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Nunavut Taangat Higaarluktuniklu
Alcools et Cannabis Nunavut
Nunavut Liquor and Cannabis

ANNUAL REPORT

2019-20



Nunavut Liquor and Cannabis
Commission

www.NULC.ca

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2019-20 Highlights

\$15.5M

Total Liquor Sales

\$3.1 M

Profits returned to the Government of Nunavut

72%

Iqaluit store's share of total sales

0.61%

The percentage of sales attributable to cannabis

832

Respondents to the Iqaluit Store survey

11,709

Grams of cannabis sold online

5%

Survey respondents who are unsatisfied with the service at the Iqaluit store

18%

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

1.2 million

Litres of beer and wine sold through the Iqaluit store in 2019-20

77%

Inuit employment within the NULC on March 31, 2020

259,319

The number of social media "impressions" (the number of time content is displayed) through social responsibility campaigns



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LET'S BE AWARE
QAUYIMAGIAQAQTUGUT
AYONS LES IDÉES CLAIRES

Our social responsibility campaign 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 the fiscal year ending March 31, 2020.

The NULC continued to grow and evolve throughout 2019-20.

We started early last spring when we moved the Enforcement and Inspections team to the Government of Nunavut's Department of Finance. This move helps distinguish the NULC's role as Nunavut's public retailer and distributor of liquor and cannabis from the GN's wider responsibilities related to regulation, policy, enforcement, and licensing. The NULC continues to work closely with the GN, but is now clearly focused on responsibly delivering and improving its operations.

To this end the NULC also created a new Policy and Operations team. With positions in both Rankin Inlet and Iqaluit, the team will more actively manage inventory and procurement practices; streamline, standardize and document internal processes; identify, analyze and react to industry trends; and generally help the NULC develop as an agency. While much of this team's work will happen behind the scenes, we expect customers will notice a range of improvements over time.

The NULC faced unique challenges in 2019-20.

In November, a major ransomware attack shut down the GN's computer network for weeks. Our team worked quickly to maintain services to customers throughout the shut-down. We also found opportunities to improve services. The event prompted us to begin issuing liquor permits from within our modern point-of-sale system, which improves transaction speed, reporting capabilities, and accountability.

The impacts of the COVID-19 pandemic hit Nunavut just a few months later, in mid-March. The NULC was deemed a critical service and remained open amid public service shut-downs. The Commission's team quickly implemented several measures to help protect our customers and staff during this uncertain period.

Despite these challenges by year-end the NULC had generated \$3.1 million for the Government of Nunavut, driven by

about \$15.5 M in total liquor sales. The Iqaluit Store remained busy, selling almost 1.2 million litres of lower-alcohol content beverages (beer, wine, coolers, cider) over the year and contributing about 72% (just over \$11 million) to Commission revenues.

The Iqaluit Store finished its second year of a three-year pilot project in September 2019. Looking ahead, the NULC launched our second public survey in February 2020 as part of helping the GN evaluate store impacts.

The survey results, along with information collected from government departments, law enforcement, front line service providers and other stakeholders, comprised the final pilot-project report. The report is available through the Department of Finance's website. In June 2020, ahead of the pilot's end in September, the Government of Nunavut announced the Iqaluit Store would remain open.

In 2019-20, we received approval and began preparations to open a store in Rankin Inlet. To operate the store, we will seek to hire nine new employees in Rankin Inlet.

Despite the store's high volumes, customers continue to report favorably of their experiences. Only 5% of respondents in a recent survey indicated they were unsatisfied with the service they receive when they visit. The NULC continued to find ways to support the experience of our customers. Our real strength is the commitment of our front-line staff who adapted quickly to keep our operations running seamlessly.

Through NULC agents Tweed and Vertical Cannabis, Nunavummiut purchased nearly 12,000 grams of cannabis last year. While the NULC's online agents provide all Nunavummiut the opportunity to purchase and import cannabis legally, we do not expect the legal sales of cannabis to increase significantly in the territory until local in-community retailers begin to apply for and receive licenses from the Government of Nunavut in the years ahead.

Once again, I want to acknowledge and 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.

A handwritten signature in dark ink, appearing to read 'Dan Young', written in a cursive style.

Dan Young
Director, NULC
August 2020

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, 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. A second store is planned to open in Rankin Inlet in 2020-21.
- Through Agency contracts, the NULC has partnered with third-party companies to sell cannabis online.

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 offices and distribution warehouses in both Rankin Inlet and Iqaluit, and from a retail store in Iqaluit. The NULC plans to open a retail store in Rankin Inlet in 2020-21.

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 2019-20 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 (mainly HR) support of the Department of Finance.



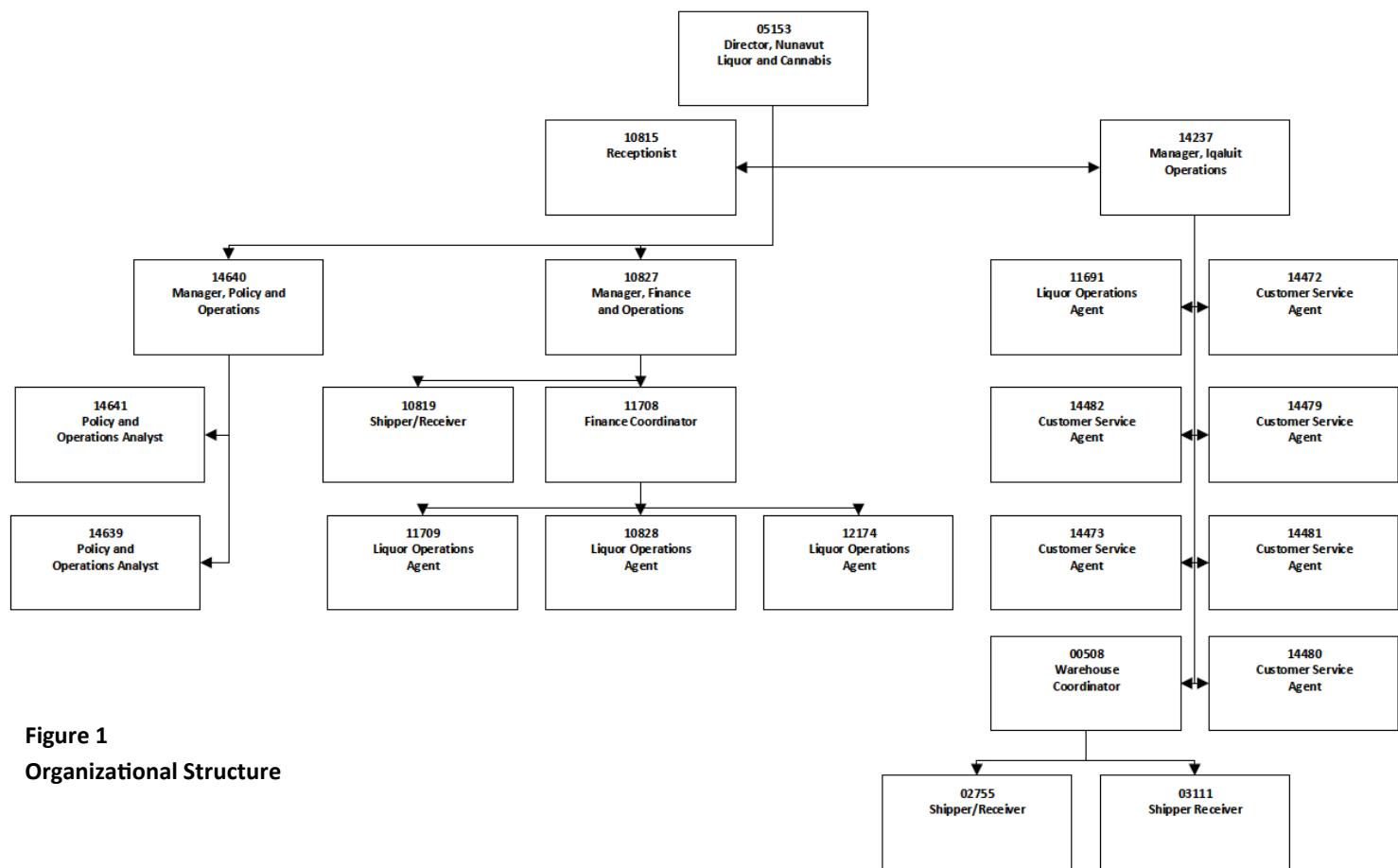


Figure 1
Organizational Structure

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

In April 2019, the NULC transferred the Liquor Enforcement and Inspections Section to the Department of Finance, leaving the Commission with 22 approved full-time positions (Fig 1). The reorganization was intended to better align roles and responsibilities in the Commission and the Department of Finance. The Liquor Enforcement and Inspections team is more appropriately located in Finance as part of the Department’s regulatory, enforcement and policy work rather than the NULC’s retail focus.

Together, employees from both Liquor Enforcement and Inspections and the NULC have been known as Nunavut Liquor Management. Now, with the Enforcement and Inspections teams from the NULC, the title of Nunavut Liquor Management is no longer used.

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, 2020, the NULC’s team included 20 Nunavut Inuit, 77% of the Commission’s 26 active employees at year end (including casual and relief employees). The NULC currently has two competitions underway to staff existing positions, both restricted to Nunavut Inuit. The NULC will continue to actively recruit Inuit onto our team as we staff nine new positions in Rankin Inlet next year.

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

Liquor Sales and Results

Table 1
Sales Revenues (all sources)—Past Six Years
 \$'000

In total, the NULC collected revenues of \$16.0 million in 2019-20. This includes sales of liquor and cannabis and various other fees.

Year	Sales Revenue	% Growth
2019-20	\$16,001,356	-0.9%
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
 2019-20

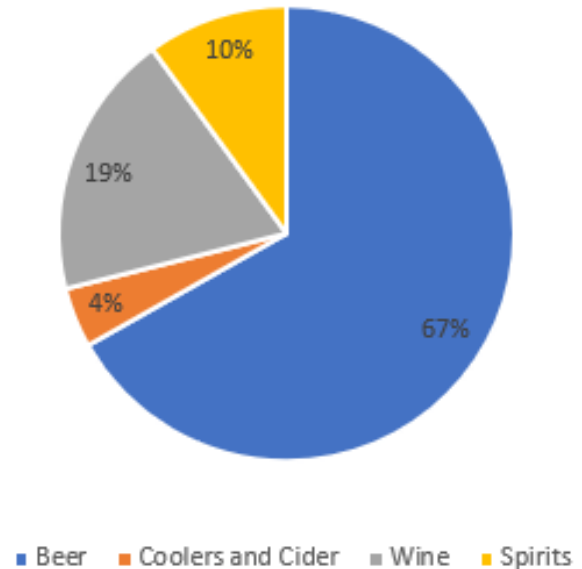


Figure 3
Liquor Revenues by Sales Channel
 2019-20

The Iqaluit Store generated almost three-quarters (72%) of NULC sales revenues (including deposits) in 2019-20. Sales to licensees accounted for 18% of sales by value. Sales to communities (including sales of spirits to Iqaluit) made up the rest.

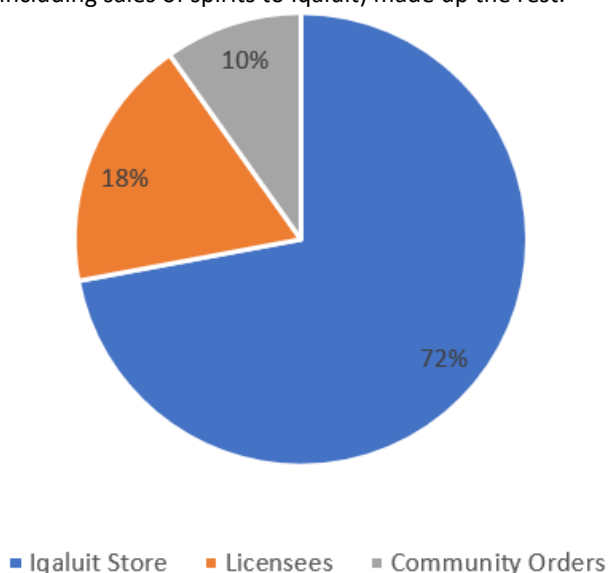


Figure 4
Net Profits transferred to the GN
 Past three years

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

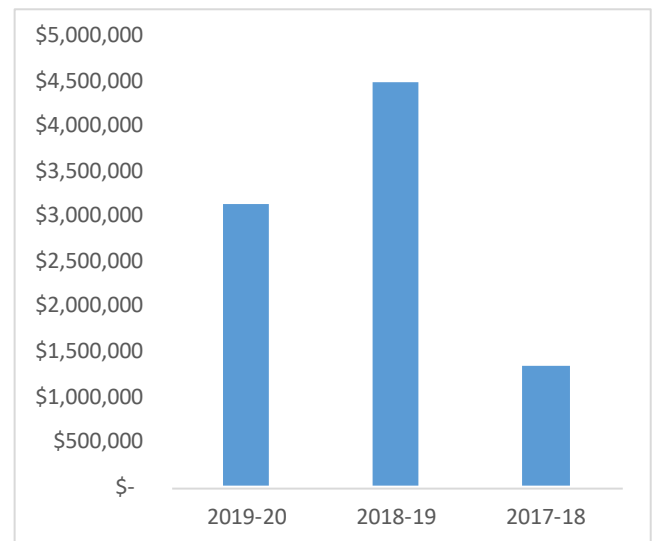




Table 2
Total Sales by Detailed Product Category and Sales Channel
 2019-20

'000s/\$'000s	Iqaluit NULC Store		Sales to Licensees		Community Orders		Total	
	L	\$	L	\$	L	\$	L	\$
BEER	996.9	7,882.5	267.4	2,088.6	51.8	400.7	1,316.1	10,371.9
Domestic	881.8	6,597.4	238.7	1,781.4	48.4	366.9	1,169.0	8,745.7
Imported	82.9	1,035.8	20.5	244.1	2.4	24.0	105.8	1,303.9
Local	32.2	249.3	8.2	63.2	1.0	9.8	41.3	322.3
COOLERS + CIDERS	58.7	563.1	7.7	76.9	2.3	22.3	68.7	662.3
WINE	113.1	2,590.9	10.3	216.7	6.9	127.5	130.3	2,935.1
Other—Domestic	5.3	111.5	0.0	1.0	0.1	2.1	5.5	114.6
Other—Import	7.0	179.3	0.3	8.7	0.2	4.2	7.5	192.2
Red—Domestic	12.5	262.9	0.8	13.8	3.8	65.2	17.2	342.0
Red—Import	46.6	1,144.0	4.5	99.0	0.8	17.7	51.8	1,260.6
White—Domestic	8.5	177.0	0.8	16.2	1.7	32.2	11.1	225.4
White—Import	33.1	716.2	3.8	77.9	0.3	6.2	37.2	800.3
SPIRITS	-	-	11.1	523.6	23.5	1,029.4	34.6	1,552.9
Bourbon	-	-	0.2	9.8	0.0	0.8	0.2	10.5
Cognac/Brandy	-	-	0.0	2.0	0.0	2.6	0.0	4.6
Gin	-	-	0.6	23.1	0.0	3.6	0.6	26.8
Liqueurs	-	-	2.9	130.1	0.6	28.6	3.5	158.8
Rum	-	-	2.3	102.9	3.4	149.4	5.7	252.3
Tequila	-	-	0.9	41.4	0.1	6.4	1.0	47.9
Vodka	-	-	2.2	106.0	7.5	332.3	9.8	438.3
Whiskey	-	-	2.0	108.2	11.6	505.6	13.6	613.8
TOTAL	1,168.7	11,036.6	296.5	2,905.8	84.5	1,579.8	1,549.7	15,522.2

Notes:

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

Totals may not add properly due to rounding

Beer

The NULC sold \$10.37 million in beer products last year.

Like in past years, Canadian beer makes up the largest share of beer sold by the NULC. The Commission has started to carry a wider variety of products, causing domestic beer’s share to drop from 94% in 2018-19 to 89% in 2019-20. International imports and Nunavut-brewed beer have risen from 5% to 8% and 1% to 3%, respectively. This year, for the first time, an imported beer (Stella Artois) as made it into the top five products (by units) at the Iqaluit store.

Figure 5
Beer Sales by Category
2019-20

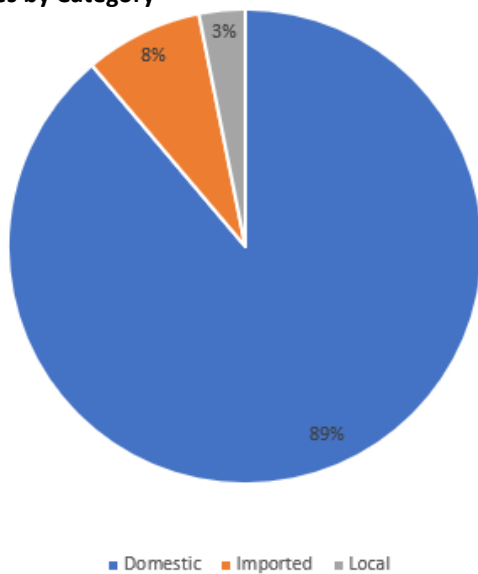


Table 3
Top 5 Beer Products—NULC Store
2019-20; units (cans and bottles)

Product	Quantity Sold	% of Total
Budweiser	854,506	31%
Molson Dry	549,260	20%
Molson Canadian	334,872	12%
Alexander Keith’s	174,108	6%
Stella Artois	76,217	3%

Supporting Local Industry

The NULC continues to promote and support the Nunavut Brewing Company (“NuBrew”), Nunavut’s only brewery, through promotional signage in the Iqaluit store and through a favorable mark-up structure.

In November 2019, the NULC amended its mark-up structure to provide NuBrew even greater reductions in the mark-ups charged on their products. The NULC also does not charge warehouse fees on NuBrew products, like they do on all other beer. Combined, the mark-up and warehouse fee on NuBrew Beer is \$2.55/litre less than on all other products. On the 41,337 litres of NuBrew that the Commission sold in 2019-20, NuBrew received an advantage of \$105,409 over their competitors. At the till, consumers will pay \$28.95 less in NULC mark-ups and fees per case for NuBrew than they will for any other kind of beer.

In addition to the support that the NULC provides to NuBrew, the Nunavut Liquor and Cannabis Board, a board of appointed representatives who oversee liquor licensing, provided authority for licensees in Iqaluit to purchase beer directly from NuBrew. These sales do not go through the Commission and NuBrew keeps 100% of the revenue from these sales.



Image: NuBrew’s new labels

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). Nunavummiut may also purchase a liquor import permit from the GN and import directly from other jurisdictions. The NULC's efforts to shift consumers away from spirits in favor of lower-alcohol content beverages appears to be working. The NULC's sales of spirits (by volume) declined by 3.1% in 2019-20.

Because of the cost of shipping heavy products in Nunavut, remote purchase customers predominantly choose to spend their money on spirits. Spirits sales accounts for 65% of the revenue the NULC collects from our community orders.

Spirits sales account for about 10% of the NULC's revenue in 2019-20. These sales are heavily weighted on whisky (39%), Vodka (28%), rum (17%), and liqueurs (10%). The NULC sold smaller amounts of tequila, gin, cognac, brandy, and bourbon.

Wine

The NULC's customers prefer imported red (40% of total sales, by volume) and imported white wines (29%) over domestic red (13%) and domestic white (8%).

Although the overall volume of liquor sold by the Commission in 2019-20 was higher than it was in the previous year, total wine sales (by volume) are 15% lower. Some of the decline in wine sales appears to be caused by a substitution for ciders, coolers, and other ready-to-drink products. The increase in 'standard drinks' in the cider/coolers category is almost equivalent to the reduction in standard drinks in the wine category.

Standard Drinks

Overall, the total number of standard drinks sold by the Commission is up 4.6% from last year. This is estimated by dividing the volumes sold 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 8.4% of total liters sold by the NULC—up from only 1.4% last year. With a wider variety of coolers and ciders offered in the NULC's Iqaluit store, this category grew by 240% (by volume) compared to the previous year when these products were only available at the store for a part of the year. The NULC will be adding new products to this category next year to try to pull more consumers away from spirits.

Like the rest of the country, the NULC expects to see this category continue to 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. These amounts are reported in the audited financial statements which accompany this report.



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).

In late 2019, the NULC amended its mark-up structure to simplify it and provide even greater support to small brewers. 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%	2.65	0.75	3.40
> 7%	2.85	0.75	3.60
Small brewer (first 1,500 hL)	0.85	0.75	2.80
Draught (containers above 18 L in capacity)	1.25	0.75	2.00
Draught (containers below 18 L in Capacity)	2.05	1.00	2.80
Coolers			
<= 7%	3.25	0.75	4.00
> 7%	3.52	0.75	4.27
Spirits			
<= 30%	24.25	0.75	25.00
> 30%	28.25	0.75	29.00
Wine			
<= 16%	9.25	0.75	10.00
> 16%	11.25	0.75	12.00

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

Recreational Cannabis

Agency Contracts

The *Cannabis Act* authorizes the NULC to contract Agents to sell cannabis on behalf of the NULC. These Agents must follow all of the same rules that the Commission would, including those in Nunavut's *Inuit Language Protection Act*.

Recreational cannabis became legal part-way through the 2018-19 year. With limited supply nationwide, and only one active Agent (Tweed) of the NULC to sell cannabis in Nunavut, sales were quite low. In early 2019-20, the NULC's second Agent (AgMedica, operating as Vertical Cannabis) began selling cannabis in Nunavut through their website. At the end of 2019-20, the NULC signed Agency contracts with two more companies, but neither have begun selling cannabis yet. For the entirety of 2019-20, the only places to legally buy cannabis in Nunavut for recreational purposes was www.tweed.com and www.verticalcannabis.ca.

Legalization 2.0

In October 2019, the second phase of cannabis legalization, or "cannabis 2.0", was rolled out. This second phase legalized the sale of cannabis topicals, edibles, and concentrates which were not made legal for sale recreationally in October 2018. With cannabis 2.0, the NULC's agents began selling cannabis-infused beverages, chocolates, teas, capsules, oils, and vaporizers. There is a lot of innovation happening in this new category and the NULC expects to see a wider range of cannabis-infused products in the future.

Mark-up

At the beginning of 2019-20, cannabis agents would remit \$1/gram (or gram-equivalent) on all of their sales. The gram equivalency was cumbersome and difficult to apply to new formats, such as THC-infused flavored sparkling water, so the NULC worked with Agents to modify its mark-up structure. In February 2020, the NULC asked the Financial Management Board for permission to change the way mark-ups are calculated. Starting on March 1, 2020, Agent mark-ups remitted to the NULC are calculated as 10% of sales before any excise or sales taxes are applied.

Cannabis Sales

Through the NULC's Agents, Nunavummiut purchased 11,709 grams (or equivalents) in 2019-20, an average of roughly one kilogram per month. Sales continue to be lower than anticipated and will likely remain that way until there are privately-owned stores in Nunavut communities.

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 GN made amendments to the *Cannabis Act* in March 2020 to begin regulating cannabis stores and the Department of Finance plans to begin licensing private companies to open cannabis stores in 2020-21. For the time being, the NULC plans to continue with the current Agency model for online sales to ensure that legal-aged Nunavummiut who choose to consume cannabis can access the legal market, regardless of whether there is a physical store in their community.



Responsible Retailing and Customer Service

Responsible Retailing

The NULC takes its role as Nunavut's responsible retailer of alcohol and cannabis seriously. The NULC is committed to reducing alcohol- or cannabis- related harm while retailing these products in a way that is accessible to those who choose to consume them.

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 seeks new and relevant information about ways to retail potentially-harmful products in a responsible way, such as 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).

This report identified areas for improvement across Canada, but the NULC and the Department of Finance were pleased that 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 which should be incorporated in future iterations.

Our Let's Be Aware/Ujjiqsuqta campaign remains active in promoting socially responsible messaging.

Customer Service

The administration of liquor import permits are responsibility of the Department of Finance. However, for customer convenience, the NULC sells these permits to the public on behalf of the Department of Finance in the Iqaluit store and in the NULC's offices in Rankin Inlet.

The Department of Finance sells liquor import permits in its offices in Cambridge Bay and through a contract with the Hamlet of Kugluktuk.

NULC Store Survey

The NULC launched a survey in February 2020 to gauge the public's opinion on the operations of the Iqaluit store and the perceived impact the store has on individuals and their community.

- About 800 people responded to the survey
- With respect to the operations of the store, responses were generally positive.
- 75% of respondents said they support the store remaining open after the 3-year pilot project, 22% said they did not (3% did not provide an opinion).
- The survey asked individuals about their choices and habits before and after the store.
- 31% of respondents indicated they drank hard liquor most often before the store opened, but only 7% drink hard liquor now, since the store opened.
- 13% of respondents stated they spend more money on alcohol since the store opened.
- 15% of respondents stated they binge drink more often now than they did before the store opened. 79% stated they binge drink the same or less since the store opened.
- 26% said they purchased from a bootlegger before the store opened. 8% say they have purchased from a bootlegger since the store opened. 1% said they buy from a bootlegger more often now than they did before the store opened.
- 79% said that the opening of the store has had a neutral or positive impact on them personally. 16% said the opening of the store has impacted them negatively.
- Just over a third (37%) indicated the opening of the store has had negative impacts on the community. The remaining respondents were split about whether the store's impacts are positive (26%) or neutral (25%), or had no opinion or answer (12%)

Liquor control systems in Nunavut:

Prohibited:	Liquor is illegal for sale, transport, possession and consumption
Restricted:	Liquor is only legal with the approval of the local Alcohol Education Committee
Unrestricted:	Only the general rules of the <i>Liquor Act</i> apply
Restricted Quantities:	Liquor can be imported without approval, but there are limits on the amount

For information about which communities have chosen which systems, please visit the Department of Finance's website.

Concluding the Beer and Wine Store Pilot Project

The NULC's Iqaluit store opened in September 2017. Because this was the first liquor store in Nunavut for several decades, and because the opening of a store to sell lower-alcohol content beverages was very controversial, the Government of Nunavut announced the store would first open as a three-year pilot project.

Prior to the store opening, some individuals expressed concerns about the negative impacts the store could have on their community. The most common concerns that people raised were an increase in crime, family violence, and health impacts. Throughout the project, the GN and the NULC have worked to monitor impacts on the community that have resulted from the opening of the store. Data and information to monitor impacts was collected through a temporary working group made up of the RCMP, the City of Iqaluit, Nunavut Housing Corporation, the Iqaluit Housing Authority, and the GN Departments of Finance, Justice, Family Services, Health, and Education.

The NULC and the Department of Finance compiled information collected in the NULC's survey and through the working group into a report and presented it to the Minister to make a decision regarding the future of the store, beyond the three-year pilot project. The report was meant to be an objective review of changes in Iqaluit after the store opened (whether they can be attributed to the store or not). The report looked at: Crime and RCMP calls involving alcohol, family violence, emergency room visits, youth, impaired driving, alcohol-related deaths, tenant damages at the Nunavut Housing Corporation, homelessness/poverty, the sales and imports of liquor, public opinion and the opinion of other key stakeholders. The full report is available on the Department of Finance's website.

In June 2020, the Minister accepted the report and announced that the Iqaluit NULC store will remain open beyond the three-year pilot project.

Rankin Inlet store

The NULC received approval in 2019-20 to move forward with plans to open a new store—this one in Rankin Inlet— in late 2020. To make this happen, the NULC received approval to create nine new positions in Rankin Inlet.

Cambridge Bay Store

In 2017, Cambridge Bay residents voted in favour of opening a store in Cambridge Bay, with 83% expressing support for the idea. Further, Cambridge Bay residents have continued to express interest in opening a store. As soon as the NULC has the Rankin Inlet store up and running, it will focus efforts on opening a store in Cambridge Bay next.



Social Responsibility



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LET'S BE AWARE
QAUYIMAGIAQAQTUGUT
AYONS LES IDÉES CLAIRES

Social Responsibility

The Commission takes its role as Nunavut's responsible retailer of alcohol and cannabis very seriously. There is a delicate balance between providing Nunavummiut access to the products sold by the NULC while also reducing the potential-harms associated with those products. To help reduce the harms associated with alcohol and cannabis use, the Commission actively promotes socially responsible messaging through its Let's be Aware/Ujjiqsuqta campaign and through other initiatives 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 Alcohol Education Committees (AECs) 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 outreach, 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

In 2019-20 the NULC spent \$549,000 on social responsibility campaigns. This amounts to 18% of profits, a far-higher proportion than any province dedicates to social responsibility.

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 2019-20.

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 again spent time on the ground, travelling to 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.). The Let's Be Aware/Ujjiqsuqta team was able to visit a total of 22 of the 25 communities in Nunavut over the four-year program period. The team visited 13 communities in Year 4, putting the number of communities reached for in-person at a total of 22 of the 25 Nunavut communities. As noted previously, we were unfortunately unable to reach the remaining three communities (Hall Beach, Igloolik, Taloyoak) as initially planned, due to COVID-19 travel restrictions in the last few months of the campaign.

The Calendar Challenge – With the success of the year 3 Calendar Challenge pilot project, and schools expressing interest to participate again, the Let's Be Aware/Ujjiqsuqta team built on the foundation of the 2019 Calendar Challenge pilot in year 4. The Calendar Challenge for 2020 followed a similar format, but



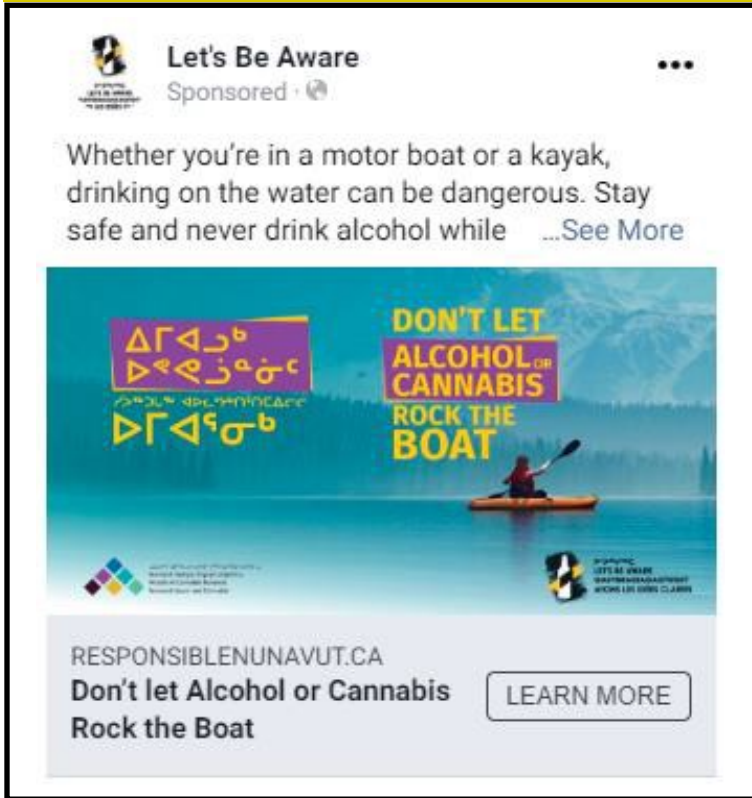


Figure 7
Responsible Messaging Samples, 2019-20

was expanded, allowing students in grades 4 – 9 from across the territory the chance to participate in the activity.

Community Messaging - Created additional e-modules for AECs, Government Liaison Officers (GLOs) and others to help spread messaging surrounding the responsible use of alcohol. Examples of messaging included a safe boating campaign to promote awareness of the impacts of alcohol on marine travel.

Social Media - In Year 4 the team continued to build the NULC's 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.

Alcohol Education Committees – The Let's Be Aware/Ujjiqsuqta team presented at the AEC conference in January 2020. AECs were given information on best practices, available resources, and consulted on challenges they face in communities. This training was particularly important because many AEC members are new to their roles following elections in late 2019.

The second AEC e-module is in the process of review before finalizing and distribution.

“Thank You for not Driving” Campaign—to spread the important message of discouraging our customers from driving under the influence of alcohol and cannabis, the NULC printed 9,000 pre-paid taxi vouchers and handed them out at the NULC store, at local establishments, a RCMP check stops, and holiday parties during the Christmas and New Year season.

National contributions to social responsibility – The Commission is a participating member of a Alcohol Social Responsibility Committee—a group established to share ideas and best practices to promote the socially responsible sale of liquor and to provide consumers with the information the need to make healthy choices.

The NULC also has a relationship with University of Victoria's Canadian Institute for Substance Use Research and the Centre for Addiction and Mental Health (CAMH). The NULC has implemented several recommendations from CAMH to improve our services in a socially responsible way.

Alcohol Harm Reduction Action Plan



Update from the Government of Nunavut

The GN recognizes that alcohol is a major issue in the territory and is committed to helping reduce alcohol related harm in Nunavut and to fostering a culture of responsible alcohol consumption.

In 2010, Minister of Finance Keith Peterson convened a task force to review Nunavut's *Liquor Act* and Nunavut's overall approach to liquor. Over the next two years, the Minister's Liquor Act Review Task Force consulted extensively with all 25 communities. A final report called "Halting the Harm" acknowledged that alcohol is present and a concern in all Nunavut communities. Several recommendations aimed at reducing alcohol-related harm were made.

Key recommendations of the report focussed on targeting bootlegging, strengthening community empowerment, changing the drinking culture, and improving the alcohol control and supply system.

The recommendations included liberalizing access to beer and wine to reduce the harm caused by binge drinking hard liquor. The report also recommended that government, where appropriate and approved by the community, open a government-run beer and wine outlet to disrupt bootlegging. Opening the NULC's Iqaluit store is in part a response to those recommendations.

The Task Force's report also contained many other recommendations focused on prevention and harm reduction. Over the last decade, the GN has implemented many of the report's recommendations and continues to work towards others. Some examples include: the Let's Be Aware/Ujjiqsuqta public awareness campaign (funded with NULC profits); the *Unlawful Property Forfeiture Act* (aimed at bootleggers and others who profit from crime); strengthening the *Motor Vehicles Act* in relation to drunk driving; providing more support to Alcohol Education Committees in restricted communities, strengthening mental health and addictions support in communities; and working with the federal government and Inuit organizations towards developing a physical addictions and trauma treatment centre in the territory.



The GN's Cannabis Regulatory Regime

When the federal government legalized recreational cannabis in October 2018, they left decisions about distribution methods and retailing up to provinces and territories. To inform the GN's decisions about how to do this, the GN consulted with Nunavummiut, holding town hall meetings in every region. The majority of individuals the GN spoke with wanted cannabis retail to be privately owned to support economic development and stimulate local economies. They also wanted government oversight and regulation to ensure that cannabis sales were controlled and handled responsibly, especially when it came to protecting minors.

The GN was not ready to roll out a cannabis licensing regime as soon as cannabis became legal and required some time to put proper regulations in place. In the meantime, to ensure Nunavummiut who wish to consume cannabis recreationally had access to a legal source, the NULC began selling recreational cannabis online through Agency contracts with private companies. However, online sales do not adequately combat illegal sales, particularly for consumers who do not have a credit card, who do not have internet access, or do not want to wait to receive cannabis in the mail. For that reason, cannabis sales through the Commission's Agents have remained low.

In Spring 2020, the *Cannabis Act* and *Cannabis Regulations* were amended to allow for privately-owned recreational cannabis stores and the GN's Department of Finance began accepting applications in June 2020. Applications will be approved by the Department of Finance's Superintendent of Licensing who will consult with communities and local key stakeholder groups before granting licenses to operate physical cannabis stores.

For more information about the GN's cannabis licensing regime, visit the Department of Finance's website: <https://www.gov.nu.ca/finance/information/cannabis-retail>.



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, 2020 are attached.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

Rankin Inlet, NU

FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

NUNAVUT LIQUOR AND CANNABIS COMMISSION

FINANCIAL STATEMENTS

March 31, 2020

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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 financial statements and related note disclosures. The 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 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

July 15, 2020

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 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
July 15, 2020

A handwritten signature in black ink, appearing to read "Lester Landau". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF FINANCIAL POSITION

	2020	2019
Financial Assets		
Cash	\$ 6,250	\$ 6,750
GST and other receivables	71,106	43,788
Inventories (note 3)	2,510,699	3,148,948
	2,588,055	3,199,486
Liabilities		
Accounts payable and accrued liabilities	251,927	541,470
Employee future benefits (note 4)	235,715	166,033
Bottle deposit outstanding	25,293	19,182
Deferred revenue	513	513
Due to Government of Nunavut	3,716,238	4,359,047
	4,229,686	5,086,245
Net Financial Debt	(1,641,631)	(1,886,759)
Non-Financial Assets		
Prepaid expenses	20,324	3,994
Tangible capital assets (note 5)	1,621,307	1,882,765
	1,641,631	1,886,759
Accumulated Surplus	\$ -	\$ -

Commitments (note 6)

Daniel Young
Director, NULC

Jeffrey Chown
Deputy Minister of Finance
Department of Finance

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

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF OPERATIONS

For the year ended,	2020	2019
Sales - Liquor	\$ 15,903,502	\$ 16,065,779
Sales - Cannabis	97,854	79,314
	16,001,356	16,145,093
Cost of Sales	7,595,667	7,185,226
Gross Margin	8,405,689	8,959,867
Other Income		
Customer shipping charged	387,479	457,220
Other income	30,356	251,078
	8,823,524	9,668,165
Expenses		
Salaries and benefits	2,707,824	2,432,282
Social responsibility	549,315	514,136
Rent	546,004	543,893
Customer shipping paid	383,862	416,237
Bottle deposits refund	318,151	232,554
Amortization	312,699	317,647
Office	301,669	284,454
Bank charges and interest	200,911	159,467
Property taxes and utilities	159,364	130,912
Repairs and maintenance	125,288	59,371
Professional fees	41,600	54,307
Travel	33,544	34,249
Communication	4,664	7,393
	5,684,895	5,186,902
Net Surplus from Operations	3,138,629	4,481,263
Net Surplus from Nunavut Liquor Enforcement (Note 8)	-	82,053
Net Surplus with Nunavut Liquor Enforcement (Note 8)	\$ 3,138,629	\$ 4,563,316

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

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF CHANGES IN NET FINANCIAL DEBT

For the year ended,	2020	2019
Net surplus for the year	\$ 3,138,629	\$ 4,481,263
Amortization of tangible capital assets	312,699	317,647
Disposal (acquisition) of tangible capital assets	(51,241)	(185,360)
Prepaid expenses	(16,330)	7,987
Transfer of net surplus for the year to the Government of Nunavut	(3,138,629)	(4,481,263)
	(2,893,501)	(4,340,989)
Decrease in net financial debt	245,128	140,274
Net financial debt, beginning of year	(1,886,759)	(2,027,033)
Net financial debt, end of year	\$(1,641,631)	\$(1,886,759)

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

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF AMOUNT DUE TO THE GOVERNMENT OF NUNAVUT

For the year ended,	2020	2019
Balance, beginning of year	\$ 4,359,047	\$ 4,085,429
Net surplus for the year	3,138,629	4,481,263
Net transfer of funds from (to) the Government of Nunavut	(3,781,438)	(4,207,645)
	<hr/>	<hr/>
	\$ 3,716,238	\$ 4,359,047

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF CASH FLOWS

For the year ended,	2020	2019
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 16,391,873	\$ 16,939,983
Cash paid to suppliers and employees	(12,559,694)	(12,546,978)
Cash transferred from (to) the Government of Nunavut (Net)	(3,781,438)	(4,207,645)
Cash Provided by Operating Activities	50,741	185,360
Purchase of tangible capital assets	(51,241)	(185,360)
Cash Used in Investing Activities	(51,241)	(185,360)
Net Increase / (Decrease) in Cash	(500)	-
Cash, beginning of year	6,750	6,750
Cash, end of year	\$ 6,250	\$ 6,750

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

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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 (\$15,000,000 - 2019) to finance its operations. The NULC did not request any working capital advances for the 2019 - 2020 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.

2. Significant Accounting Policies

(a) Financial Statements

NULC's financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(b) Measurement Uncertainty

The preparation of 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 financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these 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.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of a cash float that is maintained by NULC. All sales and other cash receipts of NULC are deposited to the Liquor and Cannabis Revolving Fund.

(d) 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.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

2. Significant Accounting Policies (continued)

(e) 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 financial statements are prepared.

(f) 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

(g) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are recorded as incurred.

(h) 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.

(i) 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 FINANCIAL STATEMENTS

March 31, 2020

2. Significant Accounting Policies (continued)

(j) 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 2020 (1.01 times for the calendar year of 2019). 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.

(k) 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 cannabis is recorded when the customer places their order and it has been paid in full.

(l) Expenses

Expenses are recorded on an accrual basis.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

2. Significant Accounting Policies (continued)

(m) Financial Instruments

The NULC initially measures its financial assets and financial liabilities at fair value. In the case of a financial instrument that will not be measured subsequently at fair value, it will be adjusted by 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.

(n) 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

	2020	2019
Spirits	\$ 658,926	\$ 638,446
Wine	1,171,802	1,580,328
Beer	640,543	871,322
Coolers and ciders	39,428	58,852
	\$ 2,510,699	\$ 3,148,948

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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, 2020 severance and removal costs total \$91,561, (\$55,519 - 2019).

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:

	2020	2019
Employer's contributions	\$ 164,920	\$ 157,199
Employees' contributions	\$ 163,467	\$ 153,982

5. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 37,385	\$ 28,713	\$ 8,672	\$ 12,389
Computer software	200,023	200,023	-	74,623
Construction in progress	-	-	-	22,718
Furniture and equipment	503,023	296,840	206,183	209,624
Leasehold improvements	1,865,180	466,195	1,398,985	1,552,744
Vehicles	36,587	29,120	7,467	10,667
	\$ 2,642,198	\$ 1,020,891	\$ 1,621,307	\$ 1,882,765

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

6. 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, 2019, expiring April 1, 2020, 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 renewed for a lease term of two years expiring September 30, 2021 valued at \$163,125 per year. There is a service support agreement expiring on April 22, 2023 for the IDEAL POS valued at \$24,867 per year.

The minimum annual lease and commitment payments are as follows:

Fiscal year ending March 31	Total
2021	\$ 571,475
2022	369,912
2023	263,482
2024	43,914
	\$ 1,248,783

7. 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:

	2020	2019
Government of Nunavut:		
Communications	\$ 2,998	\$ 4,844
Office	129,726	68,242
Rent (note 6)	120,000	120,000
Repairs and maintenance	46,341	36,264
Property taxes	40,649	38,885
Purchase of tangible capital assets	-	185,359
Qulliq Energy Corporation		
Utilities (electricity)	27,488	28,251
	\$ 367,202	\$ 481,845

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

8. Discontinued Operations

Effective April 1st 2019, The Nunavut Liquor Enforcement and Inspections Division, which 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)*, was moved into the Government of Nunavut Finance department and is no longer under the control of the Nunavut Liquor and Cannabis Commission.

These statements no longer consolidate the accounts of The Nunavut Liquor Enforcement and Inspections Division nor do they include comparative income or expense accounts.

As a result of the above, prior period amounts have been restated as follows. GST and other receivables have decreased \$7,370, accounts payable and accrued liabilities have decreased \$13,564 and employee future benefits have decreased \$16,722.

The results of discontinued operations of the Nunavut Liquor Enforcement and Inspections Division are as follows:

NUNAVUT LIQUOR ENFORCEMENT AND INSPECTIONS DIVISION

For the year ended,	2020	2019
Income		
Import permit fees and special occasion permits	\$ -	\$ 436,704
Licence fees	-	181,834
	-	618,538
Expenses		
Salaries and benefits	-	277,267
Contractor fees	-	136,017
Travel	-	55,027
Plebiscites	-	51,711
Bank charges and interest	-	6,550
Office	-	6,119
AEC support	-	3,523
Communication	-	271
	-	536,485
Revenue in Excess of Expenses	\$ -	\$ 82,053

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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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 (\$15,000,000 - 2019) to finance its operations. The NULC did not request any working capital advance for the 2019-20 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.

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.

