

**Jubilee Insurance Agencies Ltd.**  
**Financial Statements**  
*July 31, 2017*

## Independent Auditors' Report

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To the Shareholder of Jubilee Insurance Agencies Ltd.:

We have audited the accompanying financial statements of Jubilee Insurance Agencies Ltd., which comprise the balance sheet as at July 31, 2017, and the statements of earnings and retained earnings 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 private enterprises, 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 statements, 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 Jubilee Insurance Agencies Ltd. as at July 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Edmonton Alberta

September 25, 2017

*MNP LLP*

Chartered Professional Accountants

**Jubilee Insurance Agencies Ltd.**  
**Balance Sheet**  
*As at July 31, 2017*

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	1,070,892	888,581
Accounts receivable	143,537	131,503
Prepaid expenses	6,997	4,943
Due from the Alberta Association of Municipal Districts & Counties (Note 4)	147,788	117,017
Marketable securities	1,365,849	830,575
	<b>2,735,063</b>	1,972,619
<b>Marketable securities</b>	<b>429,640</b>	934,411
	<b>3,164,703</b>	2,907,030
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	215,645	270,818
Deferred revenue	23,936	70,412
	<b>239,581</b>	341,230
<b>Contingencies (Note 5)</b>		
<b>Shareholder's Equity</b>		
Share capital (Note 6)	600	600
Retained earnings	2,924,522	2,565,200
	<b>2,925,122</b>	2,565,800
	<b>3,164,703</b>	2,907,030

Approved on behalf of the Board

signed by "Al Kemmere"  
 Director

signed by "Carolyn Kolebaba"  
 Director

**Jubilee Insurance Agencies Ltd.**  
**Statement of Earnings and Retained Earnings**  
*For the year ended July 31, 2017*

	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Commissions <i>(Note 4)</i>	2,726,245	2,743,355
Administration fees	744,852	756,361
Risk module	27,808	12,379
	<b>3,498,905</b>	<b>3,512,095</b>
<b>Expenses</b>		
Salaries and benefits	1,636,614	1,490,699
Service fee	360,000	405,000
Risk Pro premium credit	352,684	273,320
Computer and equipment <i>(Note 4)</i>	223,082	243,247
Board and executive	85,000	85,000
Seminars, promotion and Risk Pro program	79,155	37,125
Insurance	58,507	58,102
Staff education	58,442	67,395
Rent <i>(Note 4)</i>	54,600	54,600
Professional fees	45,213	35,442
Travel	40,253	46,675
Advertising and promotion	31,672	16,841
Office	18,382	22,838
Dues and memberships	16,584	4,821
Telephone	15,863	17,345
Postage	8,633	9,660
Interest and bank charges	738	399
	<b>3,085,422</b>	<b>2,868,509</b>
<b>Other income (expense)</b>		
Interest income	73,635	70,315
Unrealized losses	(2,796)	(6,159)
	<b>70,839</b>	<b>64,156</b>
<b>Net earnings</b>	<b>484,322</b>	<b>707,742</b>
<b>Retained earnings, beginning of year</b>	<b>2,565,200</b>	<b>1,982,458</b>
<b>Dividends</b>	<b>(125,000)</b>	<b>(125,000)</b>
<b>Retained earnings, end of year</b>	<b>2,924,522</b>	<b>2,565,200</b>

*The accompanying notes are an integral part of these financial statements*

**Jubilee Insurance Agencies Ltd.**  
**Statement of Cash Flows**  
*For the year ended July 31, 2017*

	<b>2017</b>	<b>2016</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net earnings	484,322	707,742
Unrealized losses	2,796	6,159
	<b>487,118</b>	<b>713,901</b>
Changes in working capital accounts		
Accounts receivable	(12,034)	74,826
Prepaid expenses	(2,054)	2,251
Accounts payable and accruals	(55,173)	165,201
Deferred revenue	(46,476)	65,408
	<b>371,381</b>	<b>1,021,587</b>
<b>Financing activities</b>		
Dividends paid to the Alberta Association of Municipal Districts & Counties	(125,000)	(125,000)
Repayments to the Alberta Association of Municipal Districts & Counties	(2,319,905)	(2,309,516)
Advances from the Alberta Association of Municipal Districts & Counties	2,289,134	2,289,084
	<b>(155,771)</b>	<b>(145,432)</b>
<b>Investing activities</b>		
Purchase of investments	(33,299)	(1,287,795)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>182,311</b>	<b>(411,640)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>888,581</b>	<b>1,300,221</b>
<b>Cash and cash equivalents, end of year</b>	<b>1,070,892</b>	<b>888,581</b>

*The accompanying notes are an integral part of these financial statements*

**1. Incorporation and operations**

Jubilee Insurance Agencies Ltd. ("the Company") is a non-taxable corporation, wholly-owned by the Alberta Association of Municipal Districts & Counties. The business of the Company is to provide comprehensive and affordable insurance coverage to Alberta local authorities part of which is through Genesis Reciprocal Insurance Exchange.

**2. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises, using the following significant accounting policies:

***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***Revenue recognition***

Commission and administration fee income is recognized as revenue when an insurance policy contract is renewed or executed, and collection is reasonably assured.

Interest income is recognized as revenue when earned.

Risk module income is recognized when the services have been provided and collection is reasonably assured.

***Income taxes***

The Company is exempt from the payment of federal and provincial income taxes under the Canadian Income Tax Act because it is a wholly-owned subsidiary of a municipal association.

***Marketable securities***

Marketable securities are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as long-term assets in accordance with the nature of the investment.

***Employee future benefits***

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

***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 3840 Related Party Transactions (refer to Note 4). At initial recognition, the Company may irrevocably elect to subsequently measure any financial instrument at fair value. The Company has not made such an election during the year.

The Company 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 net earnings 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 Company 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 net earnings.

**2. Significant accounting policies** *(Continued from previous page)*

***Measurement uncertainty (use of estimates)***

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises 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 and due from the Alberta Association of Municipal Districts & Counties are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

**3. Employee future benefits**

The Company participates in the Local Authorities Pension Plan (the "Plan"), a multi-employer pension plan, with other local authorities and approved bodies. The Plan is a contributory defined benefit plan administered by the Local Authorities Pension Plan Corporation, which pays pension and other benefits on behalf of the employer.

Current and prior service costs, included in these financial statements, are funded by the Company and its employees at rates which are expected to provide for all benefits payable under the Plan. The rates for the Company are 1.0% higher than for the employees. Both employer and employee current and prior services paid to July 31, 2017 were \$278,790 (2016 - \$256,094).

As the Plan is a multi-employer plan, it is not possible to determine, on an individual basis, each employer's potential unfunded liability or surplus. At December 31, 2016, the Plan had an actuarial deficit of \$637 million (2015 - \$923 million) which is expected to be eliminated within the next 14 years from employer and employee contributions and investment earnings.

**4. Related party transactions**

The majority of the customers of Jubilee Insurance Agencies Ltd. are members of the Alberta Association of Municipal Districts & Counties. The Alberta Association of Municipal Districts & Counties owns 100% of the shares of Jubilee Insurance Agencies Ltd.

During the year, the Company entered into the following transactions with related parties, which were measured at the exchange amount:

- Rent includes \$54,600 (2016 - \$54,600) that relates to the use of the office space owned by the Alberta Association of Municipal Districts & Counties.
- Computer and equipment includes \$100,000 (2016 - \$100,000) for a licensing fee for the use of the Alberta Association of Municipal Districts & Counties' business software.
- During the year the Company collected insurance premiums of \$27,971 (2016 - \$26,965) from the Alberta Association of Municipal Districts & Counties.

The Company also purchases a variety of goods and services from suppliers through the co-operative operations of the Alberta Association of Municipal Districts & Counties.

As at July 31, 2017, the Company has a receivable from the Alberta Association of Municipal Districts & Counties for \$147,788 (2016 - \$117,017), which is unsecured non-interest bearing and has no set terms of repayment.

As at July 31, 2017, the Company has a receivable from the Genesis Reciprocal Insurance Exchange for \$81,083 (2016 - \$nil), which is unsecured non-interest bearing and has no set terms of repayment.

**Jubilee Insurance Agencies Ltd.**  
**Notes to the Financial Statements**  
*For the year ended July 31, 2017*

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**5. Contingencies**

Certain portions of commission income recorded are potentially refundable to customers if an insurance policy is cancelled. At July 31, 2017, the maximum amount of commission income potentially refundable if all insurance policies were cancelled was approximately \$478,358 (2016 - \$454,879). No amount has been accrued as at July 31, 2017 in relation to potentially refundable insurance policies.

**6. Share capital**

	<b>2017</b>	<b>2016</b>
Issued		
Common shares		
600 Class A voting common shares, no nominal or par value, non-assessable	<b>600</b>	<b>600</b>

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**7. Financial instruments**

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

***Credit concentration***

The Company has a concentration of credit risk because substantially all of its accounts receivable are from members of the Alberta Association of Municipal Districts & Counties. At year end, one customer accounts for 56% of accounts receivable (2016 - three customers accounted for 63% of accounts receivable).

***Interest rate and market risk***

The Company's investments are exposed to interest rate risk and market price risk. The Company does not use derivative financial instruments to alter the effects of market or interest fluctuations that will effect these investments.

**8. Comparative figures**

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