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2022-23 Highlights

2.2 M

Litres of
liquor sold

\$7.05 M

Profits transferred to
Government of Nunavut
to support programs
and services

\$21M

Total Liquor
Sales

\$200K

spent on social
responsibility
campaigns

\$12.5 M

or 60%

Iqaluit store's share
of total liquor sales

87.5%

Inuit employment
within the NULC
on March 31, 2023



Message from the NULC

It is with great pleasure that we present to you the Annual Report of the Nunavut Liquor and Cannabis Commission (NULC). This document reflects our achievements, challenges, metrics and milestones of the past year.

As an integral part of Nunavut's regulatory landscape, the Commission continues to play our role in ensuring the responsible sale and distribution of liquor and cannabis within our territory. Our commitment to transparency and public safety has guided our efforts throughout the year.

In 2022-23, we transferred \$7.05 million in profits to the Government of Nunavut, a 84% increase from the previous year.

We strive to align our operations with the evolving needs and preferences of the communities we serve. As of March 31, 2023, we had an 87.5% Inuit employment at the Commission.

There are many lessons learned through the past year as we were getting out of the pandemic globally. We are committed to continually improve and adapt our operations to fit the needs of Nunavummiut.

We extend our gratitude to our team, whose hard work and dedication have been instrumental in achieving the milestones outlined in this report. We also extend our appreciation to our partners and stakeholders.

Nunavut Liquor and Cannabis Commission



About the NULC

Our Authorities

Established by Section 56 of *Nunavut's Liquor Act*, the NULC is responsible for purchasing, selling, classifying and distributing alcoholic beverages in Nunavut. In 2018, the Commission expanded to include the sale of recreational cannabis through contracted Agents.

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 retail stores in Iqaluit and Rankin Inlet.
- 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 Structure

The NULC is a public agency, distinct from the GN and its departments. As the NULC is relatively small, it operates with the administrative support of the Department of Finance. 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.). The main difference is that the NULC funds itself, instead of relying on appropriations flowing through a department. The NULC's Director is accountable to the Minister, and reports through the Department of Finance's Assistant Deputy Minister.



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 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 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 2022-23 financial statements and audit results are included at the end of this report.

Our Locations

The NULC operates from offices, distribution warehouses and retail stores in Iqaluit and Rankin Inlet.

NULC and GN responsibilities

The administration and oversight of many aspects of liquor and cannabis laws in Nunavut fall under the purview of the GN's Department of Finance. Finance is responsible for maintaining the *Liquor Act* and the *Cannabis Act*, relations with Alcohol Education Committees, and liquor policy in general.

The NULC operates as a responsible retailer within the established laws. This includes sales — both wholesale and retail — and importation of liquor, socially responsible messaging campaigns, selling import permits on behalf of the GN, managing relationships with vendors and key stakeholders, and public education about our products.

The NULC and the Department of Finance work closely together to inform and advance our respective work. Last year, we formalized our relationship by signing a MOU between the NULC and the Department of Finance outlining the services that we provide each other to improve our overall service to the public.



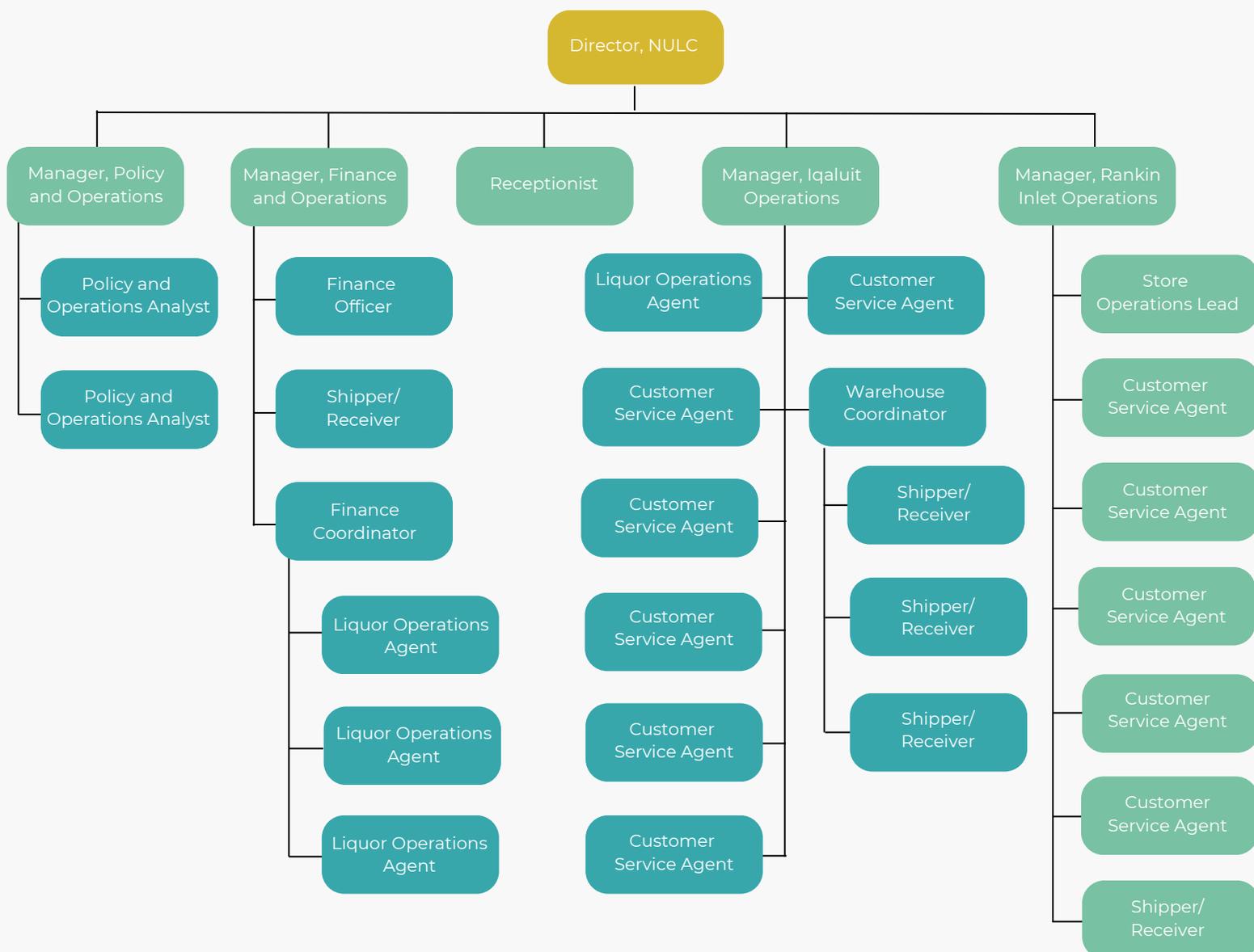
New positions

The NULC did not add any new positions to our team in 2022-23 but we filled all previously-created positions in Rankin Inlet for the opening of the new store.

Inuit Employment

The NULC is committed to increasing Inuit employment.

As of March 31, 2023, the NULC's team included 28 Nunavut Inuit, 87.5% of the Commission's 31 active employees at year end (including casual and relief employees). The NULC is open to exploring other mechanisms for hiring and promoting Inuit and will continue to actively recruit Inuit onto our team.





Liquor Sales

Total Sales

In 2022-23, the NULC collected a total revenue of \$22 million. This does not include revenues from cannabis mark-ups, shipping charges or other revenues.

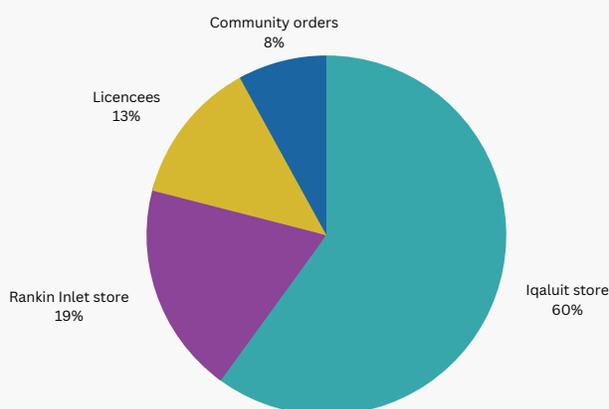
Table 1

Year	Revenue	% Growth
2022-23	\$21,753,561	24%
2021-22	\$17,514,539	3.5%
2020-21	\$16,926,243	5.8%
2019-20	\$16,001,356	62%
2018-19	\$9,874,484	N/A

Liquor Revenues by Location

The Iqaluit Store generated 60% of NULC sales revenues in 2022-23 where the Rankin Store was 19%. The remainder was split between licensees and community orders.

Figure 1

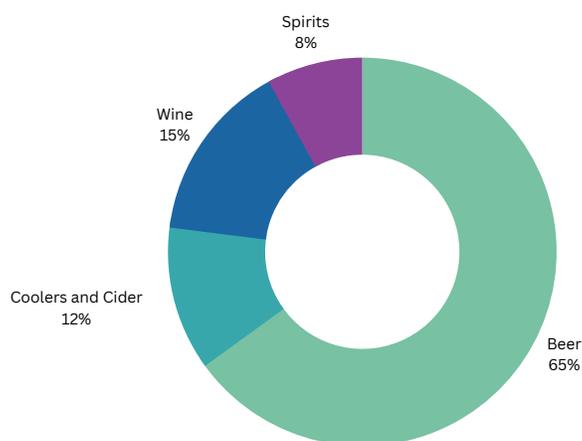


Liquor Revenues by Product Category

Table 2

Category	Sales Revenue	% Growth
Beer	\$13,500,579	+26%
Coolers	\$2,589,259	+46%
Wine	\$3,073,165	+3%
Spirits	\$1,775,662	+16%

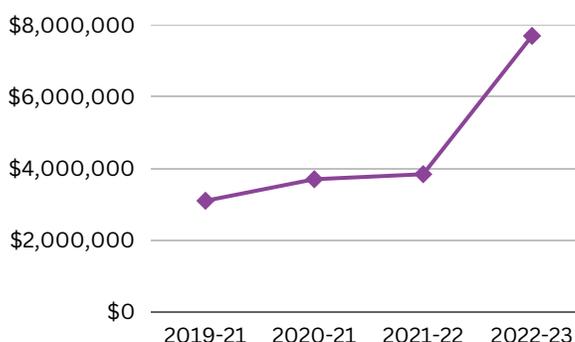
Figure 2



Net Profits transferred to the GN

At the end of each year, the NULC transfers its profits to the GN to support programs and services. In 2022-23, the NULC transferred \$7.047 million.

Figure 3





Total Sales by Detailed Product Category and Sales Channel

Table 3

Product	Iqaluit Store	Rankin Inlet Store	Sales to Licensees	Community Orders	Total
'000's	\$	\$	\$	\$	\$
Beer	8,605	2918	1651	369	13,501
Domestic	7,677	2682	1352	346	12,031
Imported	928	236	299	23	1,470
Coolers & Ciders	1,683	614	271	30	2,589
Wine	2,254	561	156	105	3073
Other - Domestic	37	40	2	10	88
Other - Import	161	51	8	2	223
Red- Domestic	347	118	10	34	507
Red- Import	888	169	58	28	1142
White -Domestic	352	97	35	24	507
White - Import	471	87	43	6	606
Spirits			635	1188	1776
Bourbon			14	5	19
Cognac/Brandy			15	6	20
Gin			24	7	30
Liqueurs			181	48	200
Rum			124	178	293
Tequila			43	8	46
Vodka			111	371	478
Whisky			123	566	689
Total	12,542	4,093	2,713	1,692	20,939

Notes: "Other" wines include roses, sparkling, champagnes, vermouths, ports and sherries Totals may not add properly due to rounding.



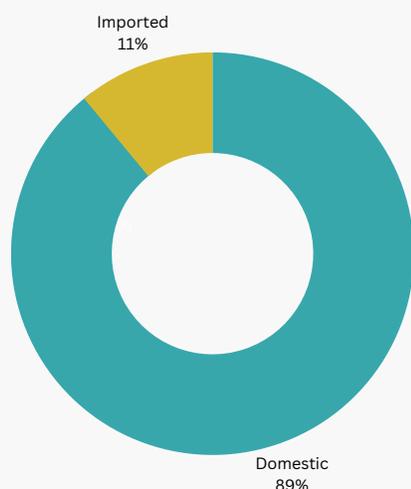
Sales by Category

Beer

The NULC sold \$13.5 million and 186.3 million liters in beer products this year. As in past years, domestic beer makes up the largest share of beer sold by the NULC. It's share of volume this year increased 27.2% even as NULC continues to carry a wider variety of products. Import beer saw a 35% increase as well.

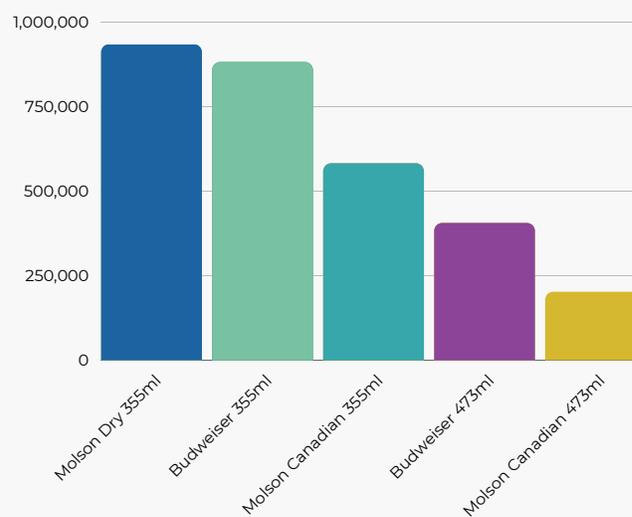
Beer sales by category (\$)

Figure 4



Top 5 Beer Products

Figure 5



Spirits

The NULC does not sell spirits through its stores, which are focused on lower-alcohol products. 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 and import directly from other jurisdictions. Due to the costs of shipping heavy products in Nunavut, remote purchase customers predominantly choose to spend their money on spirits. Spirits sales account for 70% of the revenue the NULC collects from our community orders and slightly less than 16% of the NULC's revenue in 2022-23. These sales are heavily weighted on whisky (48%), vodka (31%) and rum (15%). The NULC sold smaller amounts of liqueurs, tequila, gin, cognac, brandy, and bourbon.



Wine

The NULC's customers prefer imported red wines (37% of total sales) over imported white wines (20%), domestic red (17%) and domestic white (17%). Sales of wine increased by about 3.5% (by volume) in 2022-23. 3 Liter boxed wines were introduced by the NULC in 2019-20, since there have been 19,140 units sold. This has displaced about 76,500 glass bottles of wine brought into the territory.

Standard Drinks

The NULC calculates standard drinks using the Canadian Centre on Substance Abuse's definition of 1.5 ounces of spirits, 12 ounces of beer/cider/coolers, and 5 ounces of wine per drink. Using standard drinks gives a better comparability of the amount of alcohol being consumed between different alcohol types. Overall, the total number of liters sold by the Commission is up 27% over the previous year. However, this is mostly driven by an increase in low-alcohol content beverages— a 46% increase in coolers/ciders from beer and wine, 3% increase in wine, 27% increase in beer. The number of standard drinks of hard alcohol sold increased due to the return of licences after the pandemic.

Ciders and Coolers (RTD Ready To Drink)

Ciders and coolers account for only 12% of total liters sold by the NULC even though the category grew by 46% over last year. Ready to drink beverages (coolers and pre-mixed drinks) have been increasing in popularity across Canada. This category has grown particularly fast in Nunavut over the past three years after the NULC began selling coolers and ciders through the Iqaluit Store. This category—also lower-alcohol products— will likely continue to grow in the future, but not at the same pace. The NULC will continue to promote ciders and coolers as an alternative to free-poured spirits.

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



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). We continue to provide a significant discount to small brewers. Locally produced products delivered directly to our warehouse avoid further warehouse fees, trucking fees, and shipping costs. The NULC made no changes to the mark-up structure in 2022-23 in an effort to keep prices low. With increasing operating costs, including a newly-ratified agreement with the Nunavut Employees Union, the NULC will need to review our pricing structure in 2023-24 to ensure it remains appropriate.

Table 4

Mark-up and Fee Structure	+Mark-up	+WH*	=Total
Beer			
<= 7%	2.92	0.90	3.82
> 7%	3.14	0.90	4.04
Small brewer (first 1,500 hL)	0.94	0.90	1.84
Draught (containers above 18L in capacity)	1.38	0.90	2.28
Draught (containers below 18L in capacity)	2.26	1.00	3.16
Coolers			
<= 7%	3.58	0.90	2.28
> 7%	3.87	0.90	3.16
Spirits			
<= 30%	26.68	0.90	4.48
> 30%	31.08	0.90	4.77
Wine			
<= 16%	10.18	0.90	11.08
> 16%	12.38	0.90	13.28

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

Cannabis



Since 2018-19, under the Cannabis Act, NULC has contracted Agents selling cannabis online on behalf of the NULC.

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.

Separate of the NULC, through the GN, the Department of Finance is responsible for regulating privately-owned retail sales in Nunavut, and has started licensing private company cannabis stores. To date in Nunavut, there is one privately-owned store in Iqaluit.

Social Responsibility



The Commission takes its role as Nunavut's responsible retailer of alcohol and cannabis very seriously. A large part of retailing potentially-harmful products in a responsible way is providing our consumers with the information they need to make healthy and informed decisions about our products.

The NULC balances the obligations of providing Nunavummiut access to the products we sell while also reducing the potential-harms associated with those products. Unfortunately, COVID closures took a toll on the amount of social responsibility campaigns we were able to complete in 2022-23. Fortunately, the NULC had a stockpile of educational materials and promotional items which we were able to distribute through our store, community orders, licensees, and partner groups. While we did not spend as much in 2022-23, we continued to distribute educational material.

The NULC is committed to the continuous promotion of the safe use of alcohol, through our Let's Be Aware/Ujjiqsuqta campaign, 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. Social responsibility and promoting responsible drinking behavior extend beyond advertising campaigns.

The NULC also tries to promote healthy choices through the product mix we choose to sell, how we price our products, and how we distribute our products. Many of our decisions are based on the recommendations of the "Taking Steps to Reduce Alcohol-Related Harm in Nunavut" document produced by the GN and the "Halting the Harm" report produced in 2012 by the Nunavut Liquor Act Review Task Force. The NULC also collaborates with various other academic and research groups to improve its harm reduction approach.

Depending on the subject matter, the NULC usually collaborates with other government departments when developing and delivering our campaigns to better address the information gaps of our audience.

Social Media

The NULC continues to use its own social media to better engage with the public and to distribute its messaging more directly to the public. This ensures that our customers have access to timely information about closures and other announcements.



“Thank You for not Driving” Campaign

This campaign was created to spread the important message of discouraging our customers from driving under the influence of alcohol and cannabis. The NULC printed 10,800 prepaid taxi vouchers and handed them out at the NULC store, at local establishments, RCMP check stops, and holiday parties during the Christmas and New Year season. Last year, 8,507 vouchers were redeemed for a total of \$67,700 and \$9,000 in design fee and printing costs. This remains our largest single campaign annually.

Ujjiqsuqta Grants and Contribution Policy

The NULC's *Ujjiqsuqta / Let's Be Aware* community initiatives Grants and Contributions program encourages Nunavummiut to be mindful of the impacts of liquor and cannabis, including how their own consumption may impact friends, families, and communities. NULC recognizes that community organizations play an important role in influencing healthy behaviours, and can support the NULC's *Ujjiqsuqta / Let's Be Aware* campaign by effectively delivering responsible use messaging in impactful, innovative and locally-relevant ways.

Through the Community Initiatives program, the NULC provides financial support to eligible organizations to help them design, deliver, and promote messaging, activities, and information consistent with the *Ujjiqsuqta / Let's Be Aware* campaign and the NULC's wider role as Nunavut's public retailer.

Through the *Ujjiqsuqta Safe and Sober Graduation Grant*, the NULC provides financial support to graduating classes in Nunavut to promote an alcohol and cannabis free, “safe and sober” graduation ceremony and celebration. NULC provides a grant of \$2,500 to the District Education Authorities (DEAs) for the high school graduating classes in that district for eligible activities and supplies to hold a graduation ceremony. In 2022-23, the NULC provided a total of \$92,500 to DEA's under this program.

Going forward

The NULC has set aside funding to allow for more flexibility in how we deliver our campaigns. Most notably, the NULC has set aside \$100,000 for grants and contributions programs to support community-led initiatives which line-up well with the NULC's messaging. The new format will also allow for better financial support for government departments who promote the socially responsible use of alcohol. The NULC will work with the Department of Finance to roll this support out in 2023-24. If successful and well-received, the NULC may consider increasing or expanding available support.



Audited Financial Statements

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, 2023 are attached.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

Rankin Inlet, NU

FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

NUNAVUT LIQUOR AND CANNABIS COMMISSION

FINANCIAL STATEMENTS

March 31, 2023

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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.



Jeff Chown
Deputy Minister, Department of Finance



Daniel Young
ADM, Department of Finance

June 21, 2023

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
June 21, 2023

A handwritten signature in black ink that reads "Lester Landau". The signature is written in a cursive style with a large initial "L" and "L".

Chartered Professional Accountants
Lester Landau Accounting Professional Corp.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF FINANCIAL POSITION

	2023	2022
Financial Assets		
Cash	\$ 10,250	\$ 10,250
GST and other receivables	77,769	62,890
Inventories (note 3)	7,474,348	6,404,522
	7,562,367	6,477,662
Liabilities		
Accounts payable and accrued liabilities	525,140	553,705
Employee future benefits (note 4)	260,032	298,654
Bottle deposit outstanding	17,573	9,257
Due to Government of Nunavut	8,750,404	7,692,736
	9,553,149	8,554,352
Net Financial Debt	(1,990,782)	(2,076,690)
Non-Financial Assets		
Prepaid expenses	-	3,876
Tangible capital assets (note 5)	1,990,782	2,072,814
	1,990,782	2,076,690
Accumulated Surplus	\$ -	\$ -
Commitments (note 6)		

Daniel Young
ADM, Department of Finance

Jeff 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,	2023	2022
Sales - Liquor	\$ 21,753,561	\$ 17,514,539
Cost of Sales	7,964,449	7,450,587
Gross Margin	13,789,112	10,063,952
Other Income		
Customer shipping charged	451,853	452,319
Other income	132,837	98,246
Cannabis Markups	2,369	7,789
	14,376,171	10,622,306
Expenses		
Salaries and benefits	3,766,312	3,459,566
Rent	1,321,415	1,214,056
Customer shipping paid	433,675	448,471
Amortization	358,088	283,868
Bottle deposits refund	273,577	192,315
Office	254,221	442,377
Bank charges and interest	241,672	232,234
Property taxes and utilities	206,802	164,771
Social responsibility	200,470	98,954
Repairs and maintenance	125,184	112,200
Professional fees	121,665	102,261
Travel	18,644	22,426
Communication	7,753	6,551
	7,329,478	6,780,050
Net Surplus from Operations	\$ 7,046,693	\$ 3,842,256

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,	2023	2022
Net surplus for the year	\$ 7,046,693	\$ 3,842,256
Amortization of tangible capital assets	358,088	283,868
Purchase of tangible capital assets	(276,056)	(857,404)
Write down of tangible capital assets	-	66,773
Prepaid expenses	3,876	8,224
Transfer of net surplus for the year to the Government of Nunavut	(7,046,693)	(3,842,256)
	(6,960,785)	(4,340,795)
(Increase) Decrease in net financial debt	85,908	(498,539)
Net financial debt, beginning of year	(2,076,690)	(1,578,151)
Net financial debt, end of year	\$(1,990,782)	\$(2,076,690)

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,	2023	2022
Balance, beginning of year	\$ 7,692,736	\$ 4,512,244
Net surplus for the year	7,046,693	3,842,256
Net transfer of funds from (to) the Government of Nunavut	(5,989,025)	(661,764)
	<hr/>	<hr/>
	\$ 8,750,404	\$ 7,692,736

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF CASH FLOWS

For the year ended,	2023	2022
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 22,325,741	\$ 18,096,001
Cash paid to suppliers and employees	(16,060,660)	(16,639,606)
Cash transferred from (to) the Government of Nunavut (Net)	(5,989,025)	(661,764)
Cash Provided by Operating Activities	276,056	794,631
Purchase of tangible capital assets	(276,056)	(857,404)
Write down of tangible capital assets	-	66,773
Cash Used in Investing Activities	(276,056)	(790,631)
Net Increase in Cash	-	4,000
Cash, beginning of year	10,250	6,250
Cash, end of year	\$ 10,250	\$ 10,250

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, 2023

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 outlets 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 - 2022) to finance its operations. The NULC did not request any working capital advances for the 2022 - 2023 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 floats that are 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, 2023

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, 2023

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 2023 (1.00 times for the calendar year of 2022). 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. In 2021, NULC moved to a fixed markup on all cannabis products with a fixed commission paid on sales orders.

(l) Expenses

Expenses are recorded on an accrual basis.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2023

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 GST and other receivables.

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

	2023	2022
Spirits	\$ 870,067	\$ 871,595
Wine	2,274,514	1,681,317
Beer	3,106,990	3,061,010
Coolers and ciders	1,222,777	790,600
	<u>\$ 7,474,348</u>	<u>\$ 6,404,522</u>

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2023

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, 2023 severance and removal costs total \$99,454, (\$123,795 - 2022).

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:

	2023	2022
Employer's contributions	\$ 196,795	\$ 205,499
Employees' contributions	\$ 194,474	\$ 202,943

5. Tangible Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 37,385	\$ 34,410	\$ 2,975	\$ 4,250
Computer software	211,968	211,968	-	5,973
Furniture and equipment	651,235	373,869	277,366	204,704
Leasehold improvements	2,737,053	1,156,530	1,580,523	1,854,228
Vehicles	186,419	56,501	129,918	3,659
	\$ 3,824,060	\$ 1,833,278	\$ 1,990,782	\$ 2,072,814

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2023

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, 2022, expiring April 1, 2023, for the liquor warehouse in Iqaluit valued at \$120,000 per year has expired, and automatically renews annually until further notice. Additional warehouse space in Rankin was leased commencing July 15, 2020 and expiring July 14, 2025 at an annual rate of \$268,800. Additional warehouse space in Iqaluit was leased commencing February 1, 2022 and expiring September 30, 2023 at an annual rate of \$640,640 as well as three one year extensions. Additional warehouse space in Rankin Inlet was leased commencing October 24, 2022 and expiring October 31, 2023 at an annual rate of \$65,025.

The minimum annual lease and commitment payments are as follows:

Fiscal year ending March 31	Total
2024	\$ 790,965
2025	268,800
2026	78,400
	\$ 1,138,165

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:

	2023	2022
Government of Nunavut:		
Communications	\$ 3,801	\$ 3,834
Office	44,996	27,285
Rent	120,000	120,000
Repairs and maintenance	41,828	47,756
Property taxes	43,566	42,293
Qulliq Energy Corporation		
Utilities (electricity)	46,995	29,715
	\$ 301,186	\$ 270,883

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2023

8. 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 - 2022) to finance its operations. The NULC did not request any working capital advance for the 2022-23 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.

9. 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.