

Annual Report

Fiscal Year
2002

NEW HAMPSHIRE LIQUOR COMMISSION

Jeanne Shaheen
GOVERNOR

Executive Council

Raymond S. Burton
FIRST DISTRICT

Peter J. Spaulding
SECOND DISTRICT

Ruth L. Griffin
THIRD DISTRICT

Raymond J. Wieczorek
FOURTH DISTRICT

David K. Wheeler
FIFTH DISTRICT



From the NH Liquor Commission

December 2002

Her Excellency, Governor Jeanne Shaheen
State of New Hampshire
State House
Concord, New Hampshire

Dear Governor Shaheen:

We are pleased to present to you the fiscal year 2002 annual report of the New Hampshire Liquor Commission. It covers the results of operations for the period of July 1, 2001, through June 30, 2002, and marks the 68th year of operation for the Commission.

The past fiscal year was one of substantial accomplishment for the Commission. Total sales reached a record-setting \$332 million, an increase of more than \$22 million from FY 2001. Net profit for 2002 also set a record at approximately \$83 million.

This report outlines many of our accomplishments in all areas of our operations and our objectives for the future. Additional financial and operating data regarding the Commission is on file with the Department of Administrative Services or directly available through our office. We welcome your comments, questions, and suggestions and appreciate your continued support in our service to the people of our state.

Respectfully submitted,



JOHN W. BYRNE, CHAIRMAN



ANTHONY C. MAIOLA, COMMISSIONER



PATRICIA T. RUSSELL, COMMISSIONER

From the Governor

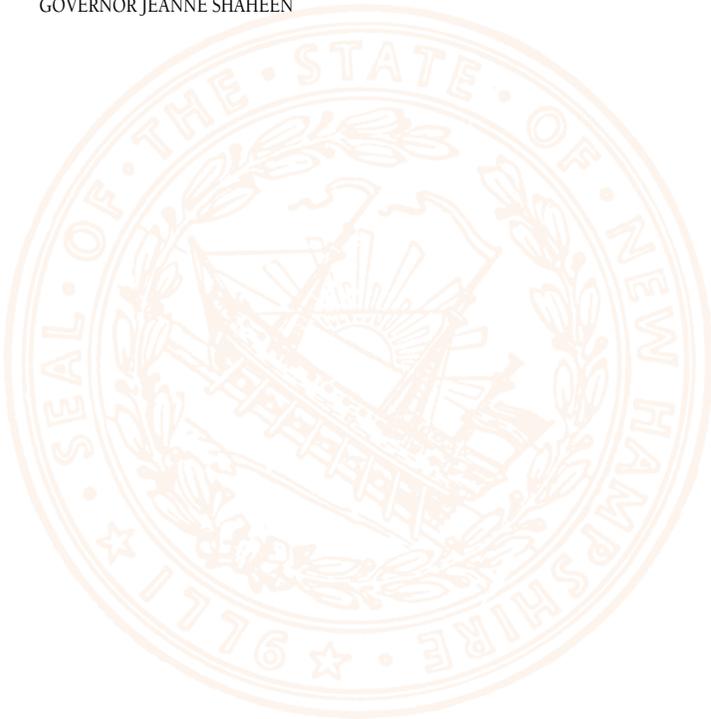
For the past 68 years, the New Hampshire Liquor Commission has directly regulated the sale, distribution, and consumption of alcoholic beverages in the state. As a government agency, the Commission's role is to ensure that alcohol is consumed and purchased responsibly, in moderation, and only by individuals of legal drinking age.

This report outlines the financial performance of the Commission and highlights significant achievements in enforcement, customer service, and other areas in 2002.

With more than 7.3 million customers a year from across the state and around the nation, the work of the New Hampshire Liquor Commission continues to be challenging. My thanks to the Commission and its staff for their continued dedication and commitment to the people of New Hampshire and their service to our many customers from around the world.

Jeanne Shaheen

GOVERNOR JEANNE SHAHEEN



Chairman's Message

Another year is in the record books and with it another successful fiscal year for the New Hampshire State Liquor Commission.

Our performance year after year keeps getting better due to our commitment to adding value for our customers. This year, total sales for the New Hampshire Liquor Commission increased more than \$22 million to approximately \$332 million, and our net profits were up 7% over FY 01.

While these impressive numbers point to our long commitment of offering value and a wide variety of premium and value brand wines and spirits, none of this extraordinary success could have been possible without the continued dedication and hard work of our valued employees. This report chronicles the great work our employees do every day, and is dedicated to them.

From the warehouses to the retail sales floors, and from the front office to the enforcement bureau, it is the employees of the New Hampshire State Liquor Commission who provide all of our customers, wholesale and retail, with knowledge, value and service. As a Commission, we will strive to continue to build programs to enhance our employees dedication, as well as our success in sales.

So, on behalf of my fellow Commissioners, I'd like to take this opportunity to thank all of our employees for their service and valuable contribution. Their hard work not only benefits the Liquor Commission, but also the State of New Hampshire. My thanks are also extended to the members of the General Court, and fellow state employees in numerous state agencies who continue to support the Commission's mission.

We look forward to continued success and service to the people of the state of New Hampshire.



JOHN W. BYRNE, CHAIRMAN





Cassandra Denoncourt & Cheryl LaPlante

“Your cashier Karin made my day by being so pleasant and helpful. Her smile and taking time with me even though it was crowded was a pleasant relief.”

Paul Russell, Jamestown, RI

A Day in the Life - Our Employees

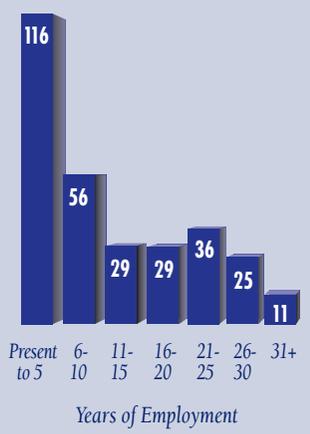
It's 2:00 AM in Burgundy, France and the season's first shipment of Beaujolais Nouveau is getting ready to come to America. At the same time, in Moscow, Russia, the latest super-premium Vodka is beginning its journey from distillery to U.S. port.

Each year, more than 32.5 million bottles of the world's finest premium and value brand wines and spirits make their way across oceans, over mountains, and down highways, destined for New Hampshire. They arrive within days and are quickly distributed to each of our 71 stores along the major highways and byways of the Granite State.

But behind each bottle that stocks our shelves is a unique story. It's one that most of the 7.3 million customers who pass through our doors each year may never hear. It's the story of our employees, and their commitment to keeping one of the nation's largest wine and spirit retail operations running smoothly.

This year's annual report is dedicated to all the employees of the New Hampshire State Liquor Commission for the hard work and selfless customer service they provide every day.

Number of Employees by Longevity



“Elaine and Jim (Walpole Store) are incredibly wonderful. They make shopping for liquor fun!”

Dr. Joan Binder, Charleston, NH



Ron Millette



Paul Knee

Where it all begins.

The employees of the Commission's accounting and administrative department work diligently to take and place orders from our licensees. They also ensure the efficient organization and record keeping of all Commission sales.

Whether products are being delivered to New Hampshire hotels, restaurants, supermarkets, or State Liquor & Wine Outlet stores themselves, the ordering process always begins in one of three ways. Either with a call to Cheryl LaPlante, accounting technician, in our accounting and administrative department, an order through the LAW warehouse, or a call or visit to one of our retail stores directly. Whatever method chosen, Cassandra Denoncourt, accountant, approves and processes all the financial aspects of the order.

After an order is placed, the warehouse prepares the products for shipment. Paul Knee, in the warehouse, oversees the stocking and delivery of the thousands of cases of wine and spirits, along with Law Motorfreight truck driver Ron Millette.

Last year, more than 11 million units of product were shipped out to 4063 licensees across the state, totaling nearly \$97 million in sales.

Taking care of business

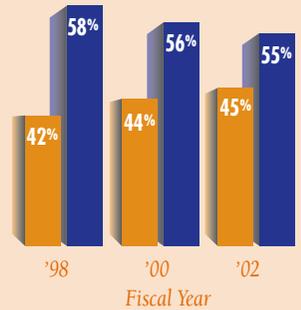
Keeping track of the Commission's sizable inventory is the heady responsibility of the Division of Information Technology. There, Mary Jane Ehrgott, supervisor of computer operations, and the rest of the staff look for more efficient ways for the Commission to serve its customers.

One example is the new state-of-the-art Point-of-Sale system. By linking each store register to the store's back office and then to the main office and warehouse, the system allows the Commission to monitor sales and analyze the buying habits of each store's customers.

As employees in this division maintain seamless running of this system with its high-speed communication lines for credit and debit card use, they are helping store employees quickly process customer orders, effectively reducing a customer's wait in line.

The IT employees' timely generation and analysis of consumer buying information allows the Commission to be responsive to consumer demand for products that maximize sales opportunities.

NHSLC Wine vs. Spirit Sales Comparison



■ Wine Sales ■ Spirit Sales



Mary Jane Ehrgott

"Your store in Gorham is great! We stop there once or twice a year. The staff is courteous and the savings are substantial."

D.M. Cregier,

Montague, PEI, Canada

NHSLC Total Sales



Dollars in Millions

From FY '97 to FY '02 total annual NHSLC sales have increased by \$91 million

Always a friendly face.

There is no arguing that the Commission's best known employees are those in the New Hampshire Liquor & Wine Outlet stores who deal directly with customers on a daily basis.

Nancy Bartlett, store manager of Store #20 in Derry, and Nancy Dylun, retail store clerk, team up to provide all their customers with exceptional service. Customers from all over the country visit our outlet stores for their outstanding values and no sales tax, but it is the knowledgeable and helpful sales people who staff our stores that keep them coming back. Supervisor/manager of Store #20, Mike O'Connor, makes sure that his sales teams in all stores provide the best service possible.

Commission studies have consistently shown a high level of customer satisfaction with our retail store employees. Comments range from how pleasant our employees are to the breadth of their product knowledge.

As our consumers continue to become more and more wine and spirit savvy, our employees must also keep learning in order to remain an important resource to our customers.

With that in mind, the Commission continues to sponsor education and training seminars, which are held periodically throughout the year and in different geographic regions of the state. While the number of Commission employees has stayed fairly constant for the past ten years, record-breaking sales numbers suggest that these programs and others are allowing us to perform more effectively and efficiently than ever before.

As a result of continued strength and support of our already existing programs, enhanced training seminars, FY 2002 proved to be a robust year in every respect.

"Mindy Bean and Kathleen Hass made shopping at the liquor store a wonderful experience."

Stephen Morgan, Amherst, NH

Nancy Dylun, Mike O'Conner, and Nancy Bartlett



Ensuring public safety.

From their headquarters in Concord, the Bureau of Enforcement and Licensing, Sergeant Eddie Edwards and his crew of Investigators Steve May and Mark Hinton, continue to do a stellar job overseeing the responsible use and sale of alcoholic beverages in the state.

Helping serve the needs of licensees, the Licensing and Auditing Division also develops education programs to assist licensees in understanding state laws relative to alcohol sales and to efficiently deal with enforcement challenges that can arise at a point of purchase. Training programs include a six-hour TEAM (Total Education in Alcohol Management) program for on-premise licensees and a three-hour GETS (Grocer Education Training Seminar) program for off-premise licensees.

In addition, the Bureau's Cops in Shops program continues to place undercover officers in grocery stores, convenience stores, and State Liquor and Wine Outlet stores to monitor the responsible sale of alcohol.

Employees in these divisions work diligently to ensure each licensee's responsibility to public safety.

Hard work equals success

This exceptional customer service provided by Commission employees to visitors and residents alike is the key to the ever-increasing growth of wine and spirit sales. Ultimately, it has helped make the Commission one of the largest contributors to the state's general fund. The commission's record-breaking sales of more than \$332 million for the 2002 fiscal year are due in large part to the dedicated service of Commission employees. Thank you.

NHSLC Red Wine Case Sales



Over the past nine years, NHSLC red wine case sales have grown by nearly 60%.



Eddie Edwards

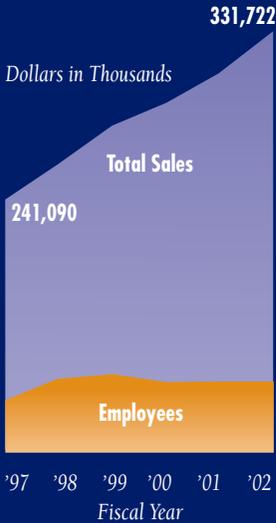
Fiscal Year 2002 Facts

Total sales = \$331.7 million

Net profit from operations =
\$82.6 million

Store with highest sales =
\$20 million (Hampton-North)

NHSLC Total Sales vs. Number of Employees



While the number of NHSLC employees has stayed relatively constant over the past six years, total NHSLC sales have skyrocketed, indicating a more streamlined and efficient operation than ever before.

Personnel Data

CURRENT NUMBER OF EMPLOYEES	06/30/02	06/30/01
Unclassified	3	3
Classified	313	315
Temporary *	422	415
Total	738	733

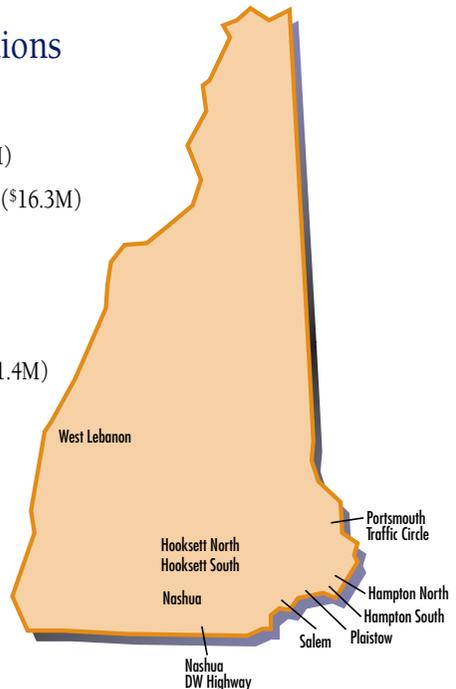
*Permanent employees are those occupying positions permanently established by the legislature, whereas temporary employees are those whose service is authorized for a limited or intermittent period.

Physical Plant and Property Appraisal

	06/30/02	06/30/01
Land and Land Improvements	\$2,737,057	\$2,681,679
Buildings and Improvements	17,179,366	15,783,983
Equipment	8,862,279	7,945,597
Total	\$28,778,702	\$26,411,259
Less: Allowance for Depreciation and Amortization	(13,303,815)	(11,865,802)
Net Fixed Assets	\$15,474,887	\$14,545,456

NHSLC Top 10 Retail Store Locations

1. Hampton - North (\$20M)
2. Hampton - South (\$17.6M)
3. Portsmouth Traffic Circle (\$16.3M)
4. Salem (\$13.5M)
5. Nashua (\$12.8M)
6. Hooksett North (\$11.5M)
7. Nashua DW Highway (\$11.4M)
8. Hooksett-South (\$8.9M)
9. West Lebanon (\$8.9M)
10. Plaistow (\$6M)



State of New Hampshire Liquor Commission

Comparative Income Statement-Liquor*

FISCAL YEARS ENDED 6/30/02 AND 6/30/01	July 01, 2001 through June 30, 2002	July 01, 2000 through June 30, 2001	Commonsize		Comparative Increase/ (Decrease)	Incr/ (Dcr)
			FY 02	FY 01		
REVENUE						
Sales – Retail	\$235,172,223	\$219,992,368	0.72	0.72	15,179,855	0.07
Sales – On-Premise	42,048,317	39,770,908	0.13	0.13	2,277,409	0.06
Sales – Off-Premise	54,501,561	50,440,414	0.17	0.17	4,061,147	0.08
Total Sales	\$331,722,101	\$310,203,690	1.02	1.02	21,518,411	0.07
Less Discounts, Credit Card Fees, Etc.	(6,390,280)	(5,480,238)	-0.02	-0.02	(910,042)	0.17
Net Sales	\$325,331,821	\$304,723,452	1.00	1.00	20,608,369	0.07
COST OF GOODS						
Inventory Change	(\$2,303,306)	(\$928,511)	0.00	0.00	1,374,795	1.48
Purchases Net	235,341,500	219,370,590	0.72	0.72	15,970,910	0.07
Buy-In Storage & Handling	453,663	391,407	0.00	0.00	62,256	0.16
Freight to Stores	1,117,230	1,071,593	0.00	0.00	45,637	0.04
Total Cost of Sales	\$234,609,087	\$219,905,079	0.72	0.72	14,704,008	0.07
Gross Profit from Sales	\$90,722,734	\$84,818,372	0.28	0.28	5,904,361	0.07
OTHER REVENUE						
Liquor Rep. Fees	\$4,251	\$3,770	0.00	0.00	481	0.13
Licenses – Liquor	3,270,253	2,539,183	0.01	0.01	731,070	0.29
Licenses – Wine	394	288	0.00	0.00	106	0.37
Brand Registration Fees	40	14,967	0.00	0.00	(14,927)	(1.00)
Check & Administrative Fines	157,235	157,400	0.00	0.00	(165)	(0.00)
Warehouse Bailment Income	832,430	907,738	0.00	0.00	(75,308)	(0.08)
Wine Tax	14,203	10,151	0.00	0.00	4,052	0.40
Sweepstakes Income	454,540	384,890	0.00	0.00	69,650	0.18
Inventory Information	4,416	4,204	0.00	0.00	212	0.05
Direct Shipping Permits	97,183	86,356	0.00	0.00	10,827	0.13
Processing/Investigation Fees	57,650	50,225	0.00	0.00	7,425	0.15
Miscellaneous	38,746	36,243	0.00	0.00	2,503	0.07
Total Other Revenue	\$4,931,341	\$4,195,415	0.01	0.01	735,926	0.18
Total Gross Profit	\$95,654,075	\$89,013,787	0.29	0.29	6,640,287	0.07

* Unaudited

State of New Hampshire Liquor Commission

Comparative Income Statement-Liquor*

FISCAL YEARS ENDED 6/30/02 AND 6/30/01	July 01, 2001 through June 30, 2002	July 01, 2000 through June 30, 2001	Commonsize		Comparative	
			FY 02	FY 01	Increase/ (Decrease)	Incr/ (Dcr)
OPERATING EXPENSES						
Office of the Commission	\$506,686	\$506,709	0.00	0.00	(23)	0.00
Information Technology	1,062,322	862,260	0.00	0.00	200,062	0.23
Financial Administration	1,039,789	987,877	0.00	0.00	51,912	0.05
Marketing	503,014	404,098	0.00	0.00	98,916	0.24
Purchasing	56,306	54,032	0.00	0.00	2,274	0.04
Human Resources	88,115	83,944	0.00	0.00	4,171	0.05
Store Operations	17,966,899	16,789,054	0.06	0.06	1,177,845	0.07
Warehouse	745,942	624,417	0.00	0.00	121,525	0.19
Depreciation Expenses –						
• Office of the Commission	116,353	92,773	0.00	0.00	23,580	0.25
• Information Technology	562,521	651,653	0.00	0.00	(89,132)	(0.14)
• Financial Administration	30,291	35,675	0.00	0.00	(5,384)	(0.15)
• Marketing	68	116	0.00	0.00	(48)	(0.41)
• Human Resources	102	102	0.00	0.00	0	0.00
• Stores	661,795	621,970	0.00	0.00	39,825	0.06
• Warehouse	80,537	80,880	0.00	0.00	(343)	(0.00)
Total Expenses	23,420,738	\$21,795,560	0.07	0.07	1,625,178	0.07
Net Profit –						
• Liquor Operations	\$72,233,337	\$67,218,227	0.22	0.22	5,015,107	0.07
• Enforcement, Licensing and Education	10,377,940	10,068,833	0.03	0.03	309,108	0.03
Loss on Disposal of F/A	(9,382)	(12,447)	0.00	0.00	3,065	(0.25)
Total Net Profit	\$82,601,895	\$77,274,613	0.25	0.25	5,327,282	0.07

* Unaudited

NOTE:

Beginning Inventory	\$20,085,677	\$19,157,166			928,511	
Inventory Change	2,303,306	928,511			1,374,795	
Ending Inventory	\$22,388,983	\$20,085,677			2,303,306	

State of New Hampshire Liquor Commission

Statement of Financial Position June 30, 2002*

	June 30, 2002	June 30, 2001	Increase/ (Decrease)	Incr/ (Dcr)
Assets				
CURRENT ASSETS				
Cash and Cash Equivalents	\$4,665,757	\$4,028,278	637,479	0.16
Accounts Receivable	4,569,830	4,110,013	459,817	0.11
Net Due from Other Agencies	2,070,279	0	2,070,279	0.00
Liquor Inventory	22,388,983	20,085,677	2,303,306	0.11
Total Current Assets	\$33,694,849	\$28,223,968	5,470,881	0.19
PROPERTY, PLANT & EQUIPMENT				
Land & Land Improvements	\$2,737,057	\$2,681,679	55,378	0.02
Buildings and Leasehold Improvements	17,179,366	15,783,983	1,395,383	0.09
Vehicles, Equipment and Furniture	8,862,279	7,945,597	916,682	0.12
Total Property, Plant and Equipment	\$28,778,702	\$26,411,259	2,367,443	0.09
Less Allowances for Depreciation and Amortization	(13,303,815)	(11,865,802)	(1,438,012)	0.12
Net Property, Plant and Equipment	15,474,887	14,545,456	929,431	0.06
Total Assets	\$49,169,736	\$42,769,424	6,400,312	0.15
Liabilities & Funded Equity				
Accounts Payable – Current	\$28,956,775	\$22,609,262	6,347,513	0.28
Accounts Payable – Noncurrent	1,583,291	0	1,583,291	0.00
Accrued Payroll	653,204	639,000	14,204	0.02
Deferred Income	1,894,755	2,248,740	(353,985)	(0.16)
Compensated Absences Payable	2,190,116	1,679,000	511,116	0.30
Net Due to Other Agencies	0	1,047,966	(1,047,966)	(1.00)
Total Liabilities	\$35,278,141	\$28,223,968	7,054,173	0.25
Total Fund Equity	13,891,595	14,545,456	(653,861)	(0.04)
Total Liabilities & Fund Equity	\$49,169,736	\$42,769,424	6,400,312	0.15

* Unaudited

State of New Hampshire Liquor Commission

Five-Year Comparative Income Statement*

AMOUNT IN THOUSANDS	FY 02	FY01	FY 00	FY 99	FY 98
SALES					
Sales – Retail	\$235,172	\$219,992	\$207,365	\$192,014	\$181,205
Sales – On-Premise	42,048	39,771	36,726	33,682	31,903
Sales – Off-Premise	54,502	50,440	48,688	44,413	42,482
Total Sales	\$331,722	\$310,203	\$292,779	\$270,109	\$255,590
Less Discounts, Card Fees, Etc.	6,390	5,480	4,916	4,591	3,634
Net Sales	\$325,332	\$304,723	\$287,863	\$265,518	\$251,956
Cost of Goods Sold	234,609	219,905	207,903	191,770	180,994
Gross Profit on Sales	\$90,723	\$84,818	\$79,960	\$73,748	\$70,962
OTHER REVENUE					
Liquor and Wine Licenses	\$3,270	\$2,539	\$2,786	\$2,844	\$2,777
Liquor Rep. Fees	4	4	4	4	4
Sweepstakes Income	455	385	393	448	420
Miscellaneous	1,202	1,267	1,397	1,251	1,260
Total Other Revenue	\$4,931	\$4,195	\$4,580	\$4,547	\$4,461
Total Gross Profit	\$95,654	\$89,013	\$84,540	\$78,295	\$75,423
OPERATING EXPENSES					
Office of Commission	\$507	\$507	\$629	\$470	\$455
Information Technology	1,062	862	829	811	688
Financial Administration	1,040	988	986	959	842
Marketing	503	404	429	349	322
Human Resources	88	84	81	71	75
Purchasing	56	54	55	52	53
Store Operations	17,967	16,789	16,167	15,604	15,270
Warehouse	746	624	711	649	721
Total Operating Expenses	\$21,969	\$20,312	\$19,887	\$18,965	\$18,426
Net Operating Profit	\$73,685	\$68,701	\$64,653	\$59,330	\$56,997

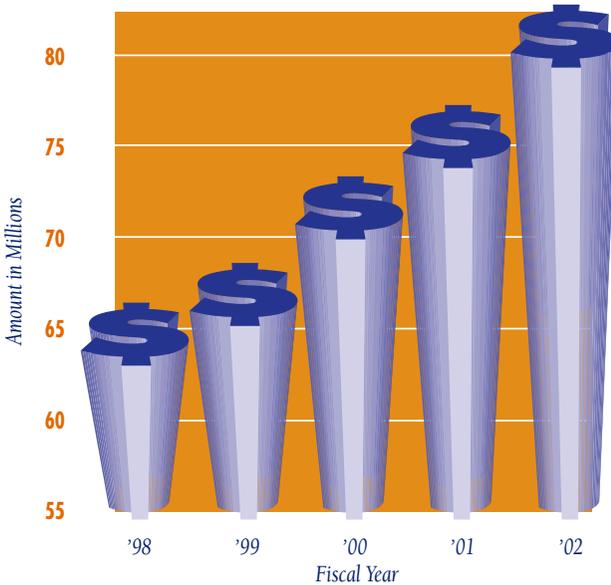
State of New Hampshire Liquor Commission

Five-Year Comparative Statement of Operations-Liquor*

AMOUNT IN THOUSANDS	FY 02	FY 01	FY 00	FY 99	FY 98
OTHER EXPENSES					
Depreciation	\$1,452	\$1,483	\$1,311	\$896	\$814
(Gain)/Loss on F/A	9	12	2	6	21
Total Other Expenses	\$1,461	\$1,495	\$1,313	\$902	\$835
Net Profit from Liquor	\$72,224	\$67,206	\$63,340	\$58,428	\$56,162
ENFORCEMENT AND LICENSING					
Rev. – Beer Tax and Permits	\$12,335	\$11,769	\$12,301	\$11,617	\$11,442
Exp. – Enforcement, Licensing and Education	1,892	1,658	1,813	1,358	1,207
Depreciation	65	42	49	0	0
Net Profit from Enforcement	\$10,378	\$10,069	\$10,439	\$10,259	\$10,235
Total Net Profit	\$82,602	\$77,275	\$73,779	\$68,687	\$66,397

* Unaudited

NHSLC Total Net Profits



FY '98 to FY '02 net profit to New Hampshire's General Fund has totaled \$369 million.

STATE LIQUOR & WINE OUTLET STORES NH LIQUOR COMMISSION



John W. Byrne
CHAIRMAN



Anthony C. Maiola
COMMISSIONER



Patricia T. Russell
COMMISSIONER

New Hampshire Liquor Commission

PO Box 503

Storrs Street

Concord, NH 03302-0503

800-543-4664 (*Sales information*)

Visit our web site at www.state.nh.us/liquor

