2016 ANNUAL REPORT

ALBERTA LIQUOR STORE ASSOCIATION

The Alberta Liquor Store Association (ALSA) was formed in 1994, following privatization of the sector, to provide a unified voice for Alberta liquor stores and to represent the interests of all members.

ALSA is committed to equitable, fair and consistent representation for the liquor retailers of Alberta while working for the betterment of the industry and upholding the highest of social responsibility standards. With over 1300 liquor stores in the Province,
ALSA communicates and advocates the industry's interests to government officials and government agencies to gain their understanding of issues affecting our members.

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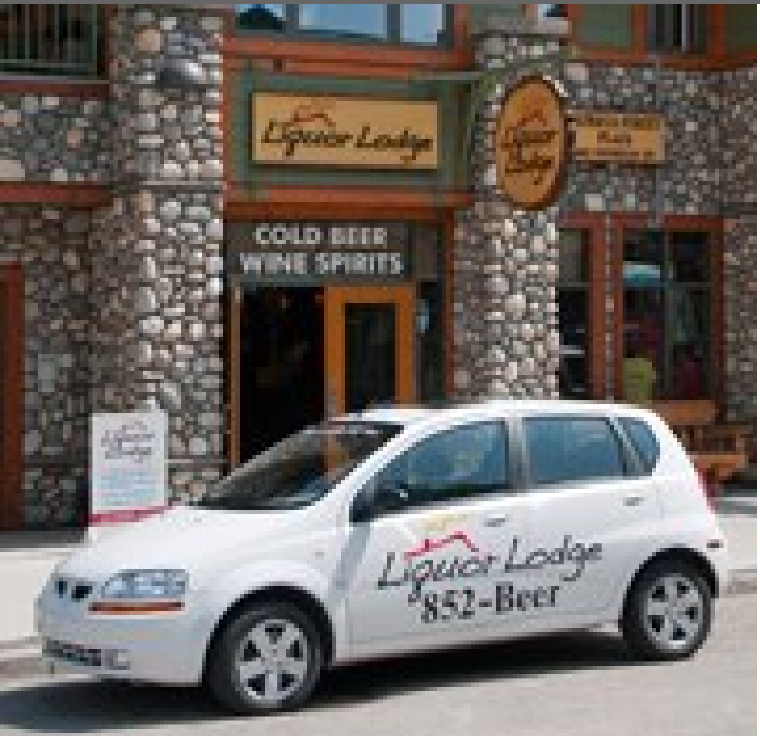

The Alberta Liquor Store Association supports and vigorously defends the Alberta Model to maintain a level playing field for liquor retailing in Alberta

When Alberta became the first Canadian jurisdiction to privatize liquor retailing, warehousing and distribution in 1993, it was considered a bold step. Now, Albertans view it as simply another commercial enterprise operating successfully in the province. In fact, private liquor retailing has been remarkably well received by consumers and those that are involved in the liquor industry and continues to meet the original objectives set out by the provincial government.
The principles established when privatization was first introduced are referred to as the Alberta Model.

One wholesale price for all
This creates a 'level playing field' for all liquor retailers and allows competition to occur on an equitable basis.

Liquor must be sold from a "separate business"
Physically separated by 5 metres, it must operate as a separate viable business for profit and be incorporated as a separate business including maintaining separate financials. There will be separate management and employees will be employed by the liquor store.

Postage stamp delivery to all of Alberta
Every liquor store in Alberta pays the same delivery fees, regardless of their location.

A single warehouse
Liquor products (other than beer) imported, produced and sold in Alberta are distributed through a single warehouse system to keep administration, auditing and monitoring costs lower.

Government control
Government will maintain regulatory responsibilities over liquor sales in Alberta and continues to collect revenue that is used to fund public programs.

No 'carve-outs' or 'add-ons' to businesses over 10,000 sq. ft. (929 m2).
Large format retailers are not allowed to "carve out" a separate retail liquor store by sub-dividing existing retail space. An attached facility or a free-standing detached facility and must have 5 metre separation to the existing on-liquor retail business.

Management's Responsibility

To the Members of Alberta Liquor Store Association:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Association. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Association's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

June 7, 2017

Executive Director

Darla Murphy, CPA, CMA

Director of Finance, AHLA

INDEPENDENT AUDITORS' REPORT

To the Members of Alberta Liquor Store Association:

We have audited the accompanying financial statements of Alberta Liquor Store Association, which comprise the statement of financial position as at December 31, 2016, and the statements of revenue, expenses and changes in surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial state

ments, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Liquor Store Association as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended December 31, 2015 were audited by another firm of public accountants who expressed an unqualified opinion on them dated September 1, 2016.

MMP LLP

Edmonton, Alberta,June 7, 2017 Chartered Professional Accountants

FINANCIAL STATEMENT

The Alberta Liquor Store Association (the "Association") is incorporated as a not-for-profit organization under the Societies' Act of Alberta and is exempt from income taxes under Section 149 of the Income Tax Act.
The Association was established to provide a unified voice for the Alberta liquor store industry in its dealings with all levels of government, the public, media and others with interests in the industry. It also provides a forum for the exchange of ideas, trends, and initiatives with a view toward greater public service and industry well-being, as well as a code of ethics for its members.

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

STATEMENT OF FINANCIAL POSITION	**2016**	**2015**
ASSETS		
Current Assets	$	$
Cash	194,997	153,949
Accounts Receivable	38,120	48,049
Prepaid Expenses	466	3,372
	233,583	205,370
Capital Assets	5,342	**7,327**
Total Assets	**238,925**	**212,697**
LIABILITIES		
Current Liabilities		
Accounts Payable and accruals	37,989	23,161
Deferred Revenue	4,200	-
	42,189	23,161
SURPLUS	196,736	**189,536**
	238,925	**212,697**

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN SURPLUS

	2016	2015
Revenue	$	$
Member Contributions	160,676	145,728
Sponsorship	167,690	170,000
Alberta Liquor Industry Conference	56,169	50,923
Legal Recovery	36,567	23,102
Group Buy Rebates	32,331	21,983
Other	-	500
	453,433	412,236
Direct Expenses		
Zoning Bylaws	46,121	23,102
Alberta Liquor Industry Conference	42,154	33,585
Professional and Consulting Fees	27,159	20,374
Association Development	21,720	11,099
Travel	11,284	7,493
Advertising and Media	9,659	22,676
Education Materials	6,742	2,597
	164,839	120,926
Excess of Revenue Over Direct Expenses		

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN SURPLUS CONTINUED

	2016	2015
EXPENSES	$	$
Salaries and Benefits	208,502	193,803
Accounting Services and Admin Support	30,650	26,185
Office Supplies	14,526	32,894
Office Rent	10,599	15,546
Audit and Legal Fees	8,410	7,522
Directors' Meetings	3,488	2,562
Insurance	3,234	5,263
Amortization	1,985	1,732
Loss on Fixed Asset Disposals	-	4,679
Excess Revenue Over Expenses	7,200	1,124
Surplus Beginning of Year	189,536	188,412
Surplus End of Year	196,736	189,536

STATEMENT OF CASH FLOWS

Cash Provided by (Used For) the Following Activities	2016	2015
Operating	$	$
Excess Revenue Over Expenses	7,200	1,124
Amortization	1,985	6,412
	9,185	**7,536**
Changes in Working Capital Accounts		
Accounts Receivable	9,929	(37,453)
Prepaid Expenses	2,906	1,273
Accounts Payable and Accruals	14,828	(2,253)
Deferred Revenue	4,200	(35,930)
	41,048	**(66,287)**
Investing		
Purchase of Capital Assets	-	(7,622)
Proceeds on Disposal of Capital Assets	-	650
	-	(6,972)
Increase (decrease) in Cash Resource	**41,048**	(73,259)
Cash Resources, Beginning of Year	**153,949**	**227,208**
Cash Resources, End of Year	**194,997**	**153,949**

ALBERTA LIQUOR STORE ASSOCIATION BOARD

Executive

Adam Koziak - Chateau Louis Liquor Store, Edmonton - Chair

Allison Radford - Anderson's Liquor, Edmonton - Vice-Chair

Bob Richardson - Crowfoot Liquor Store, Calgary - Treasurer

Marc Leblanc - Liquor Lodge, Jasper - Secretary

Directors

Gerald Proctor—Liquor Stores GP Ltd, Edmonton—Edmonton Director

Jay Robinson - Wainwright Liquor and Cold Beer, Wainwright - Central Alberta Director

Don McConkey - Co-op Wine Spirits Beer, Calgary - Calgary Director

Brent Newman - Sobeys, Calgary - Southern Alberta Director

Christine Doell - Original Beach Liquor Store - Stony Plain, Director at Large

Grant Graves - Kensington Wine Market, Calgary - Director at Large

Ranjan Kumar - Rayon Liquor, Turner Valley - Director at Large

Chairman's Council

Greg Krischke - Corinthia Liquor Leduc

Past Chairman

Paul Howe - 8th Crescent Heights Wine and Liquor Store, Medicine Hat

Special Advisor to the President

Irv Kipnes - Edmonton

ALBERTA LIQUOR STORE ASSOCIATION STAFF

Ivonne Martinez - President

Howard Riddel - ALSA Member Services Coordinator

Lovedeep Kaler - ALSA Member Services South

Margaux Burgess - ALSA Sommelier/Educator

NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation and nature of the organization

The Alberta Liquor Store Association (the "Association") is incorporated as a not-for-profit organization under the Societies' Act of Alberta and is exempt from income taxes under Section 149 of the Income Tax Act.

The Association was established to provide a unified voice for the Alberta liquor store industry in its dealings with all levels of government, the public, media and others with interests in the industry. It also provides a forum for the exchange of ideas, trends, and initiatives with a view toward greater public service and industry well-being, as well as a code of ethics for its members.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-ProfitOrganizations in Part III of the CPA Canada Handbook.

Revenue recognition

The Association recognizes revenue using the deferral method, which results in the following:

Sales are recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided. Advances received for membership services to be rendered by the Association are deferred and recognized in the period in which the service is provided.

Cash

Cash includes cash on hand and balances with banks.

Capital assets

The Association records its capital assets at cost.

Amortization is provided using the methods noted below at rates intended to amortize the cost of assets over their estimated useful lives.

EQUIPMENT:

Method: declining balance

Rate: 30%

LEASEHOLD IMPROVEMENTS

Method: straight-line

Rate: Lease Term

2. Significant accounting policies (Continued from previous page)

Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3480 Related Party Transactions. At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value. The Association has not made such an election during the year.

The Association subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Association assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenues over expenses.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital and intangible assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

NOTES TO THE FINANCIAL STATEMENTS

3. Capital Assets

	Cost	Accumulated amortization	2016 Net Book Value	2015 Net Book Value
Equipment	6 795	4 376	2 419	3 456
Leasehold Improvements	4 740	1 817	2 923	3 871
	11 535	**6 193**	**5 342**	**7 327**

4. Accounts payable and accruals

Included in accounts payable and accruals are government remittances, such as goods and services tax and payroll withholding taxes, which are required to be paid to government authorities, of $5,118 (2015 - $5,828).

5. Commitments

The Association is committed to annual rent of $12,000 to January 31, 2020 and annual professional fees of $24,000 to December 31, 2017.

6. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

The Association is exposed to credit risk through its cash and accounts receivable. The maximum amount of credit risk exposure is limited to the carrying value of the balances as disclosed in these financial statements. The Association manages its exposure to credit risk on cash by placing these financial instruments with high-credit quality financial institutions.

The Association assesses, on a continuous basis, accounts receivable for any amounts that are not collectible. As at December 31, 2016, the Association had recorded $nil (2015 - $nil) as an allowance for doubtful accounts.

7. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

ALIC 2016 Sponsors

ALSA 2016 Partners and Group Buys

ALBERTA
LIQUOR STORE
ASSOCIATION

CELEBRATING
20 YEARS TOGETHER

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