

About This Document

As a public agency of the Government of Nunavut, the Nunavut Liquor and Cannabis Commission (NULC) prepares an annual report for the fiscal year ending March 31, and submits it to the Minister in accordance with the Liquor Act and the Financial Administration Act. The Minister tables this report at the next session of the Legislative Assembly, usually in October. Some information may change during the intervening period. If you have questions about the data we use, please contact us at info@nulc.ca.

A copy of this report is available in each of Nunavut's official languages through our website: www.nulc.ca

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Aadjiliuqhimajumik haffuminga unniudjunmik hailijuaq tamainni Nunavutim ilitarijahimayut uqauhiit talvuuna qaritaujak-kuurutaani: www.nulc.ca

Une copie de ce rapport dans chacune des langues officielles du Nunavut est à disposition sur notre site Web : www.nulc.ca.

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2018-19 Highlights

\$15.69 M

Total Liquor Sales

\$4.5 M

Profits returned to the Government of Nunavut

67%

Iqaluit store's share of total sales

86%

By volume, beer's share of store sales

17/10/2018

NULC offers cannabis sales through online agents

6,613

Grams of cannabis sold online

787

Respondents to the Iqaluit Store survey

11%

Relative to profits, what the NULC spent on social responsibility campaigns

1 million

Litres of beer and wine sold through the Iqaluit store in 2018-19 (almost)

79%

Inuit employment within the NULC on March 31, 2019

NULC.ca

Our new website



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Nunavut Taangat Higaarluktuniklu
Alcools et Cannabis Nunavut
Nunavut Liquor and Cannabis

Our new logo

Message from the Director



I am pleased to present the Nunavut Liquor and Cannabis Commission's (NULC) annual report, including audited financial results, for 2018-19.

I took on the role of Director in August 2018, an exciting and busy time for the Commission. Building on the successes of the team and my predecessor, Trisha Makpah, the NULC has gone through many changes in the past year.

Significantly, the Government of Canada legalized recreational cannabis in October 2018. In preparation, the Government of Nunavut (GN) passed the new *Cannabis Act* in June 2018, creating the legal foundation for recreational cannabis use and sales in Nunavut. As part of this, our name changed to the Nunavut Liquor and Cannabis Commission.

To ensure cannabis was legally available for purchase across Nunavut, the GN and NULC focused first on setting up online sales. Nunavummiut who are 19 and older have been able to buy cannabis directly from agents of the NULC since the first day of legalization.

The NULC first partnered with Canopy Growth, one of the world's largest cannabis retailers. In February 2019, the NULC added Vertical Cannabis, although they did not begin selling cannabis in Nunavut until April. As of spring 2019, Nunavummiut can access dozens of different products through these retailers.

Nunavut's relatively small market and added language requirements have added to the challenges of attracting agents to sell in Nunavut. Canada's cannabis industry is growing and changing rapidly, and many firms have chosen to partner with larger provinces before they expand to Nunavut. The NULC will continue to work to attract new agents and, in so doing, expand the selection and products legally available to consumers.

2018-19 was the first full fiscal year for our retail store in Iqaluit, which opened in September 2017. It is a busy place. Over the year our staff rang through about 200,000 separate sales transactions and sold just under 1 million litres of product generating just over \$10.5 million in sales.

Sales statistics aside, the core intent of the store is to make

it easier to access lower-alcohol products so that consumers can choose to shift choices away from higher-alcohol spirits. As part of this pilot project, we continue to work with the GN and other partners to monitor the store's impacts on the community. For example, the GN Dept. of Health monitors alcohol-related emergency room visits, and the RCMP monitors impacts on service calls. In Fall 2018, we ran a survey to check-in with Iqaluit residents.

In September 2018, as part of listening to customers, we began allowing customers to better "mix and match" their preferences for wine and beer within the existing daily limit. In January 2019, we began selling a wider range of lower-alcohol products like ciders, coolers and ready-to-drink beverages.

As another change in 2018-19, Iqaluit welcomed Nunavut's first brewery. The Nunavut Brewing Company ("NuBrew") began selling in September 2018 with locally-inspired product names like Frob Gold, Floe Edge, and Aupaqtuq Arctic Red. To support this new local industry—and to recognize the higher costs they face as a small, northern brewer — the NULC changed our pricing scheme so we charge less on NuBrew products, saving customers as much as \$0.76 per can.

We are growing quickly as an organization. On March 31, 2019, the NULC had 24 active employees. Of these, 19 were Nunavut Inuit. We continue to take steps to staff up.

Financially, I am pleased to report the NULC transferred \$4.5 million in profits to the GN - up 235% from 2017-18. In this way the NULC supports public service delivery across the territory. While public profits are important, we want to make them on the basis of responsible sales, and take our role as a responsible retailer seriously. To this end, we spent \$514,000 on a range of education materials and community visits as part of our Ujjiisuqta / Let's Be Aware campaign.

The following report describes the NULC's 2018-19 year in detail.

I would like to thank the NULC staff for their efforts and hard work as we work to improve our operations towards better serving Nunavummiut as a responsible distributor of liquor and cannabis.

Dan Young
Director, NULC
June 2019

About the NULC

Our authorities

Established by Section 56 of Nunavut's *Liquor Act*, the Nunavut Liquor and Cannabis Commission (NULC, the Commission) is responsible for purchasing, selling, classifying and distributing alcoholic beverages in Nunavut.

In October 2018, following passage of the *Cannabis Act* in June 2018, the role of the Commission expanded to include the sale of recreational cannabis.

The Commission administers Part II of the *Liquor Act* and, as a public agency of the Government of Nunavut (GN), is subject to budget and reporting requirements of the *Financial Administration Act*. The Commission funds its operations from sales revenues using a revolving fund, and so also follows the requirements of the *Revolving Funds Act*.

The NULC is accountable to the Minister of Finance, and reports to the Minister through the GN's Department of Finance.

Our activities

The NULC sells products through four distinct sales channels.

- The NULC acts as wholesaler for Nunavut's licensed liquor establishments (hotels, bars, restaurants, etc.).
- The NULC ships liquor products to retail customers across Nunavut from warehouses in Iqaluit and Rankin Inlet.
- The NULC sells lower-alcohol products (beer, wine, ciders and coolers) through a retail store in Iqaluit. This store is currently a pilot project.
- Since October 2018 the NULC has contracted third-party companies to sell cannabis across exclusively through e-commerce portals.

The NULC also actively supports programs and campaigns to educate Nunavummiut about alcohol, with the goal of helping individuals make healthier choices related to the products we sell.

Our locations

The NULC operates from an office and distribution warehouse in Rankin Inlet, and from a retail store and warehouses in Iqaluit.

Our funding

The NULC funds its operations using a special revolving fund, separate from the rest of the GN. The *Revolving Funds Act* and *Liquor Act* set out rules that govern this fund.

The NULC deposits all revenues it earns into the revolving fund, and uses these to pay for its operations expenses. Examples include employee compensation (salaries, pension and benefits, employer costs, northern allowances, etc.), facility space, vehicles, other overhead (office supplies, travel, contract services, etc.), social responsibility and education campaigns and, most significantly, purchasing more products to sell.

The NULC is expected to generate a profit for the public. At the end of each fiscal year the NULC transfers its profits to the GN's consolidated revenue fund. The GN allocates this money to departments through its usual budget process. In this way, NULC profits contribute to public services and program delivery across the territory.

The NULC's financial statements are independently audited each year, presented to the Minister of Finance in the summer, and tabled in the Legislative Assembly each fall. The NULC's 2018-19 financial statements and audit results are included at the end of this report.

Our structure

The NULC is a public agency, distinct from the GN and its departments. As the NULC is relatively small, however, it has traditionally operated with the administrative support of the Department of Finance.



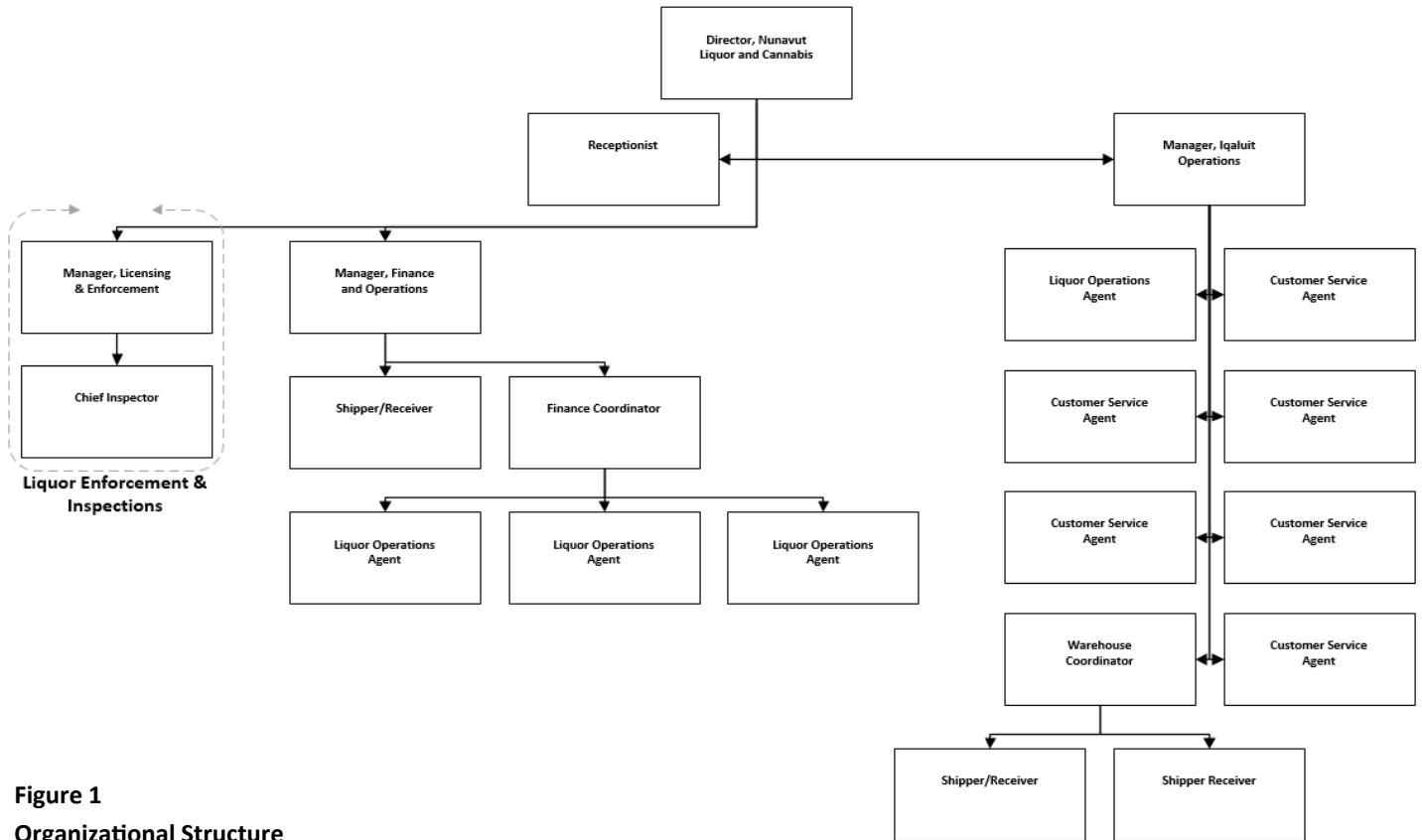


Figure 1
Organizational Structure

This is similar to how other small public agencies in Nunavut operate (e.g. Nunavut Business and Credit Corporation through the Department of Economic Development and Transportation; the Legal Services Board through the Department of Justice, etc.).

In 2018-19, the NULC had 24 approved full-time positions to support its liquor and cannabis activities (Fig 1). Of these, 22 were part of the NULC itself, and funded entirely by sales revenues. Three of the NULC’s positions were inactive on March 31. Two employees—the Liquor Enforcement and Inspections team—are distinct from the core Commission because they support the GN’s regulatory, enforcement and policy work rather than the NULC’s retail focus. The Department of Finance funds the Liquor Enforcement and Inspections section through its annually appropriated departmental budget.

Together, employees from both Liquor Enforcement and Inspections and the NULC have been known as Nunavut Liquor Management, and report to the Director. The NULC’s Director is accountable to the Minister, and reports through the Department of Finance’s Assistant Deputy Minister.

Inuit Employment

The NULC is committed to increasing Inuit employment. As of March 31, 2019, the NULC’s team included 19 Nunavut Inuit, 79% of the Commission’s 24 active employees at year end (including casual and relief employees). Two of the NULC’s four management staff are Inuit. As of March 31, the NULC had four competitions underway to staff existing positions. The NULC and will continue to actively recruit Inuit onto our team.

Interested in working for the
NULC?
Visit www.gov.nu.ca/public-jobs

Liquor Sales and Results

Table 1
Sales Revenues (all sources)—Past Three Years

In total, the NULC collected revenues of \$16.1 million in 2018-19. This includes sales of liquor and cannabis and various other fees.

Year	Sales Revenue	% Growth
2018-19	\$16,145,093	63.5%
2017-18	\$9,874,484	70.7%
2016-17	\$5,782,910	-3.7%
2015-16	\$6,005,514	2.2%
2014-15	\$5,874,227	

Figure 2
Liquor Revenues by Product Category 2018-19

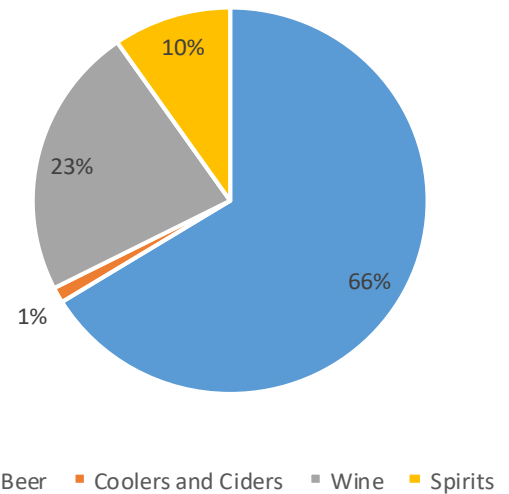


Figure 3
Liquor Revenues by Sales Channel 2018-19

The Iqaluit Store generated two-thirds (67%) of NULC sales revenues in 2018. Sales to licensees accounted for nearly 22% of sales by value. Sales to communities (including sales of spirits to Iqaluit) made up the rest.

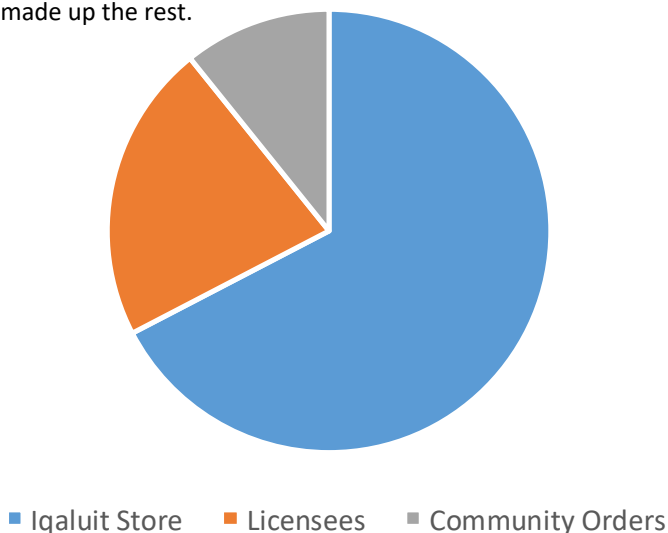
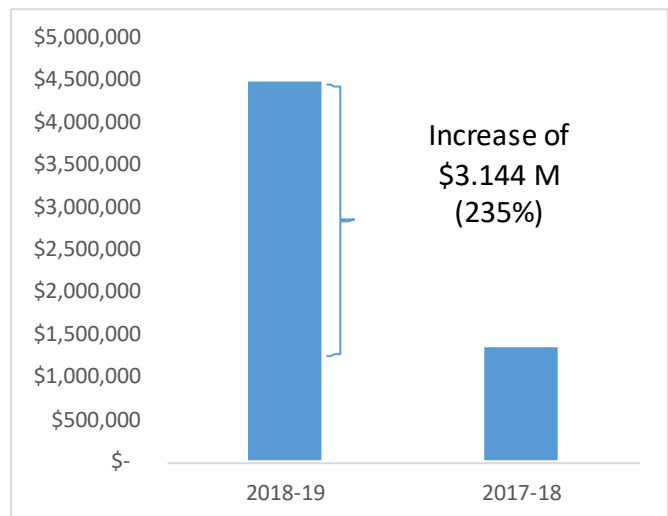


Figure 4
Net Profits transferred to the GN 2018-19

At the end of each year, the NULC transfers its profits to the GN to support the Government's programs and services.



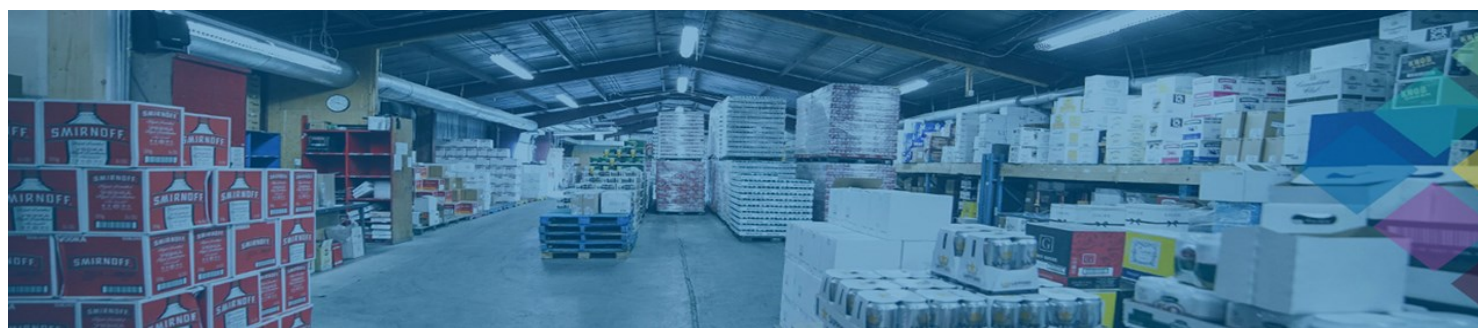


Table 2
Total Sales by Detailed Product Category and Sales Channel
 2018-19

'000s/\$'000s	Iqaluit Store		Sales to Licensees		Community Orders		Total	
	L	\$	L	\$	L	\$	L	\$
BEER	856.6	7,321.3	305.0	2,617.5	52.1	453.5	1,213.6	10,392.3
Domestic	803.3	6,809.1	284.5	2,419.6	50.2	432.9	1,138.0	9,661.6
Imported	41.7	423.4	14.9	152.6	1.7	19.8	58.4	595.7
Local	11.5	88.8	5.6	45.4	0.1	0.8	17.3	135.0
COOLERS + CIDERS	10.9	108.5	6.5	68.0	2.8	27.9	20.2	204.5
WINE	131.8	3,142.0	13.6	290.6	7.9	142.2	153.2	3,574.9
Other—Domestic	6.4	162.3	0.1	3.6	0.4	7.6	7.0	173.4
Other—Import	6.0	166.9	0.2	6.1	0.1	3.1	6.3	176.0
Red—Domestic	14.2	355.4	1.3	25.5	3.9	70.9	19.4	451.8
Red—Import	57.4	1,269.6	5.6	108.1	0.8	12.3	63.7	1,390.1
White—Domestic	10.1	244.9	2.3	51.2	2.3	41.2	14.7	337.3
White—Import	37.8	943.0	4.0	96.2	0.3	7.2	42.1	1,046.3
SPIRITS	-	-	10.3	453.1	25.4	1,067.7	35.7	1,520.8
Bourbon	-	-	0.1	4.2	0.0	0.6	0.1	4.8
Cognac/Brandy	-	-	0.0	0.9	0.0	1.9	0.1	2.8
Gin	-	-	0.4	17.5	0.1	4.8	0.6	22.4
Liquers	-	-	2.4	103.7	0.6	25.4	3.0	129.1
Rum	-	-	2.8	121.1	4.2	175.8	7.0	296.9
Tequila	-	-	0.7	32.3	0.1	6.6	0.8	38.9
Vodka	-	-	2.0	88.0	9.2	380.3	11.2	468.4
Whiskey	-	-	1.8	85.3	11.1	472.4	12.9	557.6
TOTAL	999.3	10,571.8	335.4	3,429.2	88.0	1,691.3	1,422.7	15,692.4

Notes:

"Other" wines include roses, sparkling, champagnes, vermouths, ports and sherries

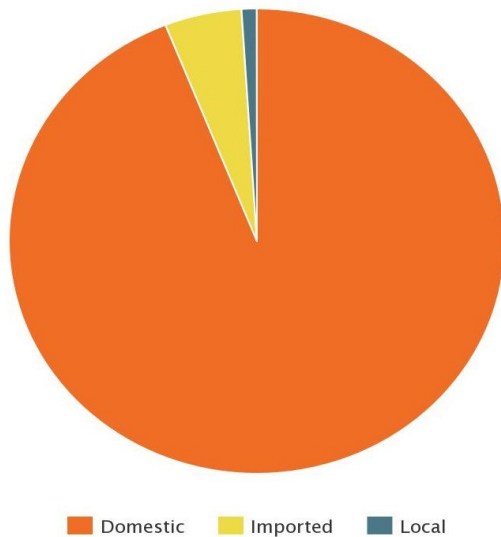
Totals may not add properly due to rounding

Beer

The NULC sold \$10.39 million in beer products last year.

Domestic beer (brewed elsewhere in Canada) is by far the NULC’s most popular category. In 2018-19, domestic beer alone generated 94% beer of sales while international imports and Nunavut-brewed beer accounted for 5% and 1%, respectively. Further, Nunavummiut show a clear brand preference: 35% of all beer that the NULC sold last year was Budweiser, followed by Molson Canadian and Molson Dry (each at 15%).

Figure 5
Beer Sales by Category
2018-19



Supporting Local Industry

In line with the continued growth of small brewing in Canada, Nunavut welcomed its first brewery last year.

The Nunavut Brewing Company (“NuBrew”) opened to patrons and began selling through the NULC in September 2018. With product names like Frob Gold, Floe Edge, and Aupaqtuq Red, their Iqaluit roots are clear.

To support this new local industry—and to acknowledge the higher costs they face as a small, northern brewer—the NULC changed its pricing scheme in 2018 so that customers are charged less for NuBrew products. By reducing general mark-ups on small breweries and by recognizing the local advantage of delivering directly to the warehouse, the NULC charges mark-ups and fees of \$1.60 / litre less on NuBrew beer than on other beer (about \$18.16 less per 24 pack). This helps the brewery take home more from their sales. More information about how the NULC prices its products can be found on page 7.

In addition to the NULC’s pricing support, the GN has contributed funding to NuBrew through its *Strategic Investments Program*, an initiative to help local businesses and other organizations with start-up or expansion costs. For more information about this program, contact the GN’s Department of Economic Development and Transportation.

Table 3
Top 5 Beer Products—Iqaluit Store
2018-19; \$000

Product	Quantity Sold	% of Total
Budweiser	1,122,742	35%
Molson Dry	489,344	15%
Molson Canadian	489,117	15%
Alexander Keith’s	220,253	7%
Labatt Blue	119,535	4%



Spirits

The NULC does not sell spirits through its Iqaluit Store, which is focused on lower-alcohol products. Instead, Nunavummiut may only purchase spirits for consumption in licensed establishments (bars and restaurants) and by ordering through the NULC (community orders). Most spirits consumed in Nunavut are imported directly from other jurisdictions.

In 2018-19 spirits accounted for 10% of the Commission’s total sales—3% of total licensee purchases and 29% of community orders. Of those, the most popular products were: rum, liqueurs, vodka and whiskey. Whiskey made up for nearly 37% of all spirit sales in 2018-19, followed by vodka (31%), rum (20%), and liqueurs (8%). The NULC sold smaller amounts of tequila, gin, cognac, brandy, and bourbon.

Wine

While Nunavummiut prefer Canadian-brewed beer, Canadian wines only account for 27.7% of wines sold, by volume, slightly behind Australian wines (28.2%). American wine accounts for 21.1% and the remaining share is split between four other regions.

Standard Drinks

Overall, the total number of standard drinks sold by the Commission is up 10% from last year. This is estimated by adding together the products sold directly by the NULC and the volume of alcohol imported with an import permit and dividing the total by the size of a standard drink (1.5 ounces of spirits, 12 ounces of beer/cider/coolers, and 5 ounces of wine) as defined by the Canadian Centre on Substance Abuse.

Ciders and Coolers

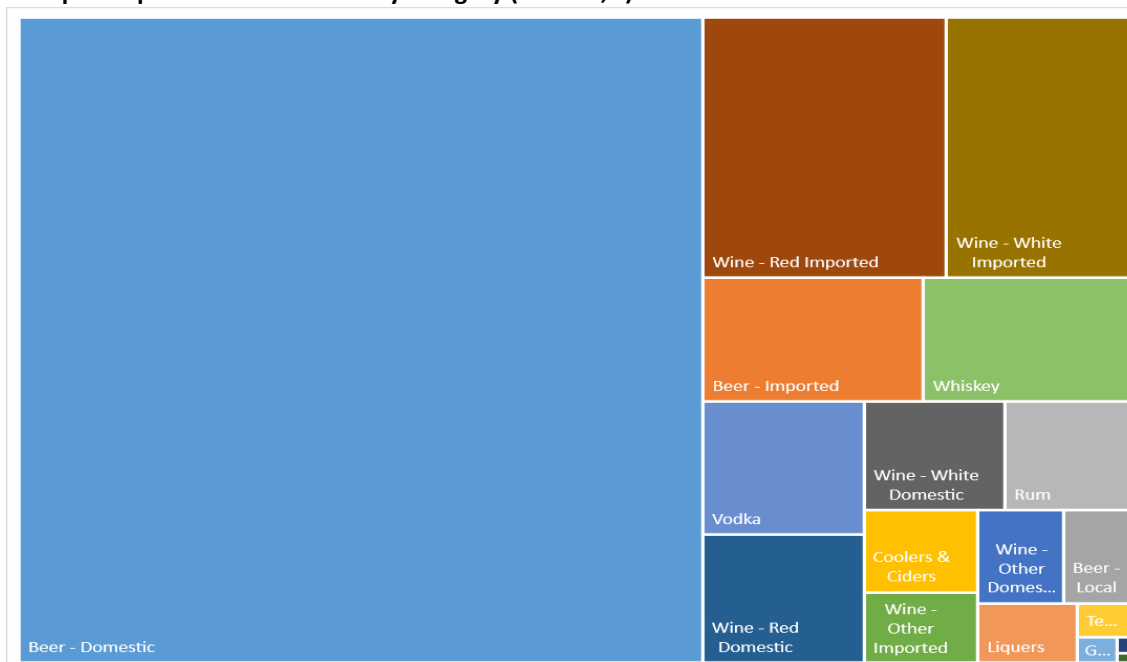
Ciders and coolers account for 1.4% of total liters sold, both in store and through licensed orders. Beer remains the clear consumer preference. However, as a way to provide customers with other lower-alcohol products—further alternatives to spirits, and other opportunities to help individuals change their behavior towards drinking—the NULC began offering ciders and coolers through its Iqaluit store near the end of 2018-19. This category will likely grow in future years.

Other Revenues

In addition to revenue from liquor sales, the Commission collects small amounts of revenue for bottle deposits, boxes, bags, and the sale of cannabis.

The NULC collected about \$250K in other revenues in 2018-19.

Figure 6
Graphic representation of sales by category (volume, L)



Of interest:
According to Beer Canada, there were 995 brewing facilities in Canada in 2018, up nearly 22% from the year before. Most of these are small, local operations, with 93% producing less than 15,000 hectoliters (hL) a year.

NULC Pricing

Of interest: How do we price our products?

The NULC sets the retail price of its liquor products in a fair and open manner by adding a standard set of mark-ups, fees and taxes to the landed cost. The mark-up structure, which is approved by the GN's Financial Management Board, creates the retail margin the NULC uses to pay staff, support responsible messaging campaigns, cover all other overhead costs, and generate a public profit for Nunavummiut. Mark-ups differ based on liquor category (e.g. beer, wine, and spirits) as well as by strength (alcohol by volume). In some cases, mark-ups may differ by container volume (e.g. kegs vs. bottles / cans).

The NULC provides small brewer support by reducing mark-ups placed on products produced by brewers under certain volume thresholds. Locally produced products delivered directly to our warehouse avoid further warehouse fees, trucking fees, and shipping costs.

Table 4
NULC Pricing

Mark-up and Fee Structure (\$ / L)			
	+ Mark-up	+ WH*	= Total
Beer			
<= 7%	2.40	1.00	3.40
> 7%	2.60	1.00	3.60
Small brewer (first 1,500 hL)	1.80	1.00	2.80
Small brewer (1,501-10,000 hL)	2.16	1.00	3.16
Small brewer (next 5,000 hL)	2.28	1.00	3.28
Draught (containers above 18 L in capacity)*	1.00	1.00	2.00
*Each additional container	0.56	1.00	1.56
Draught (containers below 18 L in Capacity)	1.80	1.00	2.80
Coolers			
<= 7%	3.00	1.00	4.00
> 7%	3.27	1.00	4.27
Spirits			
<= 30%	24.00	1.00	25.00
> 30%	28.00	1.00	29.00
Wine			
<= 16%	9.00	1.00	10.00
> 16%	11.00	1.00	12.00

*NULC only applies the warehouse cost-of-service fee (WH) on products that make significant use of our warehouse facilities.

Recreational Cannabis

The Government of Canada Legalizes Recreational Cannabis

The Government of Canada legalized recreational cannabis in October 2018. In preparation, the GN passed the new *Cannabis Act* in June 2018, creating the legal foundation for recreational cannabis use and sales in Nunavut. The *Cannabis Act* updated the Nunavut Liquor Commission's name to the Nunavut Liquor and Cannabis Commission and tasked it with the responsible sale of cannabis in the territory.

To ensure cannabis was legally available for purchase across Nunavut, the GN and NULC focused first on setting up online sales. Nunavummiut who are 19 and older have been able to buy cannabis directly from agents of the NULC since the first day of legalization.

As of spring 2019, Nunavummiut can purchase dozens of different products through the NULC's agents, ranging from dried flower to cannabis oils, sprays and capsules.

Cannabis Sales

Nunavut currently sells cannabis online only through two Agents of the Commission – Canopy Growth Corporation (selling through www.tweed.com) and AgMedica Bioscience Inc. (selling through www.verticalcannabis.ca). Although AgMedica became an Agent of the NULC in 2018-19, they did not begin selling cannabis in Nunavut until April 2019.

The NULC's Agents are responsible for e-commerce, including delivery of cannabis to Nunavummiut. For each gram of dried cannabis (or equivalent) sold by our Agents in Nunavut in 2018-19, the NULC earned a mark-up of \$4.00. Cannabis sales have been far lower than originally anticipated for the five and a half months' worth of sales in 2018-19, totaling 6.6 kilograms (6,613 grams), an average just over 1.2 kilograms (1,200 grams) per month. On these sales, the NULC earned about \$27,000 in mark-ups.

The NULC continues to pursue additional agents to sell cannabis in Nunavut and provide a wider selection to those who choose to consume cannabis. With persistent supply challenges across the country, it has been a challenge to attract agents to dedicate their resources in Nunavut's relatively small market. These challenges were amplified by Nunavut's online-only model which required agents to have their own sales portal, and by Nunavut's language laws.

Our Future with Cannabis

The GN, through its Department of Finance, is responsible for regulating privately-owned retail sales in Nunavut, and is in the process of developing the framework and corresponding regulations. The NULC could play different roles in this retail ("dispensary") regime depending on government decisions.

Even when retail stores are up and running in Nunavut, the NULC plans to continue with our current online model to ensure that all Nunavummiut of legal age have access to legally sourced cannabis.



Responsible Retailing

The NULC takes its role as Nunavut’s responsible retailer of alcohol and cannabis seriously. The NULC is committed to retailing these products in a way that is accessible to those who choose to consume them and meets customer demands, while taking steps to reduce alcohol- or cannabis- related harm.

As part of our efforts to retail in a responsible way, the NULC is working with the Department of Finance to implement recommendations from the Liquor Act Review Task Force’s "Halting the Harm" report and the GN’s “Alcohol Harm Reduction Action Plan.” The NULC also keeps abreast of other research and recommendations, such as those within the “Strategies to Reduce Alcohol-Related Harms and Costs in Canada” report produced by the University of Victoria’s Canadian Institute for Substance Use Research and the Centre for Addiction and Mental Health (CAMH).

Overall, while this report identified many areas for improvement across Canada, Nunavut scored above average in the review of all provincial and territorial liquor policies, thanks to many changes that the NULC has already implemented. The NULC has implemented further changes since the period considered in the report.

Our Let’s Be Aware/Ujjiqsuqta campaign remains active in promoting socially responsible messaging. With the addition of cannabis sales in 2018-19, the NULC increased the cap on the amount of money available to educate Nunavummiut about ways they can consume our products responsibly if they choose to do so. Activities for the NULC’s awareness campaigns are detailed later in the report.

Nunavut’s Restriction System

In Nunavut, each of our 25 communities can choose whether to allow, restrict or prohibit liquor in their municipality. Community members make this choice by voting in plebiscites. The three liquor systems currently used in Nunavut are prohibited, restricted or unrestricted.

NULC supports this system of local control by respecting each community’s choice. The Commission will not ship liquor to pro-

hibited communities, and will only ship liquor to individuals in restricted communities if they meet their local requirements, which usually involve having a local Alcohol Education Committee (AEC) approve individual orders.

Plebiscites

Individuals in communities can ask the Minister of Finance to hold a plebiscite to change the liquor system in their community. With a supermajority of 60% or more, a system can be changed. Three communities held plebiscites in 2018-19: Kugluktuk, Sanikiluaq, and Kugaaruk.

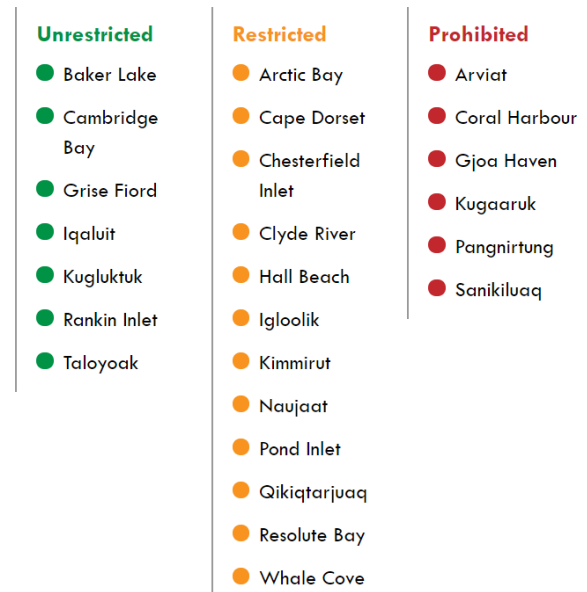
Import Permits

Anyone who wishes to import liquor (above set personal importation limits) into Nunavut must purchase a liquor import permit from the NULC or one of its partners. Permit fees are based on the type and quantity of alcohol being imported.

The NULC sells permits on behalf of the GN, and transfers all revenue directly to the GN. Unlike sales of liquor and cannabis, money collected through permit sales does not support the operations of the NULC. In 2018-19, the NULC collected \$437,000 in permit fees for the GN, \$119,000 less than the previous year.

The NULC currently sells liquor permits through four locations – the Iqaluit Store, the NULC’s Rankin Inlet office, the regional Department of Finance office in Cambridge Bay, and through a contract with the Hamlet of Kugluktuk.

Figure 7
Nunavut Communities by Chosen Liquor System



Beer and Wine Store Pilot Project

Rooted in harm-reduction

The NULC opened the territory's first alcohol retail store on September 6, 2017 as a pilot project based on recommendations from the 2012 Minister's Liquor Act Review Task Force report. The aims of the store were to reduce alcohol-related harms by promoting low-alcohol content beverages as the drink of choice in the territory, rather than high-alcohol content spirits (ie. 'hard liquor'), and to disrupt the business of bootleggers.

In the second year of the store, the NULC changed some store operations to improve the service that we provide to the public. The two most noteworthy changes were to daily purchase limits and the expansion of product offerings to other low-alcohol beverages (less than 8% a.b.v.) beyond beer and wine.

Changing the daily limits

For the first year of the store, individuals were allowed to purchase up to 12 bottles/cans of beer and two bottles of wine each day. In September 2018, the NULC made changes to allow for flexibility within those limits – allowing individuals to 'swap' beer and wine at a six beer to one bottle of wine ratio. The new daily limits at the store are: 24 beer or 4 bottles of wine, or some combination (eg. 18 beer and one bottle of wine, or 12 beer and two bottles of wine, or six beer and three bottles of wine). In this way, the GN and NULC are maintaining a limit on the amount of alcohol that can be purchased.

Expanding selection to other lower-alcohol products

In February 2019 the Store began to sell coolers and cider in addition to beer and wine. This supports the original goals of the store – providing lower-alcohol alternatives to free-pour hard alcohol – while allowing Nunavummiut a wider selection of products to choose from. It does not appear that changing the product limits or offering a wider selection has had a discernable impact. However, staff at the store have reported that they are not as busy because customers are not having to come back as often (increased customer convenience) and lower labour costs, as there is less need to repack 24 packs of beer into smaller units. The NULC also began to sell European products in 2018-19 after the GN decided to rescind a nine year old policy to not purchase or sell any products from the European Union.

Changing sales patterns

The store has shifted the alcohol consumption patterns in Nunavut. Results—in particular lower spirits imports—suggest the store has helped shift overall consumption away from spirits towards low-alcohol alternatives. In 2015-16, spirits made up 27% of revenues of the NULC. In 2018-19, spirits accounted for only 10% of the Commission's revenues. The NULC will continue to monitor these trends.



Community Impacts

As part of the pilot project, the GN committed to monitoring impacts on the community that have resulted from the opening of the store. To monitor impacts, the NULC and the Department of Finance formed the Beer and Wine Store Monitoring Working Group to collect data and invited members from the RCMP, the City of Iqaluit, Nunavut Housing Corporation, the Departments of Justice, Family Services, Health, Education, and the Iqaluit Housing Authority to participate.

RCMP

The RCMP tracks the frequency of calls that they receive in Iqaluit which involve alcohol. They reported to the NULC that, by the end of March 2019, there had been a marginal rise in alcohol-related police files since 2017 but that the increase does not reflect a significant change. The RCMP has also reported that there has been no change in the rates of intoxicated youth.

Health

The Department of Health tracks the number of emergency room visits at the Qikiqtani General Hospital (QGH) where alcohol is a contributing factor. While visits go up and down monthly, their data shows no significant change in the percentage of visits involving alcohol since the store has opened. The staff at QGH have also noted that the changes to daily limits in Fall 2018 and the introduction of coolers and cider in early 2019 did not impact the number of visits.

City of Iqaluit

The City of Iqaluit's recreation staff have front-line contact with Iqaluit youth through their programs and through the Makkuttukkuvik Youth Centre. The City's recreation staff have confirmed that they have seen no noticeable impacts resulting from the opening of the store. They also confirmed that when they do see alcohol in their facilities it is hard alcohol (spirits), which is not sold through the store. They have stated that they believe most of the alcohol they confiscate from youth was sourced from bootleggers.

Nunavut Housing Corporation

The Nunavut Housing Corporation and the Iqaluit Housing Association have suggested an increase in tenant damages to public housing units and GN staff housing units since the opening of the store. As the organizations have not provided data to the NULC related to damages pre- and post-opening of the store, actual impacts attributable to the store's opening are unknown. The NULC and the Department of Finance will continue to work with NHC and the IHA to understand their concerns.

Family Services

The Department of Family Services has several points of contact with the public through their front-line staff in Income Assistance, Child and Family Services, Poverty Reduction, and through their partnerships with local shelters. Data collected after the opening of the store indicated there was no significant change in the percentage family violence screens that involved alcohol compared to before the store had opened. However, Family Services indicates they have heard anecdotal reports from shelters that there is an increase in drinking among their clients.

Survey

The NULC recognizes that the opening of the store is a significant change for the community, with potential for both negative and positive impacts on individuals and families, not just the community organizations that are part of the working group. Major changes, like the opening of the territory's first retail storefront, certainly come with "growing pains," and so it is important to seek the views of Iqaluit residents directly. With this in mind, the NULC undertook a survey in 2018-19 to ask Iqaluit residents about the store, midway through the pilot project. Generally, the Commission is encouraged by the results.

Quick trivia:

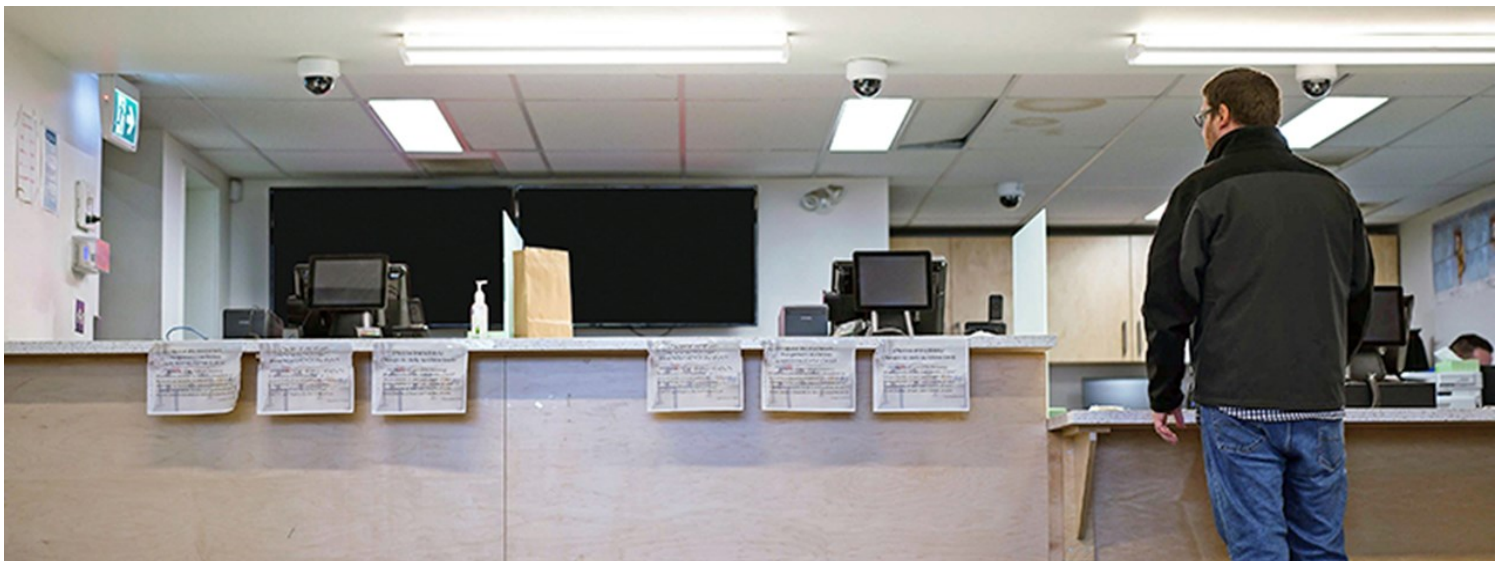
- 787 people took the survey, of those, 80% spend the same or less on alcohol as they did before the store opened
- 43% of people felt the store impacted them positively, 41% felt it impacted them negatively
- 32% of people felt the store impacted the community positively, 28% felt it affected the community negatively
- 78% less people report that they purchased from a bootlegger after the store opened
- 78% fewer people have chosen hard alcohol over beer and wine as their primary drink of choice
- 32% reported binge-drinking less often after the store opened, 8% reported binge drinking more often

Rankin Inlet and Cambridge Bay plebiscites

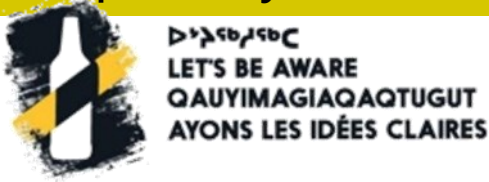
The Communities of Cambridge Bay and Rankin Inlet have both held plebiscites, at the request of the public, to gauge public interest in opening a store in their community. In both communities, the public voted in favour of opening a store (83.1% in Cambridge Bay and 74.6% in Rankin Inlet supported the idea). The GN and NULC are aware of these communities' interest, but—as of March 2019 — had not made plans to open additional stores given the Iqaluit store is just halfway through its pilot.

Growth and future store plans

The Iqaluit Store will begin the third year of its pilot in September 2019. At some point the GN will decide whether the store will remain as a permanent fixture of the NULC. A separate but related issue will be whether and when to expand into new locations. If the GN directs, the NULC will turn its attention to opening stores elsewhere, starting with Rankin Inlet and Cambridge Bay given the strong show of support by voters during the 2017 plebiscites.



Social Responsibility



Social Responsibility

As Nunavut's responsible retailer of alcohol and cannabis, the Commission takes its role very seriously. To help reduce potential harms associated with alcohol and cannabis use, the Commission actively promotes socially responsible messaging through its Let's be Aware/Ujjiqsuqta campaign to give consumers the information they need to make healthy and informed decisions when it comes to cannabis and alcohol.

Our campaign is supported through partnerships with the Departments of Finance, Health, Family Services, Justice, EIA, and Education. The NULC makes these resources available through a variety of ways, including through a Facebook page, our website, community visits, training sessions, and through partnerships with AEC's and GN Departments.

The NULC is committed to the continuous promotion of the safe use of alcohol, and to reducing harms associated with its use. The NULC encourages further prevention and education initiatives to help Nunavummiut understand, avoid, and manage the harms associated with alcohol. This is accomplished through public out-

"I would like to thank the employees who work at the Department of Finance and the Liquor [and Cannabis] Commission's 'Let's Be Aware' campaign that provides the materials and posters on the impacts of alcohol on one's life"

- Margaret Nakashuk
MLA for Pangnirtung

reach, and our decisions on how alcohol is distributed and sold in Nunavut. Many of our social responsibility activities are guided by the recommendations of the territory-wide consultations the GN undertook, between 2010 and 2012, to identify ways to reduce harm. As the Commission continues to promote safe practices, the *Taking Steps to Reduce Alcohol-Related Harm* document (available at www.gov.nu.ca/finance), remains relevant. The below provides a summary of the Let's Be Aware/Ujjiqsuqta Campaign highlights from 2018-19.

In 2018-19 the NULC spent \$519,000 on social responsibility campaigns. This amounts to 11% of profits, a higher proportion than any province dedicates to social responsibility.

In 2018-19 (Year 3 of the campaign), the focus was to educate youth and young adults about the harms and risks associated with alcohol, and how to mitigate them.

Engagement - In addition to the work done to showcase Let's Be Aware/Ujjiqsuqta through distribution channels, the team also spent time on the ground, travelling to seven communities, throughout all three regions of the territory. During these visits, the team was able to meet with various members of the community who work in helping professions (i.e. Community Health Representatives, etc.). For further visibility and awareness of the Campaign, community visits to restricted communities became a main focus in Year 3 to ensure they have access to all the resources available and to meet with the AECs. The organized community events consisted of mainly promotional booths at the grocery stores and schools.

The Calendar Challenge – we asked grade 6-8 students in the Kivalliq region to share their original artwork that illustrates the importance of the responsible use of alcohol for a chance to win a prize and have their work featured in a 2019 calendar. These calendars were distributed throughout the Kivalliq.





Figure 8
Responsible Messaging Samples, 2018-19

T-shirts—were designed with similar messaging and creative as the new video PSA. It features the question “Drinking? Who do you want to be?” and shows your options using emoji’s – myself, laughing, slurring, angry, pukey or regretful. A distribution plan has been developed for implementation in year four.

Video PSA - was created emphasizing that you can “choose who you want to be” – alert and happy, or hungover and regretful – based on your decision to use alcohol responsibly. This second PSA video will be broadcast in 2019-20.

The Interactive Engagement Booth - incentivizes community members to learn more about the responsible use of alcohol. Activities include attempting a simple task (e.g. walking a straight line or picking up keys) while wearing impairment goggles and using props and backgrounds to take LBA-themed photos.

Social Media - In Year 3, we built on the Year 2 social media presence. Social media was used to communicate healthy and responsible practices around alcohol use, promote the Let’s Be Aware/Ujjiqsuqta program and community initiatives, and connect with Nunavummiut in a comfortable and familiar channel.

Module for Alcohol Education Committees – AEC’s were given USBs containing electronic copies of the latest Let’s Be Aware/Ujjiqsuqta Campaign resources and an information session on Canada’s Low-Risk Alcohol Drinking Guidelines. A second information session was developed about binge drinking and alcohol facts. We will present to the AECs again at the 2019 AEC conference in Rankin Inlet.

Cannabis – Know the Law - The NULC’s first social responsibility campaign for cannabis, released late in 2018-19, focused on educating Nunavummiut about the newly created laws. The campaign consisted of a series of simple posters, online banner and social media ads, videos, magazine ads, and newspaper ads, which focused on the main points of the new cannabis laws and included aspects such as legal age of purchase, consumption, where to buy products, cannabis and motor vehicles, home growing of plants, how much cannabis a personal can carry, edibles and where cannabis can be consumed. The poster was sent to Government Liaison Officers in every municipality to be distributed in major community centers and used as educational material for future cannabis retail stores. The poster is available in all official languages. Along with the poster, the NULC commissioned a radio commercial in both English and Inuktitut that articulates the main focus of cannabis laws in Nunavut.

National contributions to social responsibility – The Commission is a participating member of CALJ – the Canadian Association of Liquor Jurisdictions (www.calj.org). This organization provides a forum for the NULC to gain insightful information regarding current trends and safety practices in the liquor industry. 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.

Alcohol Harm Reduction Action Plan



Update from the Government of Nunavut

The Alcohol Harm Reduction Action Plan (AHRAP) 'Taking Steps to Reduce Alcohol-Related Harm in Nunavut – 2016' report set out steps and commitments to help monitor and reduce the harm that alcohol causes Nunavummiut and our communities. Initiatives outlined in the action plan address four areas of focus: Prevention and Education; Harm Reduction; Treatment; and Enforcement.

The AHRAP consists of 15 initiatives, each with the goal of reducing alcohol-related harm in a sustainable and respectful manner that prioritizes the wellbeing of Nunavummiut. The initiatives consider and monitor a number of health and socioeconomic factors. This initiative requires collaboration from multiple government departments to identify achievable actions and to perform continuous monitoring. To move this plan forward, Finance has worked with the Nunavut Liquor and Cannabis Commission (NULC), and the Departments of Culture and Heritage, Economic Development and Transportation, Education, Health, and Justice.

The responsible departments tasked with each initiative also collaborate with Nunavummiut, the RCMP, Inuit organizations, municipalities and other stakeholders to guide the government's actions through data collection, analysis and recommendation. This work is successive to the founding efforts of the Nunavut Liquor Act Review Task Force that conducted territory-wide consultations between 2010 and 2012.

The initiatives and their corresponding actions are not an exhaustive list of Government activity. Instead, they represent priority commitments and initiatives the Government has begun to implement and monitor to promote healthy and informed choices, and to reduce the harms associated with alcohol.

The Government of Nunavut does not anticipate that alcohol-related harms in Nunavut will be solved quickly, easily or completely. However, the Government will continue to monitor impact, take action, and adapt approaches over time, to promote healthy and informed choices related to alcohol and to help bring about the safer and healthier communities Nunavummiut have described.



Of interest: Thoughts on customer bans

Ahead of opening the Iqaluit store, and as part of some discussions since, some individuals from the community have suggested the NULC implement a system to ban customers if they have been known to cause harm when drinking. The GN explored the idea, and has not implemented it for a number of reasons. Three stand out:

First, and most important, there is already a process in the *Liquor Act* where a justice can file an “order of interdiction” that prohibits the sale of alcohol to an individual for up to three years. It is more appropriate (and fairer) for the Court to impose such limits than to ask NULC’s retail staff to make these decisions. The NULC is prepared to fully respect any interdiction orders made under the Act.

Second, there is no evidence to suggest that banning customers helps reduce overall harm. Banning individuals from the store reduces their legal access to lower-alcohol products like beer and wine, and so encourages them to buy directly from bootleggers, which sell mostly hard alcohol. This goes against the intent of the store itself. Practically speaking, banning customers from the NULC store does not, for many, actually stop their ability to purchase, possess or consume alcohol.

Third, NULC staff are already empowered (and required) to refuse service to individuals who appear intoxicated. The NULC takes this responsibility seriously, and has heard many compliments about the staff’s polite but firm approach when turning individuals away. Further, staff may also refuse service to individuals who become agitated or otherwise harass store staff or other customers. It is appropriate for NULC staff to make these decisions as they respond to actual circumstances in the store. A customer ban, on the other hand, relates to concerns and assumptions about how an individual may act, so more appropriately falls to the Courts.



Business Planning

Because of the close relationship between the NULC and the Department of Finance, Finance has traditionally included the NULC's priorities along with its own in the GN's wider Business Plan. The NULC has identified the following priorities for the next year. Going forward, updates for these priorities will be provided in future annual reports.

NULC 2019-20 Priorities

- Review the current bottle deposit program and implement identified improvements
- Research and explore new distribution channels to better serve our customers
- Find innovative ways to sell import permits more efficiently
- Create a new Policy and Operations Section to help formalize policies and procedures to enhance profitability, efficiencies, and safety and to drive innovation and growth
- Enter a new contract for NULC's social responsibility program through RFP process (current contract expires in 2019-20)

Annual Audit

The legislation governing the NULC requires all finances and activities of the Commission to be audited every year and presented to the Legislative Assembly. The audited financial statements for the year ending March 31, 2019 are attached.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

Rankin Inlet, NU

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

NUNAVUT LIQUOR AND CANNABIS COMMISSION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Nunavut Liquor and Cannabis Commission (NULC) 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 NULC 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*, the *Cannabis 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 NULC and meet when required.

Jeffrey Chown
Deputy Minister
Department of Finance

Daniel Young
Director, NULC

June 11, 2019

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 the *Financial Administration Act* of Nunavut and regulations, the *Liquor Act* of Nunavut and regulations and the *Cannabis Act* of Nunavut and regulations that, in our opinion, proper books of account have been kept by the Commission, the consolidated financial statements are in agreement with the records maintained by the Commission and the transactions that have come under our notice have, in all significant respects, been within the statutory powers of the Commission.

Iqaluit, Nunavut
June 11, 2019

A handwritten signature in cursive script that reads "Lester Landau".

Chartered Professional Accountants

NUNAVUT LIQUOR AND CANNABIS COMMISSION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31 2019	March 31 2018
Financial Assets		
Cash	\$ 6,750	\$ 6,750
GST and other receivables	51,158	130,380
Inventories (note 3)	3,148,948	2,457,350
	3,206,856	2,594,480
Liabilities		
Accounts payable and accrued liabilities	555,035	306,469
Employee future benefits (note 4)	182,754	212,190
Bottle deposit outstanding	19,182	16,912
Deferred revenue	513	513
Due to Government of Nunavut	4,336,131	4,085,429
	5,093,615	4,621,513
Net Financial Debt	(1,886,759)	(2,027,033)
Non-Financial Assets		
Prepaid expenses	3,994	11,981
Tangible capital assets (note 5)	1,882,765	2,015,052
	1,886,759	2,027,033
Accumulated Surplus	\$ -	\$ -

Commitments (note 7)

Daniel Young
Director, NULC

Jeffrey Chown
Deputy Minister of Finance
Department of Finance

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

NUNAVUT LIQUOR AND CANNABIS COMMISSION

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31,	2019	2018
Sales	\$ 16,145,093	\$ 9,874,484
Cost of Sales	7,185,226	4,271,898
Gross Margin	8,959,867	5,602,586
Other Income		
Customer shipping charged	457,220	467,438
Import permit fees and special occasion permits	436,704	555,627
Restitution and other income	251,078	19,441
Licence fees	181,834	183,422
	10,286,703	6,828,514
Expenses		
Administration and operations (Schedule 1)	5,186,903	4,737,660
Enforcement and inspections (Schedule 2)	536,484	646,381
	5,723,387	5,384,041
Net Surplus	\$ 4,563,316	\$ 1,444,473

The accompanying notes and schedules are an integral part of these consolidated financial statements. 6

NUNAVUT LIQUOR AND CANNABIS COMMISSION

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT

For the year ended March 31,	2019	2018
Net surplus for the year	\$ 4,563,316	\$ 1,444,473
Amortization of tangible capital assets	317,647	142,502
Disposal (acquisition) of tangible capital assets	(185,360)	(1,872,508)
Prepaid expenses	7,987	26,077
Transfer of net surplus for the year to the Government of Nunavut	(4,563,316)	(1,444,473)
	(4,423,042)	(3,148,402)
Decrease (increase) in net financial debt	140,274	(1,703,929)
Net financial debt, beginning of year	(2,027,033)	(323,104)
Net financial debt, end of year	\$(1,886,759)	\$(2,027,033)

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

NUNAVUT LIQUOR AND CANNABIS COMMISSION

CONSOLIDATED STATEMENT OF AMOUNT DUE TO THE GOVERNMENT OF NUNAVUT

For the year ended March 31,	2019	2018
Balance, beginning of year	\$ 4,085,429	\$ 1,162,417
Net surplus for the year	4,563,316	1,444,473
Net transfer of funds from (to) the Government of Nunavut	(4,312,614)	1,478,539
	<u>\$ 4,336,131</u>	<u>\$ 4,085,429</u>

NUNAVUT LIQUOR AND CANNABIS COMMISSION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2019	2018
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 17,551,151	\$ 10,993,859
Cash paid to suppliers and employees	(13,053,177)	(10,593,890)
Cash transferred from (to) the Government of Nunavut (Net)	(4,312,614)	1,478,539
Cash Provided by Operating Activities	185,360	1,878,508
Purchase of tangible capital assets	(185,360)	(1,872,508)
Cash Used in Investing Activities	(185,360)	(1,872,508)
Net Increase / (Decrease) in Cash	-	6,000
Cash, beginning of year	6,750	750
Cash, end of year	\$ 6,750	\$ 6,750

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

1. Authority and Operations

The Nunavut Liquor and Cannabis Commission (NULC) - The Commission is established originally under Part II of the *Liquor Act (Nunavut)* and subsequently amended under the *Cannabis Act (Nunavut)*.

The Commission is responsible for the operation of the liquor warehouses, the retail outlet and the purchase and sale of liquor and cannabis in Nunavut through the Liquor and Cannabis 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 \$15,000,000 (\$6,500,000 - 2018) to finance its operations. The NULC did not request any working capital advances for the 2018 - 2019 fiscal year. While some expenses are paid directly from the Liquor and Cannabis Revolving Fund, other expenses are paid by the Government of Nunavut through the Consolidated Revenue Fund and are reimbursed from the Liquor and Cannabis 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 and 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 and Cannabis 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 and Cannabis Commission and the Nunavut Liquor Enforcement and Inspections Division on a stand-alone basis.

2. Significant Accounting Policies

(a) Consolidated Financial Statements

NULC'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 and Cannabis Commission and the Nunavut Liquor Enforcement and Inspections Division, over which the Nunavut Liquor and Cannabis 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 AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

2. 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 tangible capital assets.

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of a small cash float that is maintained by NULC. All sales and other cash receipts of NULC are deposited to the Liquor and Cannabis Revolving Fund. While some expenses of NULC are paid directly from the Liquor and Cannabis Revolving Fund, other expenses are paid by the Government of Nunavut through the Consolidated Revenue Fund and are reimbursed from the Liquor and Cannabis 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. No cannabis inventory is carried.

(f) Accounts Receivable

Accounts receivable are valued at the lower of 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 AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

2. Significant Accounting Policies (continued)

(g) Tangible Capital Assets

Tangible Capital Assets are initially recorded at cost, and are subsequently amortized to expense. Work-in-progress is recorded as construction in progress and is transferred to a specific asset category in the year it is completed and put into use. 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 customers 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 AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

2. 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 NULC 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 NULC participate in the Public Service Pension Plan administered by the Government of Canada. The employees and NULC contribute to the cost of the Plan. The NULC'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 NULC contributed at a rate of 1.00 times the employees contribution for the calendar year of 2019 (1.01 times for the calendar year of 2018). These contributions are charged to expenditures on a current year basis, and represent the total pension obligation of the NULC. NULC 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 sales of cannabis 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 NULC are paid directly from the Liquor and Cannabis Revolving Fund, other expenses are paid by the Government of Nunavut through the Consolidated Revenue Fund and are reimbursed from the Liquor and Cannabis 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 AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

2. Significant Accounting Policies (continued)

(n) Financial Instruments

The NULC 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 NULC 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 NULC 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.

3. Inventories

	March 31 2019	March 31 2018
Spirits	\$ 638,446	\$ 597,506
Wine	1,580,328	1,010,211
Beer	871,322	773,549
Coolers and ciders	58,852	76,084
	\$ 3,148,948	\$ 2,457,350

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

4. Employee Future Benefits

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

Non-pension Benefits

NULC provides non-pension benefits to its employees for severance and removal costs. As at March 31, 2019 severance and removal costs total \$55,519, (\$122,059 - 2018).

Pension Plan

NULC 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:

	2019	2018
Employer's contributions	\$ 157,199	\$ 143,408
Employees' contributions	\$ 153,982	\$ 145,793

5. Tangible Capital Assets

	March 31		March 31	
	2019		2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 37,385	\$ 24,996	\$ 12,389	\$ 1,642
Computer software	200,023	125,400	74,623	-
Construction in progress	22,718	-	22,718	-
Furniture and equipment	460,263	250,639	209,624	262,031
Leasehold improvements	1,833,981	281,237	1,552,744	1,736,141
Vehicles	36,587	25,920	10,667	15,238
	\$ 2,590,957	\$ 708,192	\$ 1,882,765	\$ 2,015,052

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

6. Expenses by Object

	2019	2018
Salaries and benefits	\$ 2,709,549	\$ 2,576,711
Rent	543,893	540,660
Social responsibility	514,136	349,653
Customer shipping paid	416,237	440,457
Amortization	317,647	142,502
Office	290,573	306,453
Bottle deposits refund	232,554	185,778
Bank charges and interest	166,017	125,728
Contractor fees	136,017	219,592
Property taxes and utilities	130,912	114,256
Travel	89,276	90,511
Repairs and maintenance	59,371	130,066
Professional fees	54,307	46,955
Plebiscites	51,711	28,353
Communication	7,664	6,800
AEC support	3,523	79,566
	\$ 5,723,387	\$ 5,384,041

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

7. Commitments

There is a five year lease effective June 1, 2018, expiring on May 31, 2023, for the warehouse and office premises in Rankin Inlet, valued at \$263,482 per year. An annual lease agreement with CGS, effective April 1, 2018, expiring April 1, 2019, for the liquor warehouse in Iqaluit valued at \$120,000 per year has expired, and automatically renews annually until further notice. 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
2020	\$ 464,011
2021	263,482
2022	263,482
2023	263,482
2024	43,914
	\$ 1,298,371

8. Related Party Transactions

The NULC is related in terms of common ownership to all of the Government of Nunavut created departments, agencies and Crown corporations. The NULC enters into transactions with these entities in the normal course of business at normal trade terms. All sums collected by the NULC are deposited directly into a Government bank account, and the Government of Nunavut pays for all of the expenses of the NULC. 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:

	2019	2018
Government of Nunavut:		
Communications	\$ 4,844	\$ 4,784
Office	68,242	84,056
Rent (note 7)	500,626	281,058
Repairs and maintenance	36,264	74,798
Property taxes	38,885	38,070
Purchase of tangible capital assets	185,359	1,688,804
Qulliq Energy Corporation		
Utilities (electricity)	28,251	27,212
	\$ 862,471	\$ 2,198,782

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

9. Capital Management

NULC's capital is cash, it has no Contributed Equity. NULC is authorized by the Legislative Assembly to receive free working capital advances from time to time not exceeding \$15,000,000 (\$6,500,000 - 2018) to finance its operations. The NULC did not request any working capital advance for the 2018-19 fiscal year.

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

10. 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 NULC's receivables from customers. NULC has minimum exposure to credit risk from customers as collection is made prior to sales. Where necessary, the NULC 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 NULC is not exposed to interest rate risk because the NULC has no investments or debt.

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

Foreign Currency Risk - The NULC 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 NULC is not exposed to other significant interest, currency or credit risks arising from these financial instruments.

11. Comparative Figures

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

12. Subsequent Events

Subsequent to year end the Government of Nunavut announced that effective April 1, 2019, the Nunavut Liquor Enforcement and Inspections Division will be separated from the Nunavut Liquor and Cannabis Commission. Therefore, commencing in the 2020 fiscal year the Nunavut Liquor Enforcement and Inspections Division will no longer be reporting their operations within these financial statements.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

SCHEDULE 1 - NUNAVUT LIQUOR AND CANNABIS COMMISSION

For the year ended March 31,	2019	2018
Sales - Liquor	\$ 16,065,779	\$ 9,874,484
Sales - Cannabis	79,314	-
	<u>16,145,093</u>	<u>9,874,484</u>
Cost of Sales	<u>7,185,226</u>	<u>4,271,898</u>
Gross Margin	8,959,867	5,602,586
Other Income		
Customer shipping charged	457,220	467,438
Other income	251,078	4,416
	<u>9,668,165</u>	<u>6,074,440</u>
Expenses		
Salaries and benefits	2,432,282	2,282,098
Rent	543,893	540,660
Social responsibility	514,136	349,653
Customer shipping paid	416,237	440,457
Amortization	317,647	142,502
Office	284,455	296,026
Bottle deposits refund	232,554	185,778
Bank charges and interest	159,467	115,557
Property taxes and utilities	130,912	114,256
Repairs and maintenance	59,371	130,066
Professional fees	54,307	46,955
Travel	34,249	58,499
Communication	7,393	6,800
Plebiscites	-	28,353
	<u>5,186,903</u>	<u>4,737,660</u>
Revenue in Excess of Expenses	<u>\$ 4,481,262</u>	<u>\$ 1,336,780</u>

NUNAVUT LIQUOR AND CANNABIS COMMISSION

SCHEDULE 2 - NUNAVUT LIQUOR ENFORCEMENT AND INSPECTIONS DIVISION

For the year ended March 31,	2019	2018
Income		
Import permit fees and special occasion permits	\$ 436,704	\$ 555,627
Licence fees	181,834	183,422
Restitution and other income	-	15,025
	618,538	754,074
Expenses		
Salaries and benefits	277,267	294,613
Contractor fees	136,017	219,592
Travel	55,027	32,012
Plebiscites	51,711	-
Bank charges and interest	6,550	10,171
Office	6,118	10,427
AEC support	3,523	79,566
Communication	271	-
	536,484	646,381
Revenue in Excess of Expenses	\$ 82,054	\$ 107,693





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Nunavut Taangat Higaarluktuniklu
Alcools et Cannabis Nunavut
Nunavut Liquor and Cannabis