

AMM TRADING COMPANY LTD.
(Operating as Trading Company)
Financial Statements
Year Ended August 31, 2024

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
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Year Ended August 31, 2024

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INDEPENDENT AUDITORS' REPORT

To the Members of AMM Trading Company Ltd. (Operating as Trading Company)

Opinion

We have audited the financial statements of AMM Trading Company Ltd. (the Company), which comprise the statement of financial position as at August 31, 2023, and the statements of income - unrestricted net assets, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2024, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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.

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

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

(continues)

Independent Auditors' Report to the Members of AMM Trading Company Ltd. *(continued)*

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

Exchange

Chartered Professional Accountants LLP
Winnipeg, Manitoba
October 11, 2024

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
Statement of Financial Position
August 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash	\$ 1,473,218	\$ 2,494,122
Accounts receivable	3,000,062	2,243,959
Inventory <i>(Note 2)</i>	31,656	35,067
Prepaid expenses	45,000	45,853
	4,549,936	4,819,001
SEGREGATED FUNDS		
Self-insurance Loss Pool <i>(Note 5)</i>	31,331,716	32,403,463
	35,881,652	37,222,464
PREPAID EXPENSE		
	20,625	-
	\$ 35,902,277	\$ 37,222,464
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 2,849,411	\$ 2,932,205
Goods and services tax payable	103,688	89,784
Provincial sales tax payable	52,083	48,524
	3,005,182	3,070,513
SELF-INSURANCE LOSS POOL <i>(Note 5)</i>	27,651,463	30,151,246
DUE TO ASSOCIATION OF MANITOBA MUNICIPALITIES <i>(Note 7)</i>	2,313,652	2,000,000
	32,970,297	35,221,759
NET ASSETS		
Unrestricted	449,008	449,008
Accumulated unrealized gains <i>(Note 2)</i>	2,482,972	1,551,697
	2,931,980	2,000,705
	\$ 35,902,277	\$ 37,222,464

APPROVED ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
Statement of Income - Unrestricted Net Assets
Year Ended August 31, 2024

	2024	2023
SALES	\$ 20,309,547	\$ 21,710,901
COST OF SALES	<u>19,942,341</u>	<u>21,291,448</u>
GROSS PROFIT <i>(1.81%; 2023 - 1.93%)</i>	<u>367,206</u>	<u>419,453</u>
INSURANCE ADMINISTRATION FEES <i>(Note 4)</i>	<u>2,180,182</u>	<u>1,979,921</u>
INVESTMENT INCOME <i>(Note 6)</i>	<u>1,785,060</u>	<u>1,203,726</u>
	<u>3,965,242</u>	<u>3,183,647</u>
EXPENSES		
Advertising and promotion	12,907	1,376
Bank charges	-	17
Freight expense	99,217	82,830
Inventory write-off	454	1,568
Membership rebate	1,813,652	2,000,000
Risk management and HR services	<u>105,000</u>	<u>121,502</u>
	<u>2,031,230</u>	<u>2,207,293</u>
OPERATING INCOME	<u>2,301,218</u>	<u>1,395,807</u>
OTHER EXPENSES (INCOME)		
Management fees <i>(Note 7)</i>	630,000	730,000
Contributions to (from) Association of Manitoba Municipalities reserves <i>(Note 7)</i>	1,813,652	2,000,000
Freight income	(100,071)	(84,609)
Commissions	<u>(42,363)</u>	<u>(12,421)</u>
	<u>2,301,218</u>	<u>2,632,970</u>
NET ANNUAL SURPLUS	<u>\$ -</u>	<u>\$ (1,237,163)</u>

See notes to financial statements

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
Statement of Changes in Net Assets
Year Ended August 31, 2024

	Unrestricted	Accumulated Unrealized Gains (Note 2)	2024	2023
NET ASSETS - BEGINNING OF YEAR	\$ 449,008	\$ 1,551,697	\$ 2,000,705	\$ 3,539,833
Net annual surplus (deficit)	(912,148)	-	(912,148)	(1,746,171)
Realized gains (losses)	912,148	-	912,148	509,008
Adjustment to market	-	931,275	931,275	(301,965)
NET ASSETS - END OF YEAR	\$ 449,008	\$ 2,482,972	\$ 2,931,980	\$ 2,000,705

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
Statement of Cash Flow - Unrestricted Net Assets
Year Ended August 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Net annual surplus (deficit)	\$ -	\$ (1,237,163)
Changes in non-cash working capital:		
Accounts receivable	(756,103)	355,997
Inventory	3,411	(8,716)
Accounts payable and accrued liabilities	(82,792)	604,227
Prepaid expenses	(19,772)	(28,353)
Goods and services tax payable	13,904	83,193
PST payable (receivable)	3,559	(21,010)
	<u>(837,793)</u>	<u>985,338</u>
Cash flow used by operating activities	<u>(837,793)</u>	<u>(251,825)</u>
INVESTING ACTIVITIES		
Due to Association of Manitoba Municipalities	313,652	407,083
Net sales (purchases) of segregated funds	<u>2,003,021</u>	<u>(2,179,855)</u>
Cash flow from (used by) investing activities	<u>2,316,673</u>	<u>(1,772,772)</u>
FINANCING ACTIVITY		
Net contributions to self insurance loss pool	<u>(2,499,784)</u>	<u>1,922,374</u>
DECREASE IN CASH	(1,020,904)	(102,223)
CASH - BEGINNING OF YEAR	<u>2,494,122</u>	<u>2,596,345</u>
CASH - END OF YEAR	\$ 1,473,218	\$ 2,494,122
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest received	<u>\$ 1,014,108</u>	<u>\$ 834,914</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
Notes to Financial Statements
Year Ended August 31, 2024

1. DESCRIPTION OF BUSINESS

AMM Trading Company Ltd. (the "Company") offers member municipalities group discounts on various products and services. The Company is exempt from income tax on its earnings under Section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The combined financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Inventory

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business. Inventory includes all costs to purchase and to bring the inventories to their present location and condition. Cost is determined using the FIFO method for inventory items. Inventory consists of supplies available for resale to customers.

Revenue recognition

The Company's sales are normally recognized when the products are shipped or services are performed, at which time title passes to the customer.

The Company's Insurance Administration Fees and Investment revenues are recognized when earned and collection is reasonably assured.

Accumulated unrealized gains

Accumulated unrealized gains consists of the accumulated adjustments to market for the Self-insurance Loss Pool Segregated Fund. Realized gains are included in investment income on the Statement of Income.

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
Notes to Financial Statements
Year Ended August 31, 2024

3. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from its members. Since the Company's members consists of primarily government authorities there is a minimal risk that a counterparty will fail to perform its obligations.

Market Risk

The Company invests in publicly traded equities and fixed income instruments available on domestic and foreign exchanges. As these securities are affected by market changes and fluctuations, the Company is exposed to market risk as a result of price changes due to economic fluctuations in capital markets.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities.

4. INSURANCE ADMINISTRATION FEES

During the year, with assistance from Western Financial Group, a rebate was calculated prior to sending each member Municipality their insurance invoice and the estimated rebate was removed from the cost on the invoice.

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
Notes to Financial Statements
Year Ended August 31, 2024

5. SELF-INSURANCE LOSS POOL

The "self-insurance loss pool" is operated by the Company. The pool is funded annually by proportionate contributions from participating municipalities. These funds are held by the Company on behalf of these member communities. Additions and claims are not recognized as revenue and expenses on the statement of operations.

	2022/2023 and			
	Prior Pool	2023/2024 Pool	2024	2023
Balance, beginning of year	\$ 30,151,246	\$ -	\$ 30,151,246	\$ 28,228,872
Current year loss pool additions	-	-	-	13,725,000
	30,151,246	-	30,151,246	41,953,872
Insurance claims paid	-	940,217	940,217	(8,052,626)
Loss pool rebates paid	-	(3,440,000)	(3,440,000)	(3,750,000)
Balance, end of year	\$ 30,151,246	\$ (2,499,783)	\$ 27,651,463	\$ 30,151,246

This joint loss pool is responsible for paying the first \$1,000,000 (2023 - \$1,000,000) per claim for certain types of claims, up to a maximum of \$6,100,000 (2023 - \$6,100,000) aggregate for the year.

During the year ended August 31, 2024, a loss pool rebate of \$3,440,000 (2023 - \$3,750,000) was determined.

Cash and equity investments segregated for the self-insurance loss pool are recorded at fair market value. Funds are held through the following:

	2024	2023
Bank	\$ -	\$ 48,240
Great West Life - Loss Pool Fund	31,331,716	32,355,223
	\$ 31,331,716	\$ 32,403,463

Segregated funds for the self-insurance loss pool exceed the reserves due to investments being recorded at market value and the accumulated unrealized gains and losses being recognized in the general operations.

6. INVESTMENT INCOME

	2024	2023
Interest	\$ 1,014,108	\$ 834,914
Realized gains/losses on investments	912,148	509,008
Less: investment fees	(141,196)	(140,196)
	\$ 1,785,060	\$ 1,203,726

ASSOCIATION OF MANITOBA MUNICIPALITIES
(Operating as Trading Company)
Notes to Financial Statements
Year Ended August 31, 2024

7. RELATED PARTY TRANSACTIONS

The Company is controlled by the Association of Manitoba Municipalities (the Association) through a common board. During the year ended August 31, 2024, the Trading Company contributed \$1,813,652 (2023 - \$2,000,000) to the Association's reserves, received \$Nil from the Association's General Reserve (2023 - \$Nil), and incurred \$630,000 (2023 - \$730,000) in management fees to the Association, of which \$630,000 had been paid at year end. These amounts were determined by the board.

Amounts owing to the Association have arisen from the transactions described above. These amounts have no terms of repayment and are not interest bearing. At August 31, 2024, the Company owed \$2,313,652 (2023 - \$2,000,000) to the Association.

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
