee to all alcohol imported based on the type of alcohol and the number of litres. By volume, beer and wine imports account for the vast majority of liquor permits purchased. Unlike the revenues from liquor sales and bottle deposits, revenues from the sales of permits are deposited into the GN's consolidated revenue fund, rather than into the NULC's revolving fund.

Import Permits by Type (Litres)



Social Responsibility

The NULC is committed to the continuous promotion of the safe use of alcohol and to reducing harms associated with alcohol use. Continuing on the work introduced in last year's document "Taking Steps to Reduce Alcohol-Related Harm" (available from www.gov.nu.ca/finance), the GN and the Commission continue to promote safe practices. The Commission encourages these practices through promotion activities, public outreach, and choices about the way alcohol is distributed and sold. Many of the activities are guided by the recommendations of the territory-wide consultations the GN undertook between 2010 and 2012 to identify ways to reduce harm. A sample of the Commission's social responsibility efforts is outlined below.

Awareness and Education Campaigns

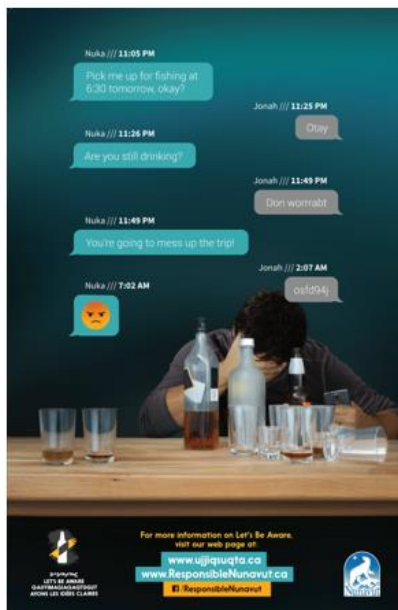
The aim of the Let's Be Aware/Ujjiqsuqta (LBA) campaign in 2017-18 was to increase the visibility and awareness of the campaign by using multiple distribution channels to reach Nunavummiut.

The following highlights the various approaches used and examples of the deliverables:

Posters: Two posters were distributed at the initial launch in March, 2017 (Education & Stop/Start posters).

In November 2017, the two posters were distributed to all 25 communities – including the texting posters, and the emoji poster.

Posters were distributed to all Government Liaison Officers and offices with the request that they post the posters within the community. Additional posters were distributed during the team's seven community visits.



Video PSA: A video PSA was created building on the key message portrayed in the texting poster – this was to stop drinking early, so as to not disappoint your friends by being late to go fishing/hunting the next day. The video PSA was aired on APTN is being shown at the Astro Theater in Iqaluit.

Image stills from the Video PSA that aired on APTN and the Astro Theater in Iqaluit:



Website: Updates and enhancements were made to the website, the key improvements included:

- Information and sections were improved to make navigation of the site easier and more user friendly.
- Developing a Family section to provide families with specific information and guidance on how to model responsible alcohol use, how to delay youth alcohol use and how to talk to kids about alcohol use.
- Launching the Drink Calculator to educate community members about the Low-Risk Alcohol Drinking Guidelines.
- Adding a feature to allow our resources (posters, fact sheets, and pamphlets) to be downloaded and printed.
- Adding new pictures, graphics, and text boxes to make the website more visually interesting and highlight key messages of the campaign throughout the site. New graphic buttons to promote the Drink Calculator and the What's New section were added.



Facebook: Bi-weekly posts were uploaded to the Let's Be Aware/Ujjiqsuqta Facebook page.

Promotional Items: Promotional items were distributed throughout Year 2 of the campaign. They included:

- *Let's be Aware* toques were distributed at community events and given away as prizes at grocery store visits and on radio programs.
- Standard serving size cups – were used as demonstrated tools for workshops, events and media spots to help educate the public about standard drink sizes. This is particularly important when individuals are mixing their own drinks. Cups were sent out to all the Government Liaison Offices, and were also given out as prizes during community visits.
- Magnets – Fridge magnets depicting Canada's Low-Risk Alcohol Drinking Guidelines for men and women were created and distributed throughout the territory.

Activities and Community Events

The LBA project team visited a total of seven communities throughout the Nunavut in 2017-18. These communities included: Arctic Bay, Gjoa Haven, Grise Fiord, Iqaluit, Kugaaruk, Pond Inlet, and Resolute Bay. An activity log was created by the LBA team to keep track of outreach activities in the various communities. Each LBA team member completed surveys after attending an event which asked both logistical (e.g. name of event, date, team leads) and qualitative (e.g. level of engagement, lessons learned, next required steps, etc.) questions to describe the event.

National Contributions to Social Responsibility

The Commission is a participating member of CALJ – the Canadian Association of Liquor Jurisdictions (www.calj.org). This organization, made up of provincial and territorial liquor commissions and boards, provides a forum for the NULC to exchange best practices and learn current trends with respect to all aspects of liquor regulation and sales. As part of the NULC's participation in CALJ, Nunavut is an active member of the Social Responsibility working group which provides an opportunity to discuss and learn approaches towards socially responsible practices from counterparts across Canadian provinces and territories.

Iqaluit Beer and Wine Store

On September 6, 2017, the NULC opened the first ever alcohol retail store in the territory. The Iqaluit Beer and Wine store, intended to operate first as a 3-year pilot project, sits as a 1,200 square foot retail storefront attached to the existing Iqaluit liquor warehouse, in the territory's capital. In its first full year, much of which was in 2017-18, the Beer and Wine Store sold about 1.9 million units (cans or bottles) of beer and about 200,000 bottles of wine.

Iqaluit's Beer and Wine Store is the culmination of many years of planning, consultation and engagement, on methods to reduce alcohol related harm in the territory. Following the 2012 Minister's Liquor Act Review Task Force report, in which recommendations were made for opening government run beer and wine stores in the territory, the GN began its work to determine how best to approach the development of a retail outlet of this kind. The intent of

liberalizing access to beer and wine through a retail store is to change behaviour towards binge-drinking and hard liquor, as well as disrupt bootleggers.

Building off the work of the Task Force, and further consultations throughout the territory, especially in Iqaluit; in April 2015, the GN held a non-binding plebiscite asking Iqaluit residents whether they would support the opening of a beer and wine store in the community. With a voter turnout of 40%, 77% of votes were cast in favour of opening a store.

Following direction from government in 2016, the Commission began the process to move forward on a pilot beer and wine store. Through appropriate procurement methods, the Commission was able to renovate the warehouse in Iqaluit to add a storefront and develop a point of sale system to control and track sales and inventory. As a government run store which was developed based on the principles of harm reduction, much work was required leading up to the September opening date to ensure the objectives of the store could be met, and the impacts measured.

Results from the store are positive. The quantity of spirits sold to residents and licensees in Iqaluit has dropped drastically following the opening of the beer and wine store. Similarly, the purchase of permits for the import of spirits into Iqaluit have been significantly lower following the opening of the store. The NULC is tracking results from the Beer and Wine Store closely. Learning from this pilot project will have a significant impact on decisions around how alcohol is controlled, managed, distributed, and sold in the territory in the future.

Staff Training

In summer 2017, the commission collaborated with the Liquor Control Board of Ontario (LCBO), the body responsible for alcohol sales in Ontario, to facilitate a training session for all Iqaluit Beer and Wine Store staff. In late August, representatives from the LCBO traveled to Iqaluit to deliver their comprehensive staff training session, including detailed guidance on refusal of service and challenging customers.

The Commission greatly values the safety of its customers and staff, ensuring staff are properly trained and are comfortable enforcing the rules of service is a key component of a successful implementation of a retail operation. Since its opening, there have been no major incidents or concerns at the store related to customer service or staff training.

Controlling Quantities

To support harm reduction, the Commission has implemented daily quantity limits for purchasing beer and wine. Customers are able to purchase a maximum of 12 beer and two bottles of wine each day at the Beer and Wine Store. There is no limit on beer and wine for orders placed through the liquor warehouse.

Measuring the Impacts of the Store

Before the opening of the Iqaluit Beer and Wine Store, the Department of Finance and the NULC met with representatives from a number of stakeholder groups, not only to seek their views and input on the store opening, but also to set up tracking systems for alcohol related incidents. This tracking would allow the Commission to determine the immediate community impact of the introduction of an alcohol retail store.

The Departments of Health, Family Services, and Justice, have been tracking alcohol related incidents that their front-line staff have dealt with since before the store opening. The Commission has also reached out to the City of Iqaluit to gauge their impression of the effects of the new store.

Department of Health

In February 2017, the Qikiqtani General Hospital (QGH) in Iqaluit began tracking whether or not emergency room visits were alcohol related. Starting the data collection in February 2017 allowed for a seven-month baseline to be set before the opening of the store. The information collected through this tracking did not indicate any significant rise or fall in alcohol related visits to the hospital. For example, please see below for a monthly summary of the percentage of visits that are alcohol related.

QGH Emergency Room visits that involved alcohol, 2017

Month	Percentage of Visits That Are Alcohol Related
January	0.0%
February	5.9%
March	6.2%
April	8.7%
May	6.9%
June	8.3%
July	8.0%
August	8.5%
Store opening, September 2017	
September	8.7%
October	8.7%
November	7.4%
December	8.5%
Annual	7.9%

Note: Data provided by the GN's Department of Health

Observations from staff at the hospital were consistent with the reported data. QGH hospital staff did not believe that the opening of the Beer and Wine Store contributed, in any significant way, to the number of hospital visits received. The QGH is willing to continue to collect this information, and has put together a working group related to alcohol to ensure the most accurate information is collected and used to inform decision making going forward.

Department of Family Services

The Department of Family Services deals with incidents of family violence through its front-line Community Social Services Workers (CSSWs). Beginning in April 2017, CSSWs in Iqaluit began tracking incidents of family violence that were alcohol related. The Department of Family Services found that in the 5-month period before the opening of the Beer and Wine Store the average percentage of alcohol related screens (or individuals impacted by family violence) was 75%. The Department also found that in the 6-month period following the opening of the store, the average percentage of alcohol related screens was 74%.

The Department of Family Services will continue to monitor these numbers, but early results indicate that the opening of the Beer and Wine store has not contributed to increased incidents of alcohol related family violence.

Department of Justice/RCMP

Since June 2016, Iqaluit RCMP have been monitoring statistics in relation to call volume, call volume where intoxication was present for complainant, for suspect, and for complainant and suspect for the period. Before the opening of the Beer and Wine Store, the percentage of calls involving alcohol range between 63% and 73%. In the 7-month period following the opening of the store, the percentage of calls range between 66% and 80%.

Based on these numbers, the RCMP have noted it does not appear that the store opening has had a significant impact on call volume.

City of Iqaluit

While services offered by the City of Iqaluit are not directly impacted by alcohol in the community, City of Iqaluit officials were asked to provide comment on the impact, if any, they have seen on the community since the opening of the store.

City officials provided anecdotal observations of an increase in public intoxication on city streets, with concentration in certain areas of town. Public consumption of alcohol, particularly beer; individuals have been seen walking on the streets with open cans of beer, and increased violence or levels of visual violence during daytime hours has also been the observation of city officials. City officials also commented that beer cans and wine bottle litter has increased, including an increase in broken glass from wine bottles being found in areas on the edges of the city limits, in particular.

The Liquor Commission recognizes that the opening of the Beer and Wine Store in Iqaluit is a significant change for a community, and one that has the potential for both negative and positive impacts. The Commission is encouraged by the statistics from the Departments of Health, Family Services, and RCMP that indicate no increase in alcohol related harm to the community.

The Commission acknowledges the concerns of some citizens and City of Iqaluit officials regarding increases in public intoxication, and will continue to work with stakeholders to monitor this issue, and find ways to address it, either through public education campaigns, or increased enforcement.

The as Beer and Wine Store enters its second year of implementation in 2018-19, the Commission will work to have even more robust statistics on its impacts in the community, so that this information can inform future decision making around the sale of alcohol in the territory. As the Beer and Wine Store is a project driven by the principles of harm reduction, the Commission will use the data collected to make changes to improve the store and its value as both a service and a tool to improve the overall well being of Nunavummiut.

Plebiscites

Baker Lake

In July 2017, the NULC received a petition from residents of Baker Lake requesting a plebiscite to become an unrestricted community. Officials from the NULC visited Baker Lake to host a public meeting about the potential implications of the plebiscite. Elections Nunavut conducted a plebiscite on January 22, 2018, which resulted in Baker Lake's status being changed from restricted to unrestricted.

Cambridge Bay and Rankin Inlet

Residents of Cambridge Bay and Rankin Inlet, with the support of their respective Hamlet Councils, asked the GN to look into opening beer and wine stores in their communities, similar to the one in Iqaluit. Plebiscites were held in both communities in May 2017. Results from both plebiscites were supportive of a store in the communities – 75% of Rankin Inlet voters were in favour of opening a store and 83% of Cambridge Bay voters were in favour of a store in their community.

The GN and the NULC will consider these results as we decide how to move forward with our efforts to reduce alcohol-related harm.

Conclusion

The NULC is in the middle of several changes, including the adjustment to operating a walk-in retail location. Early results from the pilot project of opening the Beer and Wine Store are positive, but the Commission is committed to continuously monitoring the impacts of liquor in the territory to address alcohol-related harm in the territory. Over the coming years, the NULC will continue supporting harm reduction initiatives to promote safer consumption of alcohol.

NUNAVUT LIQUOR COMMISSION

Rankin Inlet, NU

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

NUNAVUT LIQUOR COMMISSION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

INDEX

	Page
MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITORS' REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Debt	6
Consolidated Statement of Amount Due to the Government of Nunavut	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 17
Schedule of Income and Expenses:	
- Schedule 1 - Nunavut Liquor Commission	18
- Schedule 2 - Nunavut Liquor Enforcement and Inspections Division	19

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Nunavut Liquor Commission (NLC) is responsible for the integrity and objectivity of the consolidated financial statements and related note disclosures. The consolidated financial statements were prepared in accordance with Canadian Public Sector Accounting Standards and, consequently, include some amounts which are based on the best estimates and judgment of management.

In carrying out its responsibilities, management is responsible for the operation of financial systems and related internal controls to provide reasonable assurance that financial information presented by the management of NLC is reliable, assets are safeguarded, transactions are properly authorized, resources are managed efficiently and economically, and operations are carried out effectively in the attainment of corporate objectives, and that transactions are in accordance with the *Liquor Act* and the *Financial Administration Act* of Nunavut.

The external auditors, Lester Landau, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of NLC and meet when required.



Jeffrey Chown
Deputy Minister
Department of Finance



Trish Makpah
Director
Nunavut Liquor Management

July 16, 2018



INDEPENDENT AUDITORS' REPORT

To the Minister of Finance of the Government of Nunavut

We have audited the accompanying consolidated financial statements of the Nunavut Liquor Commission, which comprise the consolidated statement of financial position as at March 31, 2018 and March 31, 2017 and the consolidated statements of operations, changes in net financial debt, amount due to the Government of Nunavut, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Nunavut Liquor Commission as at March 31, 2018 and March 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with Canadian Public Sector Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of Nunavut we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

We further report in accordance with Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Liquor Act* of Nunavut and regulations, and the by-laws of the Nunavut Liquor Commission that, in our opinion, proper books of account have been kept by the Nunavut Liquor Commission, the consolidated financial statements are in agreement therewith and the transactions that have come under our notice have, in all significant respects, been within the statutory powers of the Nunavut Liquor Commission.

Iqaluit, Nunavut
July 16, 2018



Chartered Professional Accountants

NUNAVUT LIQUOR COMMISSION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31 2018	March 31 2017
Financial Assets		
Cash	\$ 6,750	\$ 750
GST and other receivables	130,380	27,398
Inventories (note 4)	2,457,350	1,572,814
	2,594,480	1,600,962
Liabilities		
Accounts payable and accrued liabilities	306,469	540,094
Employee future benefits (note 5)	212,190	194,716
Bottle deposit outstanding	16,912	22,755
Deferred revenue	513	4,084
Due to Government of Nunavut	4,085,429	1,162,417
	4,621,513	1,924,066
Net Financial Debt	(2,027,033)	(323,104)
Non-Financial Assets		
Prepaid expenses	11,981	38,057
Tangible capital assets (note 6)	2,015,052	285,047
	2,027,033	323,104
Accumulated Surplus	\$ -	\$ -

Commitments (note 8)



Trish Makpah
Director
Nunavut Liquor Management



Jeffrey Chown
Deputy Minister of Finance
Department of Finance

The accompanying notes and schedules are an integral part of these consolidated financial statements. 4

NUNAVUT LIQUOR COMMISSION

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31,	2018	2017
Sales	\$ 9,874,484	\$ 5,782,910
Cost of Sales	4,271,898	2,206,058
Gross Margin	5,602,586	3,576,852
Other Income		
Import permit fees and special occasion permits	555,627	712,894
Customer shipping charged	467,438	450,703
Licence fees	183,422	210,989
Restitution and other income	19,441	20,528
	6,828,514	4,971,966
Expenses		
Administration and operations (Schedule 1)	4,737,660	4,293,668
Enforcement and inspections (Schedule 2)	646,381	534,102
	5,384,041	4,827,770
Net Surplus	\$ 1,444,473	\$ 144,196

The accompanying notes and schedules are an integral part of these consolidated financial statements. 5

NUNAVUT LIQUOR COMMISSION

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT

For the year ended March 31,	2018	2017
Net surplus for the year	\$ 1,444,473	\$ 144,196
Amortization of tangible capital assets	142,502	42,600
Disposal (acquisition) of tangible capital assets	(1,872,508)	(94,075)
Prepaid expenses	26,077	(38,057)
Transfer of net surplus for the year to the Government of Nunavut	(1,444,473)	(144,196)
	(3,148,402)	(233,728)
Decrease (increase) in net financial debt	(1,703,929)	(89,532)
Net financial debt, beginning of year	(323,104)	(233,572)
Net financial debt, end of year	\$(2,027,033)	\$(323,104)

NUNAVUT LIQUOR COMMISSION

CONSOLIDATED STATEMENT OF AMOUNT DUE TO THE GOVERNMENT OF NUNAVUT

For the year ended March 31,	2018	2017
Balance, beginning of year	\$ 1,162,417	\$ 1,430,021
Net surplus for the year	1,444,473	144,196
Net transfer of funds from (to) the Government of Nunavut	1,478,539	(411,800)
	<u>\$ 4,085,429</u>	<u>\$ 1,162,417</u>

The accompanying notes and schedules are an integral part of these consolidated financial statements. 7

NUNAVUT LIQUOR COMMISSION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2018	2017
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 10,993,859	\$ 7,158,703
Cash paid to suppliers and employees	(10,593,890)	(6,652,828)
Cash transferred from (to) the Government of Nunavut (Net)	1,478,539	(411,800)
Cash Provided by Operating Activities	1,878,508	94,075
Purchase of property and equipment	(1,872,508)	(94,075)
Cash Used in Investing Activities	(1,872,508)	(94,075)
Net Increase / (Decrease) in Cash	6,000	-
Cash, beginning of year	750	750
Cash, end of year	\$ 6,750	\$ 750

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

1. Authority and Operations

The Nunavut Liquor Commission (NLC) - The Commission is established under Part II of the *Liquor Act (Nunavut)*.

The Commission is responsible for the operation of the liquor warehouses, the retail outlet and the purchase and sale of liquor in Nunavut through the Liquor Revolving Fund of the Government of Nunavut. The Commission is authorized by the Legislative Assembly to receive free working capital advances from time to time not exceeding \$6,500,000 to finance its operations. The NLC did not request any working capital advances for the 2017 - 2018 fiscal year. While some expenses are paid directly from the Liquor Revolving Fund, other expenses are paid by the Government of Nunavut through the Consolidated Revenue Fund and are reimbursed from the Liquor Revolving Fund.

The Nunavut Liquor Enforcement and Inspections Division is responsible for ensuring that all distribution of liquor products is authorized by liquor licences and special occasion liquor permits issued under the *Liquor Act (Nunavut)*.

The Commission, in addition to its regular responsibilities, manages, directs and provides financial services to, and on behalf of, the Nunavut Liquor Enforcement and Inspections Division. As such, the Commission controls the aforementioned group. As a result of this control, the Nunavut Liquor Enforcement and Inspections Division is consolidated into the Nunavut Liquor Commission in preparing these consolidated financial statements. In addition, there are no related party transactions, except with the Government of Nunavut.

The attached Schedules of Income and Expenses segregate the financial results of the operations of the Nunavut Liquor Commission and the Nunavut Liquor Enforcement and Inspections Division on a stand-alone basis.

2. Changes in Accounting Policies

During the year NLC changed its accounting policy on inventory costing from first in first out (FIFO) basis to a weighted average costing method on inventories. The adoption of the new method of costing inventories did not have a significant impact on the valuation of NLC's inventory. Therefore, no retroactive restatements were applied.

3. Significant Accounting Policies

- (a) Consolidated Financial Statements
NLC's consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.
- (b) Basis of Consolidation
The consolidated financial statements include the assets and liabilities and results of operations of the Nunavut Liquor Commission and the Nunavut Liquor Enforcement and Inspections Division, over which the Nunavut Liquor Commission exhibits control by managing and directing the Nunavut Liquor Enforcement and Inspections Division. All inter-entity balances and transactions, if any, were eliminated in determining the consolidated figures.

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

3. Significant Accounting Policies (continued)

(c) Measurement Uncertainty

The preparation of consolidated financial statements in accordance with Canadian Public Sector Accounting Standards requires the use of estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these consolidated financial statements, management believes the estimates and assumptions to be reasonable. Significant management estimates include the liability for bottle deposit outstanding, the provision for employee future benefits and the useful lives of equipment.

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of a small cash float that is maintained by NLC. All sales and other cash receipts of NLC are deposited to the Liquor Revolving Fund. While some expenses of NLC are paid directly from the Liquor Revolving Fund, other expenses are paid by the Government of Nunavut through the Consolidated Revenue Fund and are reimbursed from the Liquor Revolving Fund.

All sales and other cash receipts of the Nunavut Liquor Enforcement are deposited into the Government of Nunavut Consolidated Revenue Fund. All expenses of the Nunavut Liquor Enforcement are paid by the Government of Nunavut through the Consolidated Revenue Fund.

(e) Inventories

Inventories consist of alcohol products valued at the lower of cost or net realizable value calculated on a weighted average cost basis.

(f) Accounts Receivable

Accounts receivable are valued at the lower cost and net recoverable value. Valuation allowances, if necessary, are recorded based on all circumstances in existence at the statement of financial position date that are known at the date these consolidated financial statements are prepared.

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

3. Significant Accounting Policies (continued)

(g) Tangible Capital Assets

Tangible Capital Assets are initially recorded at cost, and are subsequently amortized to expense. Amortization expense is recognized on a consistent basis over the estimated useful life of the assets. In the year of purchase, amortization is applied at half the normal rate. The rates are as follows:

Computer hardware	30% declining balance
Computer software	100% declining balance
Furniture and equipment	20% declining balance
Leasehold improvements	straight line over the term of the lease up to 10 years
Vehicles	30% declining balance

(h) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are recorded as incurred. Annual, in lieu and optional leave, and severance liabilities have been included in accrued liabilities under employee future benefits.

(i) Bottle Deposit Liability

The bottle deposit liability is estimated based on the last three months of sales, to allow time for licensees and clients to return recyclables for refund.

(j) Deferred Revenue

Deferred revenue includes revenues received in advance of goods being provided or services being performed with stipulations that meet the definition of a liability per Section PS 3200. When stipulations are met, deferred revenue is recognized as revenue in the fiscal year in a manner consistent with the circumstances and evidence used to support the initial recognition of the revenue received as a liability.

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

3. Significant Accounting Policies (continued)

(k) Employee Future Benefits

Non-pension Benefits

Under the conditions of employment, eligible employees may earn non-pension benefits for severance, retirement and removal based on years of service. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employees render service and has been determined based on management's assumptions and best estimates. The NLC provides severance, retirement and removal benefits to eligible employees based on years of service, final salary and community of residence.

Pension Benefits

Eligible employees of the NLC participate in the Public Service Pension Plan administered by the Government of Canada. The employees and NLC contribute to the cost of the Plan. The NLC's contributions to the Plan reflect the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions and may change from time to time depending on the experience of the Plan. The NLC contributed at a rate of 1.01 times the employees contribution for the calendar year of 2018 (1.01 times for the calendar year of 2017). These contributions are charged to expenditures on a current year basis, and represent the total pension obligation of the NLC. NLC is not obligated under present legislation to make contributions to actuarial deficiencies of the Public Service Pension Plan.

(l) Revenue Recognition

Revenue from sales of liquor is recorded when the customer places their order, it has been paid in full and the products have been shipped.

Revenue from sales of import permit fees and special occasion permits is recorded when the customer places their order and it has been paid in full.

Revenue from licence fees are recognized on a straight-line basis over the term of the licence. Licences do not exceed one year.

(m) Expenses

Expenses are recorded on an accrual basis. While some expenses of NLC are paid directly from the Liquor Revolving Fund, other expenses are paid by the Government of Nunavut through the Consolidated Revenue Fund and are reimbursed from the Liquor Revolving Fund.

All expenses of the Nunavut Liquor Enforcement are paid by the Government of Nunavut through the Consolidated Revenue Fund without reimbursement.

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

3. Significant Accounting Policies (continued)

(n) Financial Instruments

The NLC initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The NLC subsequently measures all its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, employee future benefits, bottle deposit outstanding and amounts due to the Government of Nunavut.

(o) Due to the Government of Nunavut

The *Liquor Act (Nunavut)* requires the NLC to present the amount owing to the Government of Nunavut. This is calculated by summing the following amounts: The Balance owing at the end of the prior year, the Net Surplus for the year, less the net funds transferred to the Government of Nunavut during the year. The ending balance is normally carried forward to be funded from future year's Net Surplus.

This balance is a non-interest bearing liability.

4. Inventories

	March 31 2018	March 31 2017
Spirits	\$ 597,506	\$ 586,155
Wine	1,010,211	387,221
Beer	773,549	556,376
Coolers and ciders	76,084	43,062
	\$ 2,457,350	\$ 1,572,814

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

5. Employee Future Benefits

The Employee Future Benefits accrued by the NLC relate to annual leave benefits and severance benefits.

Non-pension Benefits

NLC provides non-pension benefits to its employees for severance and removal costs. As at March 31, 2018 severance and removal costs total \$122,059, (\$127,125 - 2017).

Pension Plan

NLC and all eligible employees contribute to the Public Service Pension Plan (PSPP). This pension plan provides benefits based on years of service and best five years average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:

		2018		2017
Employer's contributions	\$	143,408	\$	161,218
Employees' contributions	\$	145,793	\$	141,728

6. Tangible Capital Assets

			March 31 2018		March 31 2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Computer hardware	\$ 53,669	\$ 52,027	\$ 1,642	\$ 2,346	
Computer software	50,777	50,777	-	-	
Furniture and equipment	460,264	198,233	262,031	120,873	
Leasehold improvements	1,833,980	97,839	1,736,141	140,059	
Vehicles	36,587	21,349	15,238	21,769	
	\$ 2,435,277	\$ 420,225	\$ 2,015,052	\$ 285,047	

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

7. Expenses by Object	2018	2017
Salaries and benefits	\$ 2,576,711	\$ 2,252,918
Rent	540,660	540,660
Customer shipping paid	440,457	439,285
Social responsibility	349,653	574,326
Office	306,453	237,668
Contractor fees	219,592	147,090
Bottle deposits refund	185,778	178,778
Amortization	142,502	42,600
Repairs and maintenance	130,066	54,148
Bank charges and interest	125,728	116,311
Property taxes and utilities	114,256	77,021
Travel	90,511	85,879
AEC support	79,566	810
Professional fees	46,955	34,849
Plebiscites	28,353	32,168
Communication	6,800	13,259
	<hr/>	<hr/>
	\$ 5,384,041	\$ 4,827,770

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

8. Commitments

There was a two year lease effective April 1, 2016, and expired on March 31, 2018, for warehouse and office premises in Rankin Inlet. A request for proposal has been issued for the same or similar space requirements. An annual lease agreement effective April 1, 2017, expiring April 1, 2018, for the liquor warehouse in Iqaluit valued at \$120,000 per year has expired and is currently being negotiated. Additional warehouse space was leased as of October 1, 2014 for a term of five years expiring September 30, 2019 valued at \$161,058 per year. The minimum annual lease payments are as follows:

Fiscal year ending March 31	Total
2019	\$ 161,058
2020	80,528
	<u>\$ 241,586</u>

9. Related Party Transactions

The NLC is related in terms of common ownership to all of the Government of Nunavut created departments, agencies and Crown corporations. The NLC enters into transactions with these entities in the normal course of business at normal trade terms. All sums collected by the NLC are deposited directly into a Government bank account, and the Government of Nunavut pays for all of the expenses of the NLC. Expenses include the following services provided by the Government of Nunavut at cost and Qulliq Energy Corporation at normal trade terms, during the normal course of business:

	2018	2017
Government of Nunavut:		
Communications	\$ 4,784	\$ 11,400
Office	84,056	79,527
Rent (note 8)	281,058	281,058
Repairs and maintenance	74,798	51,236
Property taxes	38,070	34,719
Purchase of property and equipment	1,688,804	94,075
Sealift	-	37,066
Qulliq Energy Corporation		
Utilities (electricity)	27,212	15,424
	<u>\$ 2,198,782</u>	<u>\$ 604,505</u>

NUNAVUT LIQUOR COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

10. Capital Management

NLC's capital is cash, it has no Contributed Equity. NLC is authorized by the Legislative Assembly to receive free working capital advances from time to time not exceeding \$6,500,000 to finance its operations. The NLC did not request any working capital advance for the 2017-18 fiscal year.

All revenues collected by the NLC are deposited into a bank account controlled by the Government of Nunavut. As the Government of Nunavut controls all cash deposited by the NLC, the Government of Nunavut pays for all the expenses of the NLC.

11. Financial Instruments and Risk Management

Credit Risk - Credit risk refers to the potential that a customer or counter party to a financial instrument will fail to discharge its contractual obligations, and arises principally from the NLC's receivables from customers. NLC has minimum exposure to credit risk from customers as collection is made prior to sales. Where necessary, the NLC performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectibility of its trade and other accounts receivable in order to mitigate any possible credit losses.

Interest Rate Risk - Interest rate risk is the risk that the fair values of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The NLC is not exposed to interest rate risk because the NLC has no investments or debt.

Liquidity Risk - Liquidity risk is the risk that the NLC will not be able to meet its financial obligations as they fall due. The NLC is not exposed to liquidity risk, although some expenses of NLC are paid directly from the Liquor Revolving Fund, others are paid directly by the Government of Nunavut through the Consolidated Revenue Fund and reimbursed from the Liquor Revolving Fund.

Foreign Currency Risk - The NLC is not exposed to risk arising from fluctuation in foreign exchange rates since it enters into sales and purchase transactions denominated in Canadian currency.

Unless otherwise noted, it is management's opinion that NLC is not exposed to other significant interest, currency or credit risks arising from these financial instruments.

12. Comparative Figures

Certain figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

NUNAVUT LIQUOR COMMISSION

SCHEDULE 1 - NUNAVUT LIQUOR COMMISSION

For the year ended March 31,	2018	2017
Sales	\$ 9,874,484	\$ 5,782,910
Cost of Sales	4,271,898	2,206,058
Gross Margin	5,602,586	3,576,852
Other Income		
Customer shipping charged	467,438	450,703
Other income	4,416	10,528
	6,074,440	4,038,083
Expenses		
Salaries and benefits	2,282,098	1,952,502
Rent	540,660	540,660
Customer shipping paid	440,457	439,285
Social responsibility	349,653	574,326
Office	296,026	201,646
Bottle deposits refund	185,778	178,778
Amortization	142,502	42,600
Repairs and maintenance	130,066	54,148
Bank charges and interest	115,557	101,511
Property taxes and utilities	114,256	77,021
Travel	58,499	51,555
Professional fees	46,955	34,849
Plebiscites	28,353	32,168
Communication	6,800	12,619
	4,737,660	4,293,668
Revenue in Excess (Deficit) of Expenses	\$ 1,336,780	\$ (255,585)

NUNAVUT LIQUOR COMMISSION

SCHEDULE 2 - NUNAVUT LIQUOR ENFORCEMENT AND INSPECTIONS DIVISION

For the year ended March 31,	2018	2017
Income		
Import permit fees and special occasion permits	\$ 555,627	\$ 712,894
Licence fees	183,422	210,989
Restitution and other income	15,025	10,000
	754,074	933,883
Expenses		
Salaries and benefits	294,613	300,416
Contractor fees	219,592	147,090
AEC support	79,566	810
Travel	32,012	34,324
Office	10,427	36,022
Bank charges and interest	10,171	14,800
Communication	-	640
	646,381	534,102
Revenue in Excess of Expenses	\$ 107,693	\$ 399,781