

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
BALANCE SHEET
DECEMBER 31

ASSETS

	2007	2006
Current		
Cash	\$ 1,145,889	\$ 184,511
Investments (Note 3)	6,567,675	6,689,381
Receivables		
Trade	3,853	2,492
Premium	173,512	464,984
Provision for unpaid claims – due from reinsurers (Note 2)	372,124	650,836
Accrued interest	23,053	27,545
Income taxes recoverable	-	34,964
Prepaid expenses	6,385	-
	<u>8,292,491</u>	<u>8,054,713</u>
Property and equipment (Note 4)	939,382	838,215
Future income tax asset (Note 5)	53,000	87,000
	<u>\$9,284,873</u>	<u>\$8,979,928</u>


LIABILITIES

Current		
Payables and accrued liabilities		
Trade	\$ 278,841	\$ 174,509
Unearned premiums	629,854	545,794
Farm Mutual Reinsurance Plan	109,834	185,778
Provision for unpaid claims (Note 2)	1,077,819	1,131,462
Income taxes payable	20,605	-
	<u>2,116,953</u>	<u>2,037,543</u>


EQUITY

Accumulated other comprehensive income (Note 11)	\$ 422,112	\$ 485,786
Retained earnings	6,745,808	6,456,599
	<u>7,167,920</u>	<u>6,942,385</u>
	<u>\$ 9,284,873</u>	<u>\$ 8,979,928</u>

APPROVED BY THE BOARD:



 Director



 Director

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31

	2007	2006
Revenue		
Total premiums earned (Note 6)	\$ 4,288,179	\$ 3,730,575
Total premiums ceded (Note 6)	(908,010)	(693,361)
Net premiums earned	3,380,169	3,037,214
Deduct losses (Note 7)	(1,534,593)	(1,814,081)
	1,845,576	1,223,133
Commission expense	(2,187)	(3,508)
Field inspection & adjusting fees	(4,537)	-
	<u>1,838,852</u>	<u>1,219,625</u>
Expenses		
Administration (Note 8)	237,129	263,011
Advertising & promotional	37,297	33,492
Amortization	69,856	62,035
Audit & legal fees	12,594	12,525
Bad debts	39,563	60
Education & training	115,584	96,693
Licenses & taxes	130,719	117,622
Loss on US exchange	2,682	1,428
Salaries & benefits	969,797	645,966
Treasurers' expenses	75,689	92,850
	<u>1,690,910</u>	<u>1,325,682</u>
Income (loss) from insurance operations	147,942	(106,057)
Investment income	306,527	380,315
Write down of investments	-	(260,574)
Gain on sale of investments	23,862	119,541
	<u>478,331</u>	<u>133,225</u>
Income From Operations	478,331	133,225
Payment to compassion fund	(46,098)	(54,835)
Gift to Mennonite Central Committee Alberta	(88,402)	(85,000)
	<u>343,831</u>	<u>(6,610)</u>
Income (loss) before income taxes	343,831	(6,610)
Income taxes		
Current	20,622	-
Future	34,000	2,000
	<u>54,622</u>	<u>2,000</u>
Net (loss) Income	289,209	(8,610)
Retained earnings, beginning of year	6,456,599	6,465,209
Retained earnings, end of year	<u>\$ 6,745,808</u>	<u>\$ 6,456,599</u>

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

CASH FLOWS PROVIDED BY (USED FOR):

	2007	2006
OPERATING ACTIVITIES		
Net (loss) income	\$ 289,209	\$ (8,610)
<i>Items not affecting cash</i>		
Amortization	69,856	62,035
Gain on sale of investments	(23,862)	(119,541)
Write down of investments	-	260,574
Future income taxes	34,000	2,000
	<u>369,203</u>	<u>196,458</u>
<i>Net change in non-cash working capital balances</i>		
Receivables	290,111	(169,763)
Provision for unpaid claims – due from insurers	402,712	(129,415)
Accrued interest	4,492	7,590
Prepaid expenses	(6,385)	30,251
Payables		
- trade	104,332	47,791
- unearned premiums	84,060	112,877
- Farm Mutual Reinsurance Plan	(199,944)	185,778
- provision for unpaid claims	(53,643)	86,651
Income taxes payable / recoverable	<u>55,569</u>	<u>(71,573)</u>
	<u>1,050,507</u>	<u>296,645</u>
INVESTING ACTIVITIES		
Purchase of property & equipment	(171,023)	(144,233)
Purchase of investments	(9,480,627)	(1,388,300)
Proceeds from sale & maturity of investments	<u>9,562,521</u>	<u>1,207,396</u>
	<u>(969,129)</u>	<u>(325,137)</u>
Change in cash	961,378	(28,492)
Cash, beginning of year	184,511	213,003
Cash, end of year	<u>\$ 1,145,889</u>	<u>\$ 184,511</u>
Supplemental information:		
Cash income taxes paid	<u>\$ (34,947)</u>	<u>\$ 71,573</u>

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies.

a) **Investments**
 Investments are recorded at market value. The Company has adopted the new CICA handbook guidelines on financial instruments for investments. Management has classified the investments as available-for-sale and recorded the investments at market value.

b) **Property and equipment**
 Property and equipment are recorded at cost. Leasehold improvements are being amortized on a straight-line basis over three years. Amortization of other property and equipment is calculated using the straight line method at the following annual rates:

Building	2.5%
Office furniture	10%
Computers	20%

c) **Financial instruments**
 The fair value of the financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company's financial instruments consists mainly of cash, investments, receivables and payables and accrued liabilities. The fair values of these financial instruments approximates their carrying values unless otherwise disclosed.

d) **Future income taxes**
 Income taxes are accounted for by the asset and liability method. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

e) **Use of estimates**
 The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims represent the estimated amount required to settle all outstanding claims incurred to the end of the year. These estimates of future loss activities are necessary but are subject to uncertainty. These provisions are adjusted as additional information affecting the estimated amounts become known during the course of the claim settlement. All changes in estimates are recorded as incurred claims in the current period.

	2007		2006	
	Gross	Ceded	Gross	Ceded
Unpaid claims	<u>\$1,077,819</u>	<u>\$372,124</u>	<u>\$1,131,462</u>	<u>\$650,836</u>

3. INVESTMENTS

	2007	2006
Term deposits	\$ 300,000	\$ 300,000
Fixed income	5,032,939	4,647,217
Equity	1,234,736	1,742,164
	<u>\$ 6,567,675</u>	<u>\$ 6,689,381</u>

4. PROPERTY AND EQUIPMENT

	2007 Cost	Accumulated Amortization	Net Book Value
Land	\$ 194,619	\$ -	\$ 194,619
Building	616,295	53,983	562,312
Office furniture	126,117	58,020	68,097
Computers	222,784	113,384	109,400
Leasehold improvements	7,431	2,477	4,954
	<u>\$ 1,167,246</u>	<u>\$ 227,864</u>	<u>\$ 939,382</u>

	2006 Cost	Accumulated Amortization	Net Book Value
Land	\$ 160,657	\$ -	\$ 160,657
Building	514,343	38,576	475,767
Office furniture	120,024	47,046	72,978
Computers	201,198	72,385	128,813
	<u>\$ 996,222</u>	<u>\$ 158,007</u>	<u>\$ 838,215</u>

5. FUTURE INCOME TAX ASSETS

Temporary differences and carryforwards which give rise to future income tax assets are as follows:

	2007	2006
Mark to market	\$ 68,000	\$ 78,300
Donations carryforward	-	13,700
Loss carryforward	-	3,900
Property & equipment	(15,000)	(8,900)
	<u>\$ 53,000</u>	<u>\$ 87,000</u>

6. PREMIUMS EARNED AND PREMIUMS CEDED

	2007	2006
Property premium written	\$ 2,588,368	\$ 2,168,024
Unearned property premium	(15,296)	-
Catastrophe reinsurance written	14,755	11,004
Commercial property premium written	902,449	1,107,377
Unearned commercial property premium	(49,506)	-
Church property premium written	189,104	82,275
	<u>3,629,874</u>	<u>3,368,680</u>
Premiums ceded to Farm Mutual Reinsurance Plan	(692,092)	(543,516)
	<u>\$ 2,937,782</u>	<u>\$ 2,825,164</u>

Liability premium written	\$ 174,687	\$ 145,045
Commercial liability premium written	271,450	183,620
Church liability premium written	64,970	16,057
	<u>511,107</u>	<u>344,722</u>
Premiums ceded to Farm Mutual Reinsurance Plan	(215,918)	(149,845)
	<u>\$ 295,189</u>	<u>\$ 194,877</u>
Floater premium written	<u>\$ 144,212</u>	<u>\$ 130,050</u>

Total premiums	\$ 4,285,193	\$ 3,843,452
Refund of premiums ceded	22,244	-
Changes in unearned premiums	(19,258)	(112,877)
	<u>4,288,179</u>	<u>3,730,575</u>
Total premiums earned	<u>4,288,179</u>	<u>3,730,575</u>
Total premiums ceded	<u>\$ 908,010</u>	<u>\$ 693,361</u>

7. LOSSES

	2007	2006
General property claims	\$ 1,549,723	\$ 1,162,892
Recoveries – reinsurance	(47,483)	(82,926)
Recoveries – catastrophe reinsurance	(204,270)	(176,448)
	<u>1,297,970</u>	<u>903,518</u>
Commercial property claims	115,270	716,649
Recoveries (catastrophe reinsurance)	-	(49,335)
	<u>115,270</u>	<u>667,314</u>
Floater coverage claims	23,424	72,105
Liability claims (recovery)	(309,558)	171,144
Recoveries – reinsurance	407,487	-
	<u>97,929</u>	<u>171,144</u>
	<u>\$ 1,534,593</u>	<u>\$ 1,814,081</u>

8. ADMINISTRATION EXPENSES

	2007	2006
Bank charges	\$ (984)	\$ 7,810
Computer software licenses	7,583	30,240
Insurance	4,007	3,300
Loss prevention	9,101	15,537
Membership dues	8,578	9,419
Office supplies & sundry	101,660	66,989
Consulting fees	1,527	22,664
Rent & property costs	46,276	46,866
Telephone & fax	13,373	14,560
Travel & meals	46,008	45,626
	<u>\$ 237,129</u>	<u>\$ 263,011</u>

9. COMMITMENTS

Under the term of a three-year lease agreement, commencing September 2007, the company is required to make monthly lease payments of \$1,658 for the use of a building. The lease expires August 2010.

10. CONTINGENCIES

From time to time, in connection with its insurance operations, the Company is named a defendant in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome, such actions have generally been resolved with minimal damage or expense in excess of amounts provided as policy liabilities. The company does not believe that it will incur any significant additional loss or expense in connection with such actions.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	2007	2006
Accumulated other comprehensive income, beginning of year	\$ 485,786	\$ 485,786
Realized gains on available-for-sale financial assets	(10,557)	-
Unrealized (losses) on available-for-sale financial assets	(53,117)	-
Accumulated other comprehensive income, end of year	<u>\$ 422,112</u>	<u>\$ 485,786</u>

12. COMPARATIVE FIGURES

Comparative figures have been restated to reflect the application of the new CICA handbook section on financial instruments for investments.

AUDITORS' REPORT

To the MENNONITES OF ALBERTA

We have audited the balance sheet of MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD. as at December 31, 2007 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and the result of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CALGARY, ALBERTA
February 15, 2008

Retzlaff & Wong
Chartered Accountants

GROSS LOSSES PAID IN 2007

Type of Claim	Number of Claims	Claim Amount
Fire	19	\$ 495,430
Hail	31	218,530
Water Damage	27	169,722
Sewer Backup	13	152,016
Smoke Damage	7	101,781
Liability	9	97,047
Theft	30	59,503
Floater	21	45,336
Wind	10	28,806
Miscellaneous	10	24,975
Collision & Upset	5	22,648
Vandalism	4	6,543
Lightning	4	6,504
Glass Breakage	5	3,661
Total Losses Paid in 2007	195	\$ 1,432,502
Deduct: Outstanding Claims Dec. 31/06		(1,131,462)
Add: Outstanding Claims Dec. 31/07		1,077,819
Total 2007 Losses (Gross – Accrual Basis)		<u>\$ 1,378,859</u>



ANNUAL REPORT

December 31, 2007

of the

**Mennonite Mutual Insurance
Co. (Alberta) Ltd.**

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AUDITORS

Retzlaff & Wong, CA's Calgary, Alberta

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Heather Rempel Finance/Administration Mgr
Pradeep Silas Personal Lines Mgr
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