

YUKON LIQUOR CORPORATION
FINANCIAL STATEMENTS
March 31, 2022
(audited)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation contained in this annual report. The financial statements are prepared in accordance with International Financial Reporting Standards, and include amounts based on management's best estimates as determined through experience and judgement. Other financial information included in the annual report is consistent with these financial statements.

These financial statements have been independently audited by the Corporation's external auditor, the Auditor General of Canada, and the audit report is included in this report.



Dennis Berry
President



Luzelle Nagel
Chief Financial Officer

June 30, 2022



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Yukon Liquor Corporation (the Corporation), which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion on the Financial Performance

In our opinion, except for the possible effects on the comparative information of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying statement of comprehensive income presents fairly, in all material respects, the financial performance of the Corporation for the year ended 31 March 2022 in accordance with International Financial Reporting Standards (IFRSs).

Opinion on the Financial Position and Cash Flows

In our opinion, the accompanying statements of financial position and cash flows present fairly, in all material respects, the financial position of the Corporation as at 31 March 2022 and its cash flows for the year then ended in accordance with IFRSs.

Basis for Opinions, Including Basis for Qualified Opinion on the Financial Performance

On 11 March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). As a result, measures were put in place that impacted our ability to observe the counting of physical inventories as at 31 March 2020. We were also unable to satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the financial performance, we were unable to determine whether any adjustments might have been necessary in respect of the cost of goods sold reported in the statement of comprehensive income for the year ended 31 March 2021. Our audit opinion on the financial statements for the year ended 31 March 2021 was modified accordingly because of the possible effects of this limitation in scope. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the comparative information.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the

financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the financial position and cash flows and our qualified opinion on the financial performance.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's 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 auditor's 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Corporation 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.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Yukon Liquor Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Financial Administration Act* of Yukon and regulations, the *Liquor Act* and regulations, the *Liquor Tax Act* and regulations, the *Cannabis Control and Regulation Act* and regulations, and the by-laws of the Yukon Liquor Corporation.

In our opinion, the transactions of the Yukon Liquor Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Liquor Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of

the preceding year. In addition, in our opinion, proper books of account have been kept by the Yukon Liquor Corporation and the financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Yukon Liquor Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Yukon Liquor Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



David Irving, CPA, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
30 June 2022

YUKON LIQUOR CORPORATION
Statement of Financial Position
As at March 31

	2022	2021
	(in thousands of Canadian dollars)	
ASSETS		
CURRENT		
Cash	\$ 2,343	\$ 1,882
Accounts receivable	198	120
Inventories (Note 5)	4,149	3,546
Prepaid expenses	-	27
	<hr/>	<hr/>
	6,690	5,575
Property and equipment (Note 6)	1,626	2,022
Intangible assets (Note 7)	83	126
Right-of-use assets (Note 17)	657	967
	<hr/>	<hr/>
TOTAL ASSETS	\$ 9,056	\$ 8,690
LIABILITIES AND EQUITY		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 2,016	\$ 1,424
Deferred revenue	43	106
Due to the Government of Yukon (Note 9)	2,229	1,750
Current portion of lease liabilities (Note 17)	315	309
Deferred government grant (Note 16)	96	133
	<hr/>	<hr/>
	4,699	3,722
Non-pension benefit liability (Note 10)	1,801	1,657
Lease liabilities (Note 17)	360	675
	<hr/>	<hr/>
TOTAL LIABILITIES	6,860	6,054
Equity (Note 11)	2,196	2,636
	<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY	\$ 9,056	\$ 8,690

Commitments (Note 18)

APPROVED FOR ISSUE ON JUNE 30, 2022



President



Chief Financial Officer

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

YUKON LIQUOR CORPORATION
Statement of Comprehensive Income
For the year ended March 31

	2022	2021
	(in thousands of Canadian dollars)	
Revenue (Note 14)	\$ 48,959	\$ 47,650
Cost of goods sold (Note 15)	29,497	28,183
GROSS PROFIT	19,462	19,467
OTHER INCOME		
Fees, permits and licenses	129	88
Miscellaneous	51	55
Government grant	36	49
	216	192
EXPENSES		
Salaries, wages and benefits	7,987	8,009
Rent, utilities and maintenance	1,040	847
Bank charges	598	585
Professional services	572	741
Depreciation of property and equipment	348	333
Depreciation of right-of-use assets	310	310
Travel and communications	176	207
Other	111	135
Computer systems	93	69
General and office supplies	70	82
Loss on disposal of property and equipment	48	-
Amortization of intangible assets	43	82
Interest on lease liabilities	17	24
	11,413	11,424
INCOME FROM OPERATIONS	8,265	8,235
OTHER COMPREHENSIVE INCOME, NOT TO BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME		
Actuarial gain (loss) (Note 10)	116	(102)
COMPREHENSIVE INCOME	\$ 8,381	\$ 8,133

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

YUKON LIQUOR CORPORATION
Statement of Changes in Equity
For the year ended March 31

	2022	2021
	(in thousands of Canadian dollars)	
EQUITY - BEGINNING OF YEAR	\$ 2,636	\$ 2,695
Net income before other comprehensive income	8,265	8,235
Other comprehensive income	116	(102)
Profit to be remitted to the Government of Yukon (<i>Note 11</i>)	(8,821)	(8,192)
EQUITY - END OF YEAR	\$ 2,196	\$ 2,636

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

YUKON LIQUOR CORPORATION
Statement of Cash Flows
For the year ended March 31

	2022	2021
	(in thousands of Canadian dollars)	
OPERATING ACTIVITIES		
Cash receipts:		
Sales	\$ 48,879	\$ 47,588
Fees, permits and licenses and miscellaneous	117	143
Cash disbursements:		
Purchases of inventories	(29,523)	(29,861)
Salaries, wages and benefits	(7,723)	(8,085)
General and administrative expenses	(2,620)	(2,661)
Cash flow from operating activities	<u>9,130</u>	<u>7,124</u>
INVESTING ACTIVITIES		
Purchase of property and equipment and intangible assets	-	(364)
Cash flow used by investing activities	<u>-</u>	<u>(364)</u>
FINANCING ACTIVITIES		
Remittance of profit to the Government of Yukon	(8,343)	(8,173)
Payment of lease liabilities	(309)	(326)
Interest paid on lease liabilities	(17)	(24)
Cash flow used by financing activities	<u>(8,669)</u>	<u>(8,523)</u>
INCREASE (DECREASE) IN CASH	461	(1,763)
Cash - beginning of year	<u>1,882</u>	<u>3,645</u>
CASH - END OF YEAR*	\$ 2,343	\$ 1,882

*Cash, end of year is comprised of bank account balances maintained for liquor and for cannabis operations with end of year balances (in thousands of Canadian dollars) of \$1,787 (2021 - \$1,295) and \$556 (2021 - \$587) respectively.

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

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

1. Authority and operations

Yukon Liquor Corporation (the Corporation) was established in 1977 under the *Liquor Act* by the Government of Yukon in Canada. It is not a "corporation" under the *Business Corporations Act*, but a government entity and is significantly influenced by the Government of Yukon. As a government entity, the Corporation is exempt from income taxes under Section 149(1)(d) of the Canadian *Income Tax Act*.

The Corporation's registered office is 9031 Quartz Road, Whitehorse, Yukon, Canada Y1A 4P9.

Liquor Fund

The Corporation is responsible for the purchase, distribution and sale of liquor within Yukon, controlling the sale of liquor through licensed outlets and enforcing all matters related to the *Liquor Act*. The Corporation operates a central warehouse and distribution centre in Whitehorse and six liquor stores. The rural liquor stores also provide specific government services on behalf of the Government of Yukon.

In accordance with the *Liquor Act*, the profit from liquor operations for the year, before depreciation and amortization, less amounts expended on property and equipment, and on intangible assets, is remitted to the Government of Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of Yukon and to remit these taxes on a monthly basis. The current rate is 12% (2021 - 12%) and is applied to selling prices of all liquor products.

In accordance with the provisions of the Beverage Container Regulations under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Government of Yukon on a monthly basis.

Cannabis Fund

The Corporation is responsible for the purchase, distribution and sale of cannabis within Yukon through licensees. The *Cannabis Control and Regulation Act* received assent on April 24, 2018 and governs the distribution, retail, consumption, personal cultivation and possession of non-medical cannabis in Yukon. Through Order-in-Council 2018/107, the Corporation is designated as the distributor corporation, to act as the principal supplier of cannabis for sale in Yukon.

In accordance with the *Cannabis Control and Regulation Act*, the profit from cannabis operations for the year, before depreciation and amortization, less amounts expended on property and equipment, and on intangible assets, is remitted to the Government of Yukon.

2. Basis of presentation

These financial statements have been prepared on a historical cost basis, in accordance with International Financial Reporting Standards (IFRSs). The statements are presented in Canadian dollars and are rounded to the nearest thousand (\$000) where indicated.

3. Significant accounting policies

The significant accounting policies summarized below have been applied to all periods presented in these financial statements.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

3. Significant accounting policies (*continued*)

(a) Use of estimates

The preparation of financial statements in accordance with IFRSs requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used when accounting for matters such as depreciation based on management's estimate of the useful lives of property and equipment, and the non-pension benefit liability based on the actuarial valuation. Actual results could differ materially from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(b) Financial instruments

Financial assets

The Corporation's financial assets include cash and accounts receivable and are initially measured at fair value.

After initial recognition, cash is measured at amortized cost and accounts receivable are measured at amortized cost using the effective interest method, less a provision for impairment when applicable. Accounts receivable are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. For accounts receivable, the Corporation applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables. The accounts receivable carrying amount is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income.

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or when the asset and all substantial risks and rewards are transferred.

Financial liabilities

The Corporation's financial liabilities include accounts payable and accrued liabilities, and due to the Government of Yukon and are initially measured at fair value.

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

The Corporation's financial liabilities includes lease liabilities, see note 3 (j) for measurement.

(c) Inventories

Inventories are comprised of alcoholic beverages and cannabis for resale and are valued at the lower of cost and net realizable value. Inventory costs are determined on a first-in, first-out basis. Cost is comprised of supplier-invoiced value and freight. Net realizable value represents the estimated selling price for inventories less the cost to sell.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

3. Significant accounting policies (*continued*)

(d) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Land	Indefinite
Buildings	20 years
Leasehold improvements	5 years
Furniture and office equipment	5 years
Operating equipment	5 years
Heavy equipment	15 years
Systems equipment	5 years

The assets' residual values, estimated useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the statement of comprehensive income.

Assets are assessed for indications of impairment at each reporting date. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units), which are based on the Corporation's individual stores.

At each reporting date, assets are assessed for indications that prior impairment losses should be reversed. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. This reversal would be recognized immediately in the statement of comprehensive income.

(e) Intangible assets

Intangible assets are comprised of purchased software and internally developed software systems. They are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives of 3 to 5 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use. Gains or losses from de-recognition on an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the statement of comprehensive income.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

3. Significant accounting policies (*continued*)

(f) Employee benefits

Pension benefits

Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

Non-pension benefits

Under their conditions of employment, employees may qualify for and earn employment benefits for vacation, sick, and special leave, as well as severance benefits. The benefit obligation is determined on an actuarial basis. The cost of these benefits are accrued as employees render the services required to earn them and are calculated using the projected benefit method prorated on service. Actuarial gains and losses are recognized immediately in other comprehensive income. Other retirement benefits include extended health care and life insurance for retirees, which are paid by the Government of Yukon and not accrued for or expensed by the Corporation.

(g) Revenue recognition

Revenue is generated from sales to customers through wholesale and retail stores for liquor products as well as through retail stores and e-commerce for cannabis products. Revenue is recognized when the customer obtains control of the asset which is when the Corporation's performance obligations are satisfied. For retail transactions, this is at the point of sale and for wholesale transactions, this is at the time of shipment. Revenue does not include beverage container recycling fees which are remitted to the Government of Yukon in accordance with the Beverage Container Regulations. Revenue also excludes liquor tax which is remitted to the Government of Yukon in accordance with the *Liquor Tax Act*.

Licence revenue is initially recognized as deferred revenue and recognized to revenue over the term of the related licence.

Sales of liquor and cannabis products include a right of return. A refund liability is recognized if it is expected that consideration will be refunded to customers. This liability is updated at the end of each reporting period for changes in circumstances. Revenue is stated net of estimated returns. Historically, the return rate for products sold is nominal.

(h) Government grants

Government grants received from the Government of Yukon are recognized in the period in which the funding is committed by the Government of Yukon and when the terms and eligibility of the expenses have been met.

Grants received related to operating expenditures are recognized in the statement of comprehensive income.

Grants received for the purpose of acquiring property and equipment or intangible assets are recognized initially as deferred government grant. Deferred government grant is then recognized in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

3. Significant accounting policies (*continued*)

(i) Expense recognition

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

(j) Leases

For any new contracts entered into, the Corporation considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Corporation assesses whether the contract meets three key evaluations which are whether:

- (a) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;
- (b) the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- (c) the Corporation has the right to direct the use of the identified asset throughout the period of use. The Corporation assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

At lease commencement date, the Corporation recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Corporation's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets and lease liabilities have been disclosed separately.

The Corporation has elected to account for short-term leases (leases with an expected term of 12 months or less) and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

4. Financial instruments

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk and liquidity risk. The Corporation manages these risk exposures on an ongoing basis. The Corporation has no significant exposure to interest rate risk or foreign exchange risk. The Corporation is not party to any derivative financial instruments. The following analysis provides information about the Corporation's risk exposure and concentration as of March 31, 2022.

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. The carrying amount of cash and accounts receivable represents the maximum credit risk exposure. The risk on cash is minimized as these assets are held with a Canadian chartered bank. The Corporation's accounts receivable has a carrying value of \$197,620 as of March 31, 2022 (2021 - \$120,000). There is a 1.4% (2021 - 7%) concentration of accounts receivable with one customer.

The following table provides information about the exposure to credit risk for trade accounts receivable by days the receivable is outstanding:

	2022	2021
	(in thousands of Canadian dollars)	
Current	\$ 195	\$ 120
91 days or greater	3	-
Total trade accounts receivable	\$ 198	\$ 120

The Corporation measures the loss allowance at an amount equal to the lifetime Expected Credit Loss (ECL) for its accounts receivable. For the years ended March 31, 2022 and 2021, the Corporation has estimated the ECL to be nominal. Accounts written off could still be subject to enforcement activities. No accounts are written off directly to the provision for credit losses. As at March 31, 2022 and 2021, the loss allowance was nil.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's objective is to have sufficient liquidity to meet these liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements by regularly checking bank balances and accounts payable reports. The carrying amount of accounts payable and accrued liabilities and due to the Government of Yukon represents the maximum exposure to liquidity risk.

The Corporation's accounts payable and accrued liabilities had a carrying value of \$2,016,000 as at March 31, 2022 (2021 - \$1,424,000). As at March 31, 2022, approximately 2.35% (2021 - 1.74%) of accounts payable were over 90 days past due. Due to the Government of Yukon had a carrying value of \$2,229,000 as of March 31, 2022 (2021 - \$1,750,000). As at March 31, 2022 approximately 1% (2021 - 1%) of due to the Government of Yukon were over 90 days past due.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant other price risks arising from these financial instruments.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

5. Inventories

	2022 (in thousands of Canadian dollars)	2021 (in thousands of Canadian dollars)
Liquor		
Beer	\$ 1,082	\$ 1,047
Spirits	1,329	1,318
Wine	925	820
	<u>3,336</u>	<u>3,185</u>
Cannabis		
Dried	537	278
Extracts	186	62
Edibles and other	90	21
	<u>813</u>	<u>361</u>
Total inventories	<u>\$ 4,149</u>	<u>\$ 3,546</u>

6. Property and equipment

	Cost	Accumulated depreciation	2022 Net book value (in thousands of Canadian dollars)	2021 Net book value (in thousands of Canadian dollars)
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	5,356	4,705	651	745
Leasehold improvements	381	370	11	13
Furniture and office equipment	970	813	157	288
Operating equipment	412	266	146	159
Heavy equipment	589	270	319	422
Systems equipment	680	540	140	193
	<u>\$ 8,590</u>	<u>\$ 6,964</u>	<u>\$ 1,626</u>	<u>\$ 2,022</u>
Schedule 1				

7. Intangible assets

	2022 (in thousands of Canadian dollars)	2021 (in thousands of Canadian dollars)
Systems development cost	\$ 539	\$ 539
Systems development accumulated amortization	(456)	(413)
Web development cost	-	67
Web development accumulated amortization	-	(67)
	<u>\$ 83</u>	<u>\$ 126</u>

Internally generated assets with a cost of \$67,000 (2021 - \$nil) and net book value of \$ nil were disposed of during the year. Additions for the year amounted to \$nil (2021- \$26,000). Amortization for the year amounted to \$43,094 (2021 - \$81,745).

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

8. Accounts payable and accrued liabilities

	2022 (in thousands of Canadian dollars)	2021 (in thousands of Canadian dollars)
Trade payable	\$ 935	\$ 611
Accrued liabilities	886	634
Current portion of non-pension benefit liability (Note 10)	195	179
	\$ 2,016	\$ 1,424

9. Due to the Government of Yukon

	2022 (in thousands of Canadian dollars)	2021 (in thousands of Canadian dollars)
Reimbursement for costs paid on behalf of the Corporation	\$ 955	\$ 968
Remittances due to the Government of Yukon pursuant to:		
<i>Liquor Act</i> (Note 13)	493	221
<i>Cannabis Control and Regulation Act</i> (Note 13)	247	41
<i>Liquor Tax Act</i> (Note 13)	414	398
<i>Environment Act</i> - Beverage Container Regulations	120	122
	\$ 2,229	\$ 1,750

10. Employee benefits

Pension plan

Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was \$1.02 (2021 - \$1.01) for every dollar contributed by the employee, and \$5.91 (2021 - \$3.59) for every dollar contributed by the employee for the portion of the employee's salary above \$191,300 (2021 - \$181,600). For new employees who are participating in the plan on or after January 1, 2013, the Corporation contributes \$1.00 (2021 - \$1.00) for every dollar contributed by the employee, and \$5.91 (2021 - \$3.59) for every dollar contributed by the employee for the portion of the employee's salary above \$191,300 (2021 - \$181,600). Total contributions to the Plan of \$1,039,934 (2021 - \$1,047,378) were recognized in salaries, wages and benefits; of which \$514,460 (2021 - \$516,223) were contributed by employees and \$525,474 (2021 - \$531,155) by the employer.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

10. Employee benefits (continued)

Non-pension benefits

The Corporation provides non-pension benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Effective December 31, 2019 all current resignation and retirement severance accruals have been frozen for employees classified as Deputy Ministers and Managers; these employees are eligible to receive severance payouts based on service accrued up to December 31, 2019.

The discount rate used to determine the present value of the non-pension accrued benefit obligation is based on interest rates of high-quality corporate bonds of the same currency and with similar terms to maturity.

The following table summarizes non-pension benefits by type:

	2022	2021
	(in thousands of Canadian dollars)	(in thousands of Canadian dollars)
Severance benefit	\$ 944	\$ 839
Vacation and special leave	757	706
Sick leave	295	291
Accrued benefit obligation, end of year	<u>\$ 1,996</u>	<u>\$ 1,836</u>

The results measured at March 31 are summarized as follows:

	2022	2021
	(in thousands of Canadian dollars)	(in thousands of Canadian dollars)
<u>Reconciliation of accrued benefit obligation</u>		
Accrued benefit obligation, beginning of year	\$ 1,836	\$ 1,873
Components recognized in salaries, wages and benefits		
Current service cost	248	229
Past service cost	146	(191)
Interest cost on accrued benefit obligation	64	75
Actuarial (gain) loss recognized in other comprehensive income	(116)	102
Benefits paid	(182)	(252)
Accrued benefit obligation, end of year	<u>\$ 1,996</u>	<u>\$ 1,836</u>

	2022	2021
	(in thousands of Canadian dollars)	(in thousands of Canadian dollars)
<u>Classification of accrued benefit obligation</u>		
Current portion of non-pension benefit liability	\$ 195	\$ 179
Non-current portion	1,801	1,657
Total accrued benefit obligation	<u>\$ 1,996</u>	<u>\$ 1,836</u>

The reduction in the employee sick leave benefits liability over the next twelve months is expected to be \$26,000 (2021 – \$23,000).

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2022

10. Employee benefits (continued)

	2022	2021
	(in thousands of Canadian dollars)	
<u>Reconciliation of actuarial gains recognized in Other Comprehensive Income (OCI)</u>		
Cumulative actuarial gain recognized in OCI, beginning of year	\$ (7)	\$ (109)
Actuarial loss from member experiences	3	14
Actuarial (gain) loss from economic assumption changes	(119)	88
Cumulative actuarial gain recognized in OCI, end of year	<u>\$ (123)</u>	<u>\$ (7)</u>

The significant assumptions used in the actuarial valuation of the obligation were as follows:

	2022	2021
Discount rate	4.00%	3.20%
Salary escalation rate per annum	2.00%	2.00%

A quantitative sensitivity analysis as at March 31, 2022 shows the impact of the change in the significant actuarial assumptions on the non-pension benefit obligation:

	1% increase	1% decrease
	(in thousands of Canadian dollars)	
Discount rate	\$ (136)	\$ 152
Salary escalation rate per annum	183	(197)

The most recent full actuarial valuation in respect of the non-pension benefits plan was prepared as of March 31, 2020, and extrapolated to March 31, 2022. The weighted average of the maturity plan as at March 31, 2022 is 7.2 years.

11. Equity

The following table summarizes the composition of equity as at year-end:

	2022	2021
	(in thousands of Canadian dollars)	
Property and equipment	\$ 1,626	\$ 2,022
Intangible assets	83	126
Right-of-use assets	657	967
Lease liabilities	(675)	(984)
Section 12.3(b) adjustment (1)	505	505
Equity, end of year	<u>\$ 2,196</u>	<u>\$ 2,636</u>

(1) Under Section 12.3(b) of the *Cannabis Control and Regulation Act* remittance of profit to the Government of Yukon for the year ended March 31, 2019 was reduced.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

11. Equity (continued)

The change in equity is comprised of comprehensive income for the year less profit to be remitted to the Government of Yukon. In accordance with the *Liquor Act* and the *Cannabis Control and Regulation Act* the Corporation remits adjusted profits to the Government of Yukon. The calculation of the adjusted profit due to the Government of Yukon for the year is as follows:

	<i>Liquor Act</i>	<i>Cannabis Control and Regulation Act</i>	2022 Total
(in thousands of Canadian dollars)			
Comprehensive income for the year	\$ 7,925	\$ 456	\$ 8,381
Depreciation of property and equipment	314	34	348
Amortization of intangible assets	29	14	43
Loss on disposal of property and equipment	48	-	48
Depreciation of right-of-use assets	310	-	310
Principal repayments of lease liabilities	(309)	-	(309)
Current year's profit to be remitted	\$ 8,317	\$ 504	\$ 8,821

	<i>Liquor Act</i>	<i>Cannabis Control and Regulation Act</i>	2021 Total
(in thousands of Canadian dollars)			
Comprehensive income for the year	\$ 7,945	\$ 188	\$ 8,133
Depreciation of property and equipment	311	22	333
Amortization of intangible assets	45	37	82
Additions to property and equipment	(338)	-	(338)
Additions to intangible assets	(12)	(14)	(26)
Depreciation of right-of-use assets	310	-	310
Principal repayments of lease liabilities	(302)	-	(302)
Profit to be remitted for the year	\$ 7,959	\$ 233	\$ 8,192

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

12. Capital management

The Corporation manages its capital in order to purchase a range of liquor and cannabis products and make them available to consumers, and to regulate the sale and consumption of these products, while optimizing the net proceeds to the Government of Yukon realized from the sale and control of liquor and cannabis.

The Corporation defines capital as net assets. It is subject to the financial management and accountability provisions of the *Financial Administration Act* of Yukon, the *Corporate Governance Act*, the *Liquor Act*, and the *Cannabis Control and Regulation Act*, which specifies that net assets of the Corporation are the property of the Government of Yukon.

The Corporation manages its net assets through its five year capital plan and as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings to ensure that its objectives are achieved effectively. The five year capital plan and revenue projections are approved annually by the Management Board of the Government of Yukon. The Corporation is required to provide regular variance reporting to the Government of Yukon.

The Corporation is not subject to external capital requirements. There has been no change to its capital management during the year.

13. Related party balances and transactions

The Corporation is related to all departments and public agencies of the Government of Yukon. The Corporation enters into transactions with these entities in the normal course of business.

Amount due to Government of Yukon pursuant to the Liquor Act

	2022	2021
	(in thousands of Canadian dollars)	
Current year's profit to be remitted (Note 11)	\$ 8,317	\$ 7,959
Balance due to (from) at the beginning of the year	221	(84)
Less: remitted during the year	(8,045)	(7,654)
Due to the Government of Yukon at the end of the year	<u>\$ 493</u>	<u>\$ 221</u>

Amount due to the Government of Yukon pursuant to the Cannabis Control and Regulation Act

	2022	2021
	(in thousands of Canadian dollars)	
Current year's profit to be remitted (Note 11)	\$ 504	\$ 233
Balance at the beginning of the year	41	327
Less: remitted during the year	(298)	(519)
Due to the Government of Yukon at the end of the year	<u>\$ 247</u>	<u>\$ 41</u>

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2022

13. Related party balances and transactions (continued)

Amount due the Government of Yukon pursuant to Liquor Tax Act

	2022	2021
	(in thousands of Canadian dollars)	(in thousands of Canadian dollars)
Balance due at the beginning of the year	\$ 398	\$ 403
Liquor tax collected during the year	5,018	4,979
Less: remitted during the year	(5,002)	(4,984)
Due to the Government of Yukon at the end of the year	\$ 414	\$ 398

Transactions with the Government of Yukon without compensation

The Government of Yukon and the Corporation provide services to each other without compensation. These transactions are not recorded in the financial statements of the Corporation. The Government of Yukon provides rent-free occupation of certain government buildings to the Corporation with an estimated value of \$816,000 (2021 - \$816,000). The Government of Yukon also provides mail services with an estimated value of \$28,094 (2021 - \$28,231). The Corporation provides Territorial Agent services in rural community liquor stores on behalf of the Government of Yukon with an estimated value of \$525,000 (2021 - \$513,000).

The Corporation reimburses the Government of Yukon on a monthly basis for salaries and benefits expense paid on its behalf and administered by the Government of Yukon.

Agreements with the Government of Yukon

The Corporation has lease agreements for the Haines Junction and Mayo community liquor stores and service level agreements for the three owned community liquor stores. During the year the payments totalled \$267,000 (2021 - \$261,000) to the Government of Yukon.

The Government of Yukon provides certain property management services to the Corporation. During the year the Corporation was charged \$102,000 (2021 - \$57,000) for work done on its properties.

The Corporation has service agreements with the Government of Yukon for the provision of information, communication and technology services. During the year the Corporation was charged \$206,000 (2021 - \$287,000) for these services.

The Corporation has service agreements with the Government of Yukon for the provision of human resources' services. During the year the Corporation was charged \$263,000 (2021 - \$263,000) for these services.

Key management compensation

The remuneration of key management personnel, which includes the members of the executive committee, recognized as an expense during the period was:

	2022	2021
	(in thousands of Canadian dollars)	(in thousands of Canadian dollars)
Salaries and short-term employee benefits	\$ 905	\$ 1,026
Post-employment benefits	156	159
Other long-term employee benefits	16	13

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

14. Revenue

	2022	2021
	(in thousands of Canadian dollars)	
Liquor		
Beer	\$ 16,756	\$ 16,553
Spirits	16,858	16,502
Wine	8,254	8,525
	41,868	41,580
Cannabis		
Dried	5,054	4,587
Extracts	1,465	1,174
Edibles and other	572	309
	7,091	6,070
Total revenue	\$ 48,959	\$ 47,650

15. Cost of goods sold

	2022	2021
	(in thousands of Canadian dollars)	
Liquor		
Beer	\$ 11,678	\$ 11,393
Spirits	8,121	7,764
Wine	4,210	4,375
	24,009	23,532
Cannabis		
Dried	3,911	3,512
Extracts	1,129	896
Edibles and other	448	243
	5,488	4,651
Total cost of goods sold	\$ 29,497	\$ 28,183

16. Deferred government grant

The Corporation received funding from the Government of Yukon during fiscal 2019 for capital expenditures related to cannabis operations.

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

17. Leases

The Corporation has leases that relate to the Whitehorse, Haines Junction and Mayo liquor stores with lease terms from 1 year up to 5 years. The Corporation does not have an option to purchase the buildings at the expiry of the lease periods. Subsequent to year-end, the Corporation entered into a new contract for a 1 year lease extension to its Mayo liquor store location. The Mayo lease agreement is a short-term lease and therefore no right-of-use asset and no lease liability are recognized.

Each lease generally imposes a restriction that, unless there is a contractual right for the Corporation to sublet the asset to another party, the right-of-use asset can only be used by the Corporation. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Corporation is prohibited from selling or pledging the underlying leased assets as security.

The table below describes the nature of the Corporation's leasing activities by type of right-of-use assets recognized on the statement of financial position:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Retail stores	2	0-2 years	1 year	1	0	0	0

	2022 (in thousands of Canadian dollars)	2021 (in thousands of Canadian dollars)
<u>Payments not included in the measurement of the lease liability</u>		
Short-term leases	\$ 68	\$ 68

	2022 (in thousands of Canadian dollars)	2021 (in thousands of Canadian dollars)
<u>Amounts recognized in the statement of comprehensive income</u>		
Interest paid on lease liabilities	\$ 17	\$ 24
Depreciation on right-of-use assets	310	310
	<u>\$ 327</u>	<u>\$ 334</u>

YUKON LIQUOR CORPORATION
Notes to Financial Statements
March 31, 2022

17. Leases (continued)

	2022	2021
	(in thousands of	Canadian dollars)
<u>Right-of-use assets by class of assets</u>		
Buildings - cost	\$ 1,549	\$ 1,549
Buildings - accumulated depreciation	(892)	(582)
Carrying amount	<u>\$ 657</u>	<u>\$ 967</u>
	2022	2021
	(in thousands of Canadian dollars)	
<u>Lease liabilities are presented in the statement of financial position</u>		
Current portion of lease liabilities	\$ 315	\$ 309
Long-term portion of lease liabilities	360	675
	<u>\$ 675</u>	<u>\$ 984</u>

The lease liabilities are secured by the related underlying assets.

Future minimum lease payments at March 31, 2022 were as follows:

	2022	2021
	(in thousands of Canadian dollars)	
<u>Minimum lease payments due</u>		
Less than 1 year		
Lease payments	\$ 326	\$ 326
1 to 5 years		
Lease payments	366	691

18. Commitments

In the normal course of operations, the Corporation enters into multi-year agreements for the provision of freight and other goods and services. The total of these commitments as at March 31, 2022 for future years is \$1,677,030 (March 31, 2021 - \$2,568,659).

YUKON LIQUOR CORPORATION

Notes to Financial Statements

March 31, 2022

19. Reclassification and comparative figures

In order to provide more relevant information about the Corporation's computer systems development and expenses the Corporation has reclassified assets from property and equipment to intangible assets in the statement of financial position and has presented computer systems expenses previously included in other expenses as a separate line item in the statement of comprehensive income. There is no impact on the statement of changes in equity or statement of cash flows.

The following table summarizes the impacts on the Corporation's financial statements.

	March 31, 2021 (Previously reported)	Increase / (Decrease)	March 31, 2021 (Reclassified)
	(in thousands of dollars)		
<u>Statement of Financial Position</u>			
Property and equipment	\$ 2,148	\$ (126)	\$ 2,022
Intangible assets	-	126	126
	<u>\$ 2,148</u>	<u>\$ -</u>	<u>\$ 2,148</u>
<u>Statement of Comprehensive Income</u>			
Other expenses	\$ 204	\$ (69)	\$ 135
Computer systems expenses	-	69	69
Depreciation of property and equipment	393	(60)	333
Amortization of intangible assets	22	60	82
	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 619</u>

YUKON LIQUOR CORPORATION
Schedule of Property and Equipment
For the Year Ended March 31, 2022

(Schedule 1)

	Land	Buildings	Leasehold improvements	Furniture and office equipment	Operating equipment	Heavy equipment	Systems equipment	2022 Total	2021 Total
	(in thousands of Canadian dollars)								
Cost, beginning of year	\$ 202	\$ 5,407	\$ 381	\$ 978	\$ 455	\$ 725	\$ 651	\$ 8,799	\$ 8,467
Acquisitions	-	-	-	-	-	-	-	-	338
Disposals	-	(1)	-	(8)	(84)	(95)	(21)	(209)	(7)
Transfers	-	(50)	-	-	41	(41)	50	-	-
Cost, end of year	\$ 202	\$ 5,356	\$ 381	\$ 970	\$ 412	\$ 589	\$ 680	\$ 8,590	\$ 8,798
Accumulated depreciation, beginning of year	-	4,662	368	690	296	303	458	6,777	6,450
Depreciation	-	51	2	123	49	38	85	348	333
Disposals	-	-	-	-	(83)	(67)	(11)	(161)	(7)
Transfers	-	(8)	-	-	4	(4)	8	-	-
Accumulated depreciation, end of year	\$ -	\$ 4,705	\$ 370	\$ 813	\$ 266	\$ 270	\$ 540	\$ 6,964	\$ 6,776
Net book value	\$ 202	\$ 651	\$ 11	\$ 157	\$ 146	\$ 319	\$ 140	\$ 1,626	\$ 2,022