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2020-21 Highlights

\$16.2 M

Total Liquor Sales

\$3.7 M

Profits transferred to the Government of Nunavut to support programs and services

214,650

Transactions at the Iqaluit Store in 2020-21

1.6 M

Litres sold by the NULC in 2020-21

79%

Iqaluit store's share of total alcohol sales

0.1%

The percentage of revenues attributable to cannabis sales

Message from the Director



I am pleased to present the annual report of the Nunavut Liquor and Cannabis Commission's (NULC), including audited financial results, for the fiscal year ended March 31, 2021.

The global COVID-19 pandemic was in force throughout the year. As with other organizations around Nunavut and the world, our year was full of unexpected challenges and disruptions.

Product shortages, warehouse closures, cargo flight cancellations, and office shutdowns impacted our supply chain and operations. As an outcome, it was challenging to maintain a full product list, and we occasionally ran out of inventory. Even so, the NULC managed to stock about 500 different products over the year.

Public health restrictions reduced consumption at licensed establishments. With bars and restaurants closed or at limited capacity, the NULC's wholesale sales reduced but some would-be patrons shifted to our Iqaluit store instead, increasing store sales. Store staff were busy, completing about 215,000 transactions over the year.

The NULC continued to responsibly and safely serve customers throughout. As a busy retail establishment, the NULC was among the earliest adopters of safety measures starting in late March 2020 —limiting customers and enforcing social distancing and masks in store, installing signage and floor stickers, adding protective panes at our counters, and moving away from cash transactions were all part of the NULC's approach to quickly follow and fully support Nunavut's public health measures.

The NULC took a number of steps in 2020-21 to lay the groundwork for a new store in Rankin Inlet. In anticipation of opening the new store in 2021-22 we: creat-

ed and began to staff nine new positions in Rankin Inlet; obtained additional warehouse space in town; designed the store; awarded a construction contract to a Rankin Inlet-based contractor; and modernized the Commission's local IT infrastructure. When the year ended in March 2021 we were working with the Municipality on permit issues.

Revenues from online cannabis sales through the NULC's partners accounted for less than a tenth of a percent of total revenues the Commission earned in the year. In line with expectations expressed by Nunavut's elected officials, the Commission's involvement in selling recreational cannabis has been intended as a "backstop" until Nunavut's private market can establish itself. Nunavut's first privately-owned cannabis store is up and running in Iqaluit, but there remains significant opportunity across Nunavut.

Unfortunately, closures and shifting priorities reduced the Commission's social responsibility initiatives in 2020-21. We continue to take this corporate responsibility seriously and plan to revamp this part of our work in the coming year, in particular by supporting community-based initiatives.

Despite challenges, the NULC is reporting \$3.7 million in profits in 2020-21. As required and intended by the *Liquor Act*, the NULC transferred these funds to the GN to help the government deliver its programs and services for the benefit of Nunavummiut.

Without the dedication of NULC's team, this year could not have been a success. I would like to thank and acknowledge each of them for their efforts.

The following report describes the NULC's 2020-21 fiscal year in detail.



About the NULC

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 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 a retail store in Iqaluit. A second store is planned to open in Rankin Inlet in 2021.
- 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 offices and distribution warehouses in both Rankin Inlet and Iqaluit, and from a retail store in Iqaluit. With the support of a community referendum in 2017, the NULC plans to open a retail store in Rankin Inlet in 2021-22.

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 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 2020-21 financial statements and audit results are included at the end of this report.

Our structure

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

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.

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. During this past 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.

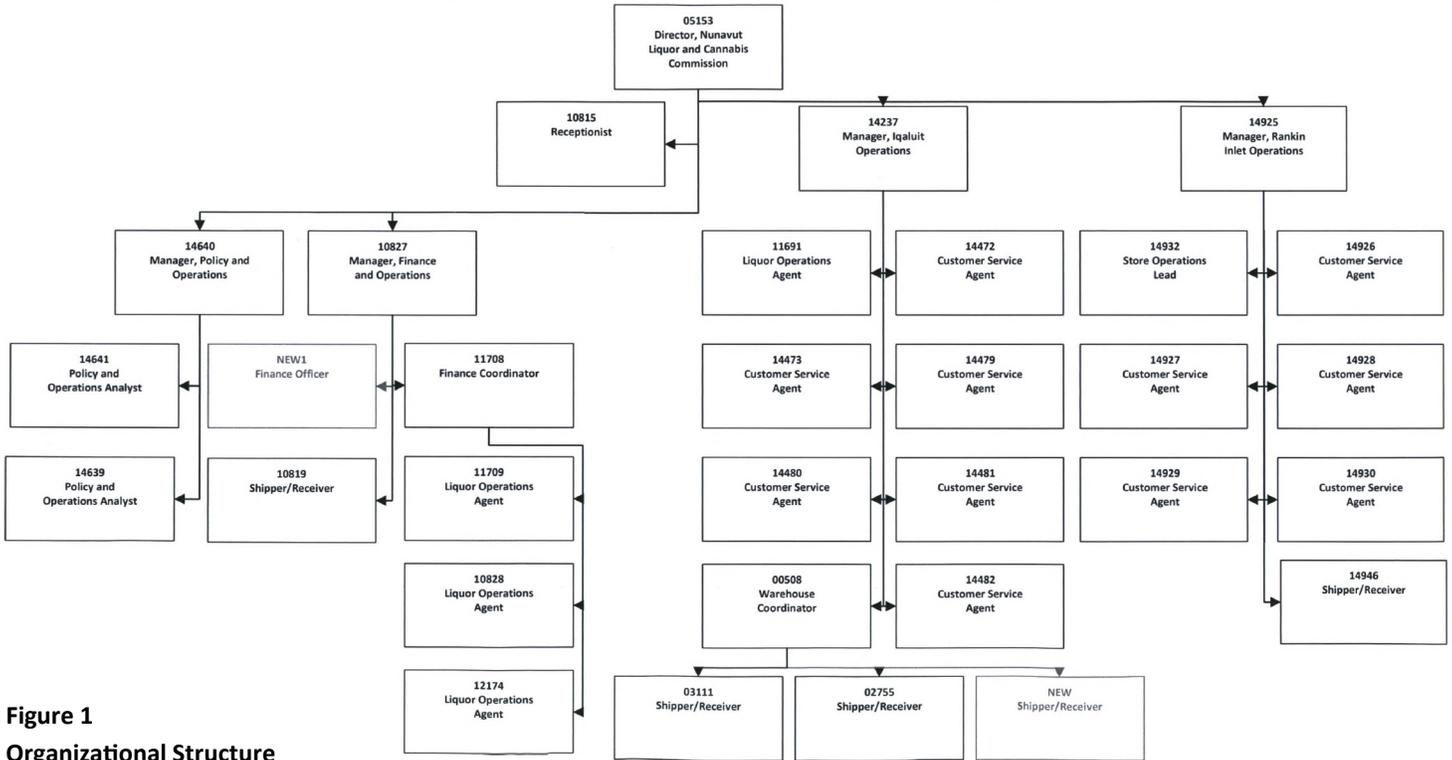


Figure 1
Organizational Structure

New Positions

To prepare for the opening of the Rankin Inlet store, the NULC added nine new positions to its team— one Manager, five Customer Service Agents, one Store Team Lead, one additional Shipper/Receiver, and a Finance Officer. The NULC started to fill some of these positions in 2020-21, but will wait until closer to the store’s opening in 2021-22 to hire others, including the Store Lead and the Customer Service Agents.

Inuit Employment

The NULC is committed to increasing Inuit employment.

As of March 31, 2021, the NULC’s team included 24 Nunavut Inuit, 86% of the Commission’s 28 active employees at year end (including casual and relief employees). The NULC currently has several competitions underway to staff existing positions, mostly restricted to Nunavut Inuit. The NULC is open to exploring other mechanisms for hiring and promoting Inuit. The NULC will continue to actively recruit Inuit onto the team as they staff the newly created positions for the Rankin Inlet store.

Interested in working for
the NULC?

Visit
www.gov.nu.ca/public-jobs

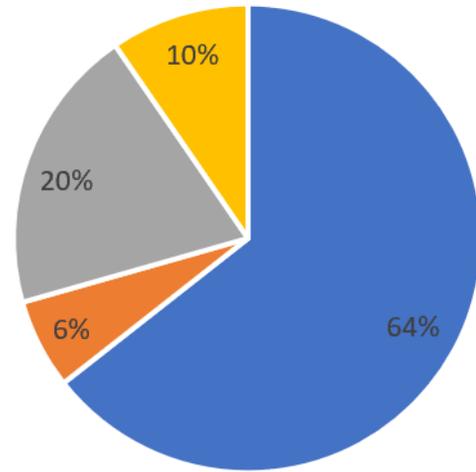
Liquor Sales and Results

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

In total, the NULC collected revenues of \$16.9 million in 2020-21. This includes sales of liquor and cannabis and various associated items but does not include revenues from cannabis mark-ups, shipping charges or other revenues.

Year	Sales Revenue	% Growth
2020-21	\$16,926,243	5.8%
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%

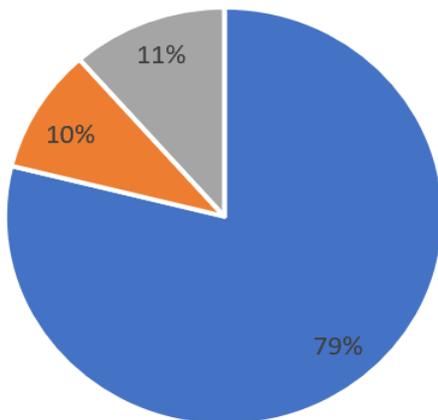
Figure 2
Liquor Revenues by Product Category
 2020-21



■ Beer ■ Coolers and Cider ■ Wine ■ Spirits

Figure 3
Liquor Revenues by Sales Channel
 2020-21

The Iqaluit Store generated 79% of NULC sales revenues in 2020-21. The remainder was split evenly between licensees and community orders (including spirits sold to Iqaluit).



■ Iqaluit Store ■ Licensees ■ Community Orders

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 programs and services. In three years the NULC has transferred over \$11 million.

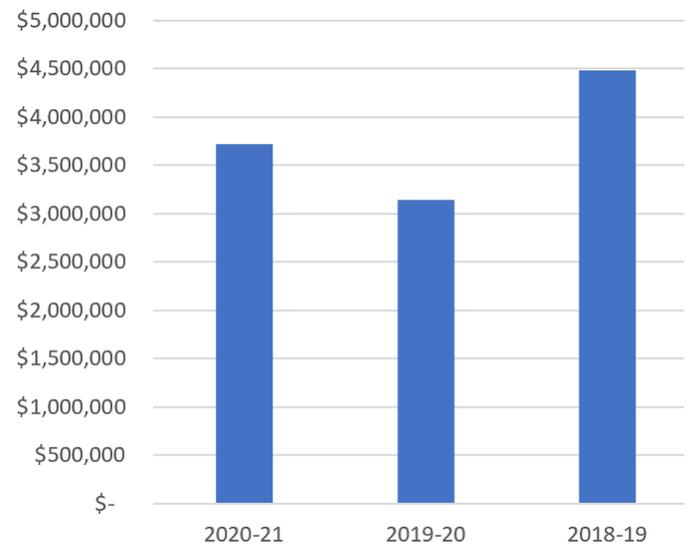




Table 2
Total Sales by Detailed Product Category and Sales Channel
 2020-21

'000s/\$'000s	Iqaluit NULC Store		Sales to Licensees		Community Orders		Total	
	L	\$	L	\$	L	\$	L	\$
BEER	1,167.1	8,970.3	131.5	1,013.7	57.2	445.4	1,355.8	10,429.4
Domestic	1,015.4	7,702.5	115.9	883.90	51.7	397.7	1,183.0	8,984.1
Imported	118.6	1,009.8	12.6	108.4	4.9	42.7	136.1	1,160.9
Local	33.1	258.0	3	21.4	0.6	5	36.7	284.4
COOLERS + CIDERS	92.6	894.5	7.8	73.9	3.5	34.8	103.9	1,003.2
WINE	132.4	2,909.1	5.8	123.5	9.2	175.4	147.4	3,208.0
Other—Domestic	2.6	71.7	0.0	0.6	0.1	1.5	2.7	73.8
Other—Import	9.1	256.7	0.3	8.7	0.3	7.7	9.7	273.1
Red—Domestic	16.0	323.4	0.9	17.0	5.1	91.4	22	431.8
Red—Import	61.0	1,263.4	2.1	41.5	1.1	20.7	64.2	1325.6
White—Domestic	16.2	346.1	0.7	16.1	2.2	44.4	19.1	406.6
White—Import	27.5	647.8	1.8	39.6	0.4	9.7	29.7	697.1
SPIRITS	-	-	7.3	351.1	26.0	1202.0	33.3	1,553.1
Bourbon	-	-	0.2	11.4	0.1	3.8	0.3	15.2
Cognac/Brandy	-	-	0.1	4.0	0.1	5.5	0.2	9.5
Gin	-	-	0.4	19.5	0.2	10.4	0.6	29.9
Liqueurs	-	-	2.3	104.1	1.00	44.3	3.3	148.4
Rum	-	-	1.4	66.0	4.3	193.3	5.7	259.3
Tequila	-	-	0.5	22.9	0.1	6.3	0.6	29.2
Vodka	-	-	1.4	65.2	8.7	399.6	10.1	464.8
Whiskey	-	-	1.0	58.0	11.5	538.8	12.5	596.8
TOTAL	1,392.1	12,773.9	152.4	1,562.2	95.9	1,857.6	1,640.4	16,193.7

Notes:

“Other” wines include roses, sparkling, champagnes, vermouths, ports and sherries

Totals may not add properly due to rounding

Beer

The NULC sold \$10.43 million in beer products last year.

As in past years, Canadian beer makes up the largest share of beer sold by the NULC. However, it's share is dropping as the NULC has started to carry a wider variety of products, from 94% in 2018-19 to 86% in 2020-21. Imports stole 3% of the market away from domestic beers from last year, while locally brewed beer (NuBrew) remained steady at 3%. Nubrew is able to sell their beer to customers in their taproom and directly to licensed establishments so their full sales are not captured in the NULC's sales figures.

Figure 5

Beer Sales by Category (\$)

2020-21

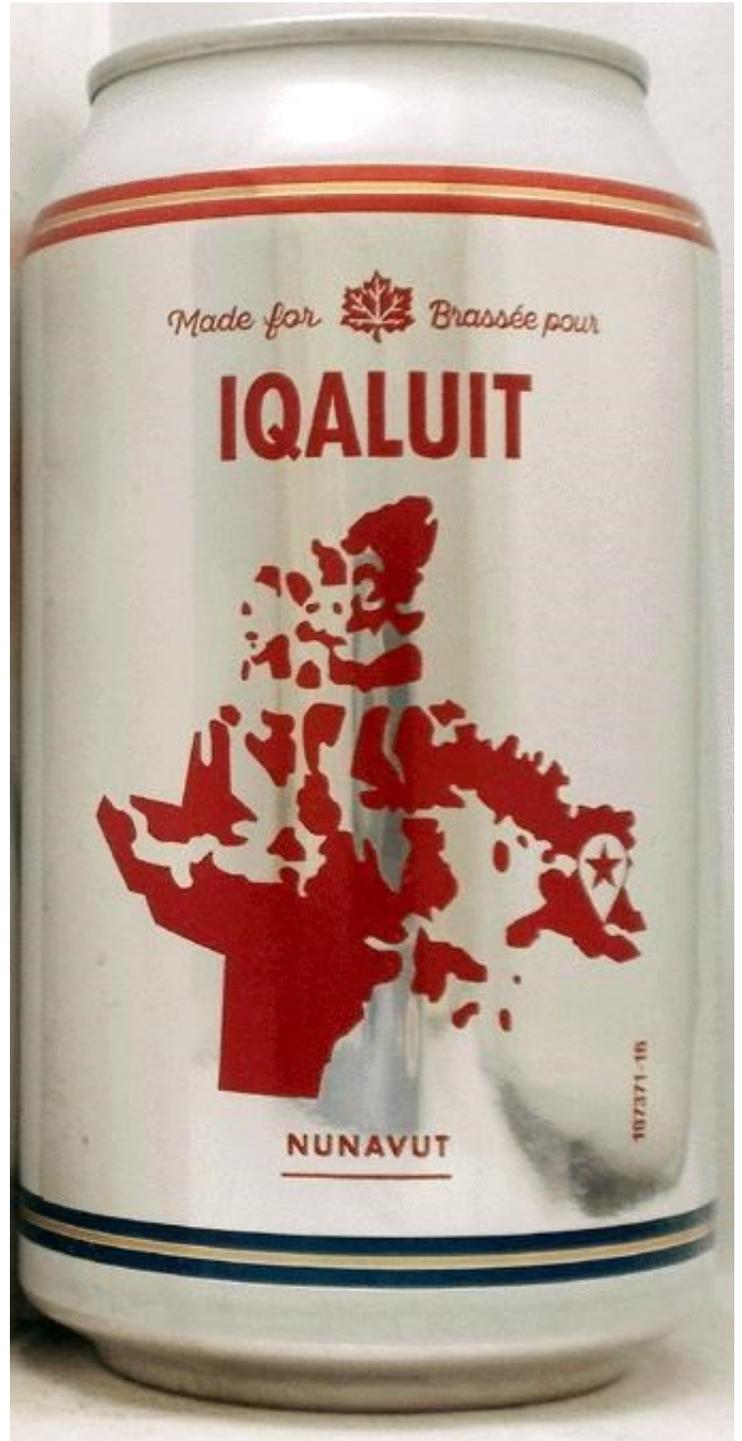
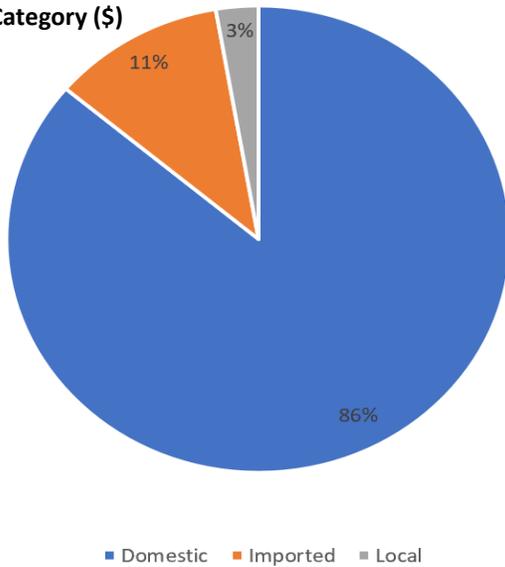


Table 3

Top 5 Beer Products

2020-21; units (cans and bottles)

Product	Quantity Sold	% of Total
Budweiser	1,148,994	32%
Molson Dry	793,180	22%
Molson Canadian	377,119	11%
Labatt Blue	111,214	3%
Stella Artois	106,002	3%

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 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.

Due to the costs 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 slightly less than 10% of the NULC's revenue in 2020-21. These sales are heavily weighted on whisky (45%), Vodka (33%) and rum (16%). The NULC sold smaller amounts of liqueurs, tequila, gin, cognac, brandy, and bourbon.

Wine

The NULC's customers prefer imported red wines (41% of total sales) and imported white wines (22%) over domestic red (13%) and domestic white (13%).

After a decline last year, sales of wine increased by about 15% (by volume) in 2020-21. It is likely that some of this increase was driven by COVID-19 related closures of licensed establishments which diverted more traffic to our Iqaluit store.



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 standard drinks sold by the Commission is up 5.3% over the previous year. However, this is mostly driven by an increase in low-alcohol content beverages— a 51% increase in coolers/ciders, 13% increase in wine, 3% increase in beer. The number of standard drinks of hard alcohol sold *decreased* by 4%.

Ciders and Coolers

Ciders and coolers account for only 6.3% of total liters sold by the NULC even though the category grew by 51% 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 two 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).

In December 2020, the NULC made small adjustments to the pricing structure to better reflect our warehousing costs and to cover increased expenses related to opening a Rankin Inlet store. 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.

Table 4		Mark-up and Fee Structure (\$ / L)		
NULC Pricing as of		+ Mark-up	+ WH*	= Total
December 2020				
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 18 L in capacity)	1.38	0.90	2.28
	Draught (containers below 18 L in Capacity)	2.26	1.00	3.16
Coolers				
	<= 7%	3.58	0.90	4.48
	> 7%	3.87	0.90	4.77
Spirits				
	<= 30%	26.68	0.90	27.58
	> 30%	31.08	0.90	31.98
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.

Rankin Inlet Store

In 2017, residents of Rankin Inlet, with the support of their Hamlet Council, asked the GN to consider opening a retail store in their community. To gauge interest, the GN held a community town hall meeting in April that year and, afterwards, a non-binding plebiscite asking voters whether they would support the opening of a store in their community to sell low alcohol content beverages. Most voters (75%) responded in favour of opening a store.

The Iqaluit store opened in September that year as a 3-year pilot project. The GN and NULC chose not to open a second store while the Iqaluit location was still a pilot project. In June 2020, the GN announced the Iqaluit store would remain open beyond the three-year project. With that decision, the NULC received approval to move forward with plans to open a new store in Rankin Inlet.

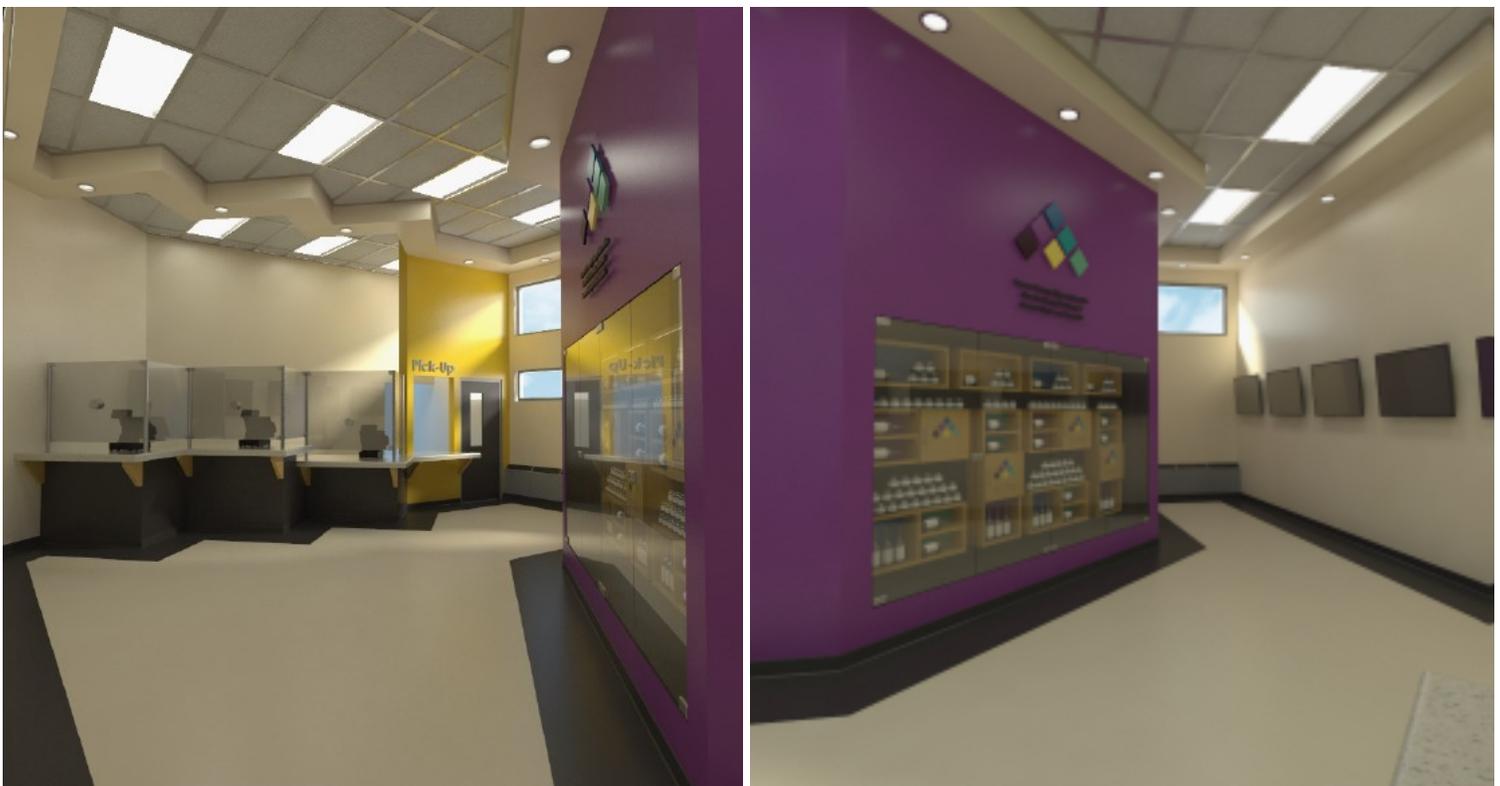
Early steps included acquiring new warehouse space and seeking zoning approvals through the Municipality. The COVID pandemic—and particularly the outbreak in Rankin Inlet and other communities in the Kivalliq in Fall 2020—delayed some aspects of planning and design. Despite this, the NULC designed the store and competitively tendered a construction contract in early 2021. The successful proponent is a local firm.

The store is currently in construction and slated to open in late 2021. The NULC has begun to staff the nine new positions needed to open the store, though will hire most of the new team closer to when the store is ready to open in 2021-22.

Cambridge Bay Store

In 2017, Cambridge Bay residents voted strongly (83% yes) in support of opening a similar store in Cambridge Bay. 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. A Cambridge Bay store presents new challenges because, unlike Iqaluit and Rankin Inlet, the NULC does not currently have staff, warehouses, or offices in the community. Because of the community's smaller population, the NULC will explore other operating models to ensure a store in Cambridge Bay is viable.

Figure 6: Rendering of the Planned Rankin Inlet Store



Examples of Socially Responsible Messaging

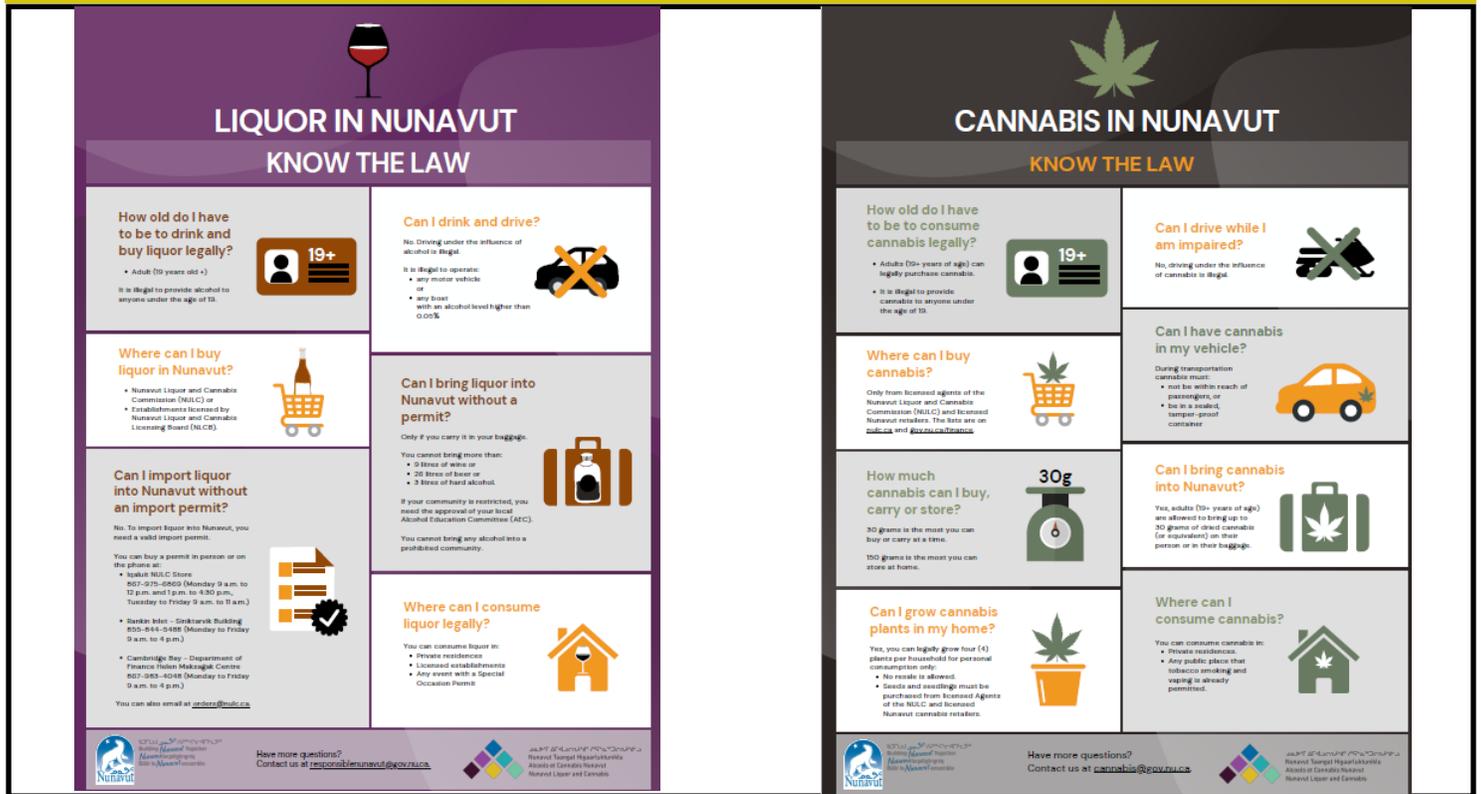


Figure 8
Responsible Messaging Samples—Posters co-created by the NULC and the Department of Finance

Engagement - Social Media - The NULC created its own Facebook page this year to better engage with the public and to distribute its messaging more directly to the public.

“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 8,000 pre-paid 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. This remains our largest single campaign annually.

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 of government departments who promote the socially responsible use of alcohol. The NULC will work with the Department of Finance to role this support out in 2021-22. If successful and well-received, the NULC may consider increasing or expanding available support.

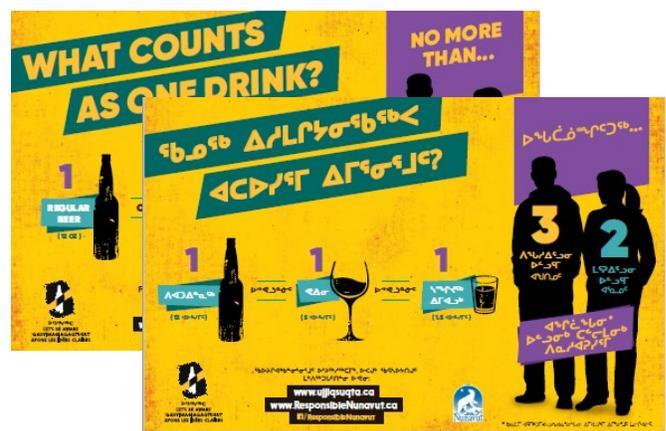


Figure 9: Standard drink messaging

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, 2021 are attached.

NUNAVUT LIQUOR AND CANNABIS COMMISSION

Rankin Inlet, NU

FINANCIAL STATEMENTS

For the Year Ended March 31, 2021

NUNAVUT LIQUOR AND CANNABIS COMMISSION

FINANCIAL STATEMENTS

March 31, 2021

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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.

Daniel Carlson
Deputy Minister
Department of Finance

Daniel Young
Director, NULC

September 9, 2021

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
September 9, 2021

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

Chartered Professional Accountants

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF FINANCIAL POSITION

	2021	2020
Financial Assets		
Cash	\$ 6,250	\$ 6,250
GST and other receivables	85,998	71,106
Inventories (note 3)	3,564,273	2,510,699
	3,656,521	2,588,055
Liabilities		
Accounts payable and accrued liabilities	415,691	251,927
Employee future benefits (note 4)	289,057	235,715
Bottle deposit outstanding	17,680	25,293
Deferred revenue	-	513
Due to Government of Nunavut	4,512,244	3,716,238
	5,234,672	4,229,686
Net Financial Debt	(1,578,151)	(1,641,631)
Non-Financial Assets		
Prepaid expenses	12,100	20,324
Tangible capital assets (note 5)	1,566,051	1,621,307
	1,578,151	1,641,631
Accumulated Surplus	\$ -	\$ -

Commitments (note 6)

Daniel Young
Director, NULC

Daniel Carlson
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,	2021	2020
Sales - Liquor	\$ 16,926,243	\$ 15,903,502
Sales - Cannabis	-	97,854
	16,926,243	16,001,356
Cost of Sales	8,039,128	7,595,667
Gross Margin	8,887,115	8,405,689
Other Income		
Customer shipping charged	477,588	387,479
Other income	59,458	30,356
Cannabis Markups	16,952	-
	9,441,113	8,823,524
Expenses		
Salaries and benefits	3,054,163	2,707,824
Rent	838,261	546,004
Customer shipping paid	454,581	383,862
Office	304,789	301,669
Amortization	235,620	312,699
Bank charges and interest	231,515	200,911
Bottle deposits refund	223,708	318,151
Property taxes and utilities	157,535	159,364
Repairs and maintenance	109,927	125,288
Social responsibility	84,407	549,315
Professional fees	22,853	41,600
Travel	9,860	33,544
Communication	7,097	4,664
Loss on Sale (Disposal)	2,687	-
	5,737,003	5,684,895
Net Surplus from Operations	\$ 3,704,110	\$ 3,138,629

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,	2021	2020
Net surplus for the year	\$ 3,704,110	\$ 3,138,629
Amortization of tangible capital assets	235,620	312,699
Disposal (acquisition) of tangible capital assets	(180,364)	(51,241)
Prepaid expenses	8,224	(16,330)
Transfer of net surplus for the year to the Government of Nunavut	(3,704,110)	(3,138,629)
	(3,640,630)	(2,893,501)
Decrease in net financial debt	63,480	245,128
Net financial debt, beginning of year	(1,641,631)	(1,886,759)
Net financial debt, end of year	\$(1,578,151)	\$(1,641,631)

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,	2021	2020
Balance, beginning of year	\$ 3,716,238	\$ 4,359,047
Net surplus for the year	3,704,110	3,138,629
Net transfer of funds from (to) the Government of Nunavut	(2,908,104)	(3,781,438)
	<hr/>	<hr/>
	\$ 4,512,244	\$ 3,716,238

NUNAVUT LIQUOR AND CANNABIS COMMISSION

STATEMENT OF CASH FLOWS

For the year ended,	2021	2020
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 17,464,836	\$ 16,391,873
Cash paid to suppliers and employees	(14,376,368)	(12,559,694)
Cash transferred from (to) the Government of Nunavut (Net)	(2,908,104)	(3,781,438)
Cash Provided by Operating Activities	180,364	50,741
Purchase of tangible capital assets	(180,364)	(51,241)
Cash Used in Investing Activities	(180,364)	(51,241)
Net Increase / (Decrease) in Cash	-	(500)
Cash, beginning of year	6,250	6,750
Cash, end of year	\$ 6,250	\$ 6,250

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, 2021

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 - 2020) to finance its operations. The NULC did not request any working capital advances for the 2020 - 2021 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, 2021

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, 2021

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 2021 (1.00 times for the calendar year of 2020). 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, 2021

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

	2021	2020
Spirits	\$ 808,945	\$ 658,926
Wine	1,099,057	1,171,802
Beer	1,504,328	640,543
Coolers and ciders	151,943	39,428
	<u>\$ 3,564,273</u>	<u>\$ 2,510,699</u>

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2021

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, 2021 severance and removal costs total \$92,254, (\$91,561 - 2020).

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:

	2021	2020
Employer's contributions	\$ 178,577	\$ 164,920
Employees' contributions	\$ 177,576	\$ 163,467

5. Tangible Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 37,385	\$ 31,314	\$ 6,071	\$ 8,672
Computer software	200,023	200,023	-	-
Construction in progress	147,436	-	147,436	-
Furniture and equipment	470,761	275,911	194,850	206,183
Leasehold improvements	1,865,180	652,713	1,212,467	1,398,985
Vehicles	36,587	31,360	5,227	7,467
	\$ 2,757,372	\$ 1,191,321	\$ 1,566,051	\$ 1,621,307

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2021

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, 2020, expiring April 1, 2021, 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. 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 October 1, 2020 and expiring Septemeber 30, 2021 at an annual rate of \$199,260. 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
2022	\$ 858,342
2023	532,282
2024	312,714
2025	268,800
2026	78,400
	\$ 2,050,538

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:

	2021	2020
Government of Nunavut:		
Communications	\$ 3,991	\$ 2,998
Office	43,450	129,726
Rent (note 6)	120,000	120,000
Repairs and maintenance	53,666	46,341
Property taxes	41,872	40,649
Qulliq Energy Corporation		
Utilities (electricity)	30,565	27,488
	\$ 293,544	\$ 367,202

NUNAVUT LIQUOR AND CANNABIS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2021

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 - 2020) to finance its operations. The NULC did not request any working capital advance for the 2020-21 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.

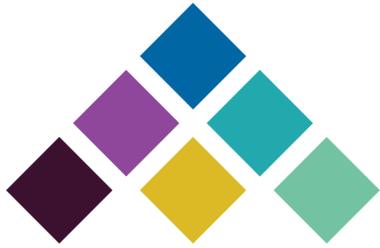
Liquidity Risk - Liquidity risk is the risk that the NULC will not be able to meet its financial obligations as they fall due. The NULC is not exposed to liquidity risk.

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.

10. Comparative Figures

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



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Nunavut Taangat Higaarluktuniklu
Alcools et Cannabis Nunavut
Nunavut Liquor and Cannabis

