AGENDA

AUDIT COMMITTEE

September 18, 2018, 9:30 AM
IN THE COUNCIL CHAMBER

Members

Councillor E. Woolley, Chair
Councillor G. Chahal, Vice-Chair
Councillor J. Farkas
Councillor D. Farrell
Citizen Representative L. Caltagirone
Citizen Representative M. Dalton
Citizen Representative M. Lambert
Mayor N. Nenshi, Ex-Officio

1. CALL TO ORDER

2. OPENING REMARKS

3. CONFIRMATION OF AGENDA

4. CONFIRMATION OF MINUTES

   4.1 Minutes from the Regular Meeting of the Audit Committee, 2018 July 25

5. POSTPONED REPORTS
   (including related/supplemental reports)

   None

6. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

   6.1 Calgary Police Commission Finance and Audit Committee Annual Report, AC2018-0596

   6.2 Calgary Economic Development Audit and Finance Committee Annual Report, AC2018-0602

   6.3 Attainable Homes Calgary Corporation Audit and Accountability Committee Annual Report - AC2018-0603

   6.4 Calgary Housing Company 2017 Annual Report - AC2018-0597

6.5 Open Data Initiative Audit - AC2018-1008

6.6 City Auditor's Office 2019-2020 Audit Plan - AC2018-0998

7. ITEMS DIRECTLY TO COMMITTEE

7.1 REFERRED REPORTS
None

7.2 NOTICE(S) OF MOTION
None

8. URGENT BUSINESS

9. CONFIDENTIAL ITEMS

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

9.1.1 Audit Forum (Verbal), AC2018-0969
Held confidential pursuant to Sections 24 and 26 of *FOIP*.

9.1.2 External Auditor (Verbal), AC2018-0970
Held confidential pursuant to Sections 24 and 26 of *FOIP*.

9.1.3 City Auditor (Verbal), AC2018-0971
Held confidential pursuant to Sections 24 and 26 of *FOIP*.

9.2 URGENT BUSINESS

10. ADJOURNMENT

MINUTES

AUDIT COMMITTEE

July 25, 2018, 9:30 AM
IN THE COUNCIL CHAMBER

PRESENT: Councillor E. Woolley, Chair
Councillor G. Chahal, Vice-Chair
Councillor J. Farkas
Councillor D. Farrell
Citizen Representative L. Caltagirone
Citizen Representative M. Lambert

ALSO PRESENT: Chief Financial Officer E. Sawyer
City Auditor K. Palmer
Executive Assistant C. Smillie
External Auditor T. Nakka
Acting City Clerk D. Williams
Legislative Assistant J. Palaschuk

1. CALL TO ORDER

Councillor Woolley called the Meeting to order at 9:30 a.m.

2. OPENING REMARKS

Councillor Woolley provided today's opening remarks.

3. CONFIRMATION OF AGENDA

Moved by Councillor Chahal

That the Agenda for today's Meeting be amended, by bringing forward Item 6.4, Integrated Risk Management Program Update, AC2018-0911 to be dealt with immediately following item:

6.7 External Auditor 2018 Audit Service Plan and Fees Report, AC2018-0913.

MOTION CARRIED

Moved by Citizen Representative Caltagirone

That the Agenda for the 2018 July 25 Regular Meeting of the Audit Committee be confirmed, **as amended**.

MOTION CARRIED

4. CONFIRMATION OF MINUTES

4.1 Minutes of the Regular Meeting of the Audit Committee, 2018 June 19

Moved by Councillor Farkas

That the Minutes of the Regular Meeting of the Audit Committee held 2018 June 19 be confirmed.

MOTION CARRIED

5. POSTPONED REPORTS

None

6. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

6.1 Calgary Public Library Audit and Finance Committee Annual Report, AC2018-0589

Speakers

1. Bill Ptacek, Chief Executive Officer

2. Elrose Klause, Controller, Calgary Public Library

3. Debra Giles, Chair Audit and Finance, Calgary Public Library

4. Sarah Meilleur, Director, Service Delivery City Centre Community Libraries and Central Library

Moved by Councillor Farrell

That with respect to Report AC2018-0589, the following be approved:

That the Audit Committee receives this Report for information.

MOTION CARRIED

6.2 ENMAX Audit Committee 2017 Annual Report, AC2018-0470

Speakers

1. Charles Ruigrok, Chair, ENMAX Audit Committee

2. Helen Wesley, Executive Vice President, Finance IT, and Chief Financial Officer, ENMAX

Moved by Citizen Representative Lambert

That with respect to Report AC2018-0470, the following be approved:

That the Audit Committee:

1. Receives this Report for information; and
2. Directs that Attachments 1, 6, 7, 8, and the Closed Meeting discussions related to those Attachments, remain confidential pursuant to Sections 24 and 25 of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

6.3 Calgary Arts Development Authority Audit Committee Annual Report, AC2018-0591

Speakers

1. Tim Mah, Chair, Calgary Arts Development Authority

2. Patti Pon, Chief Executive Officer, Calgary Arts Development Authority

Moved by Citizen Representative Caltagirone

That with respect to Report AC2018-0591, the following be approved:

That the Audit Committee receives this Report for Information.

MOTION CARRIED

6.4 Integrated Risk Management Program Update, AC2018-0911

A PowerPoint presentation entitled "Integrated Risk Management Program Update", dated 2018 July 25, was distributed with respect to Report AC2018-0911.

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0591:

Clerks: D. Williams and J. Palaschuk. Advice: J. Napier, C. Stewart, K. Gardiner, E. Sawyer, K. Palmer, C. Smillie, C. Male. External Advice: T. Nakka, H. Gill, E. Vervoort.

Moved by Councillor Farrell

That with respect to Report AC2018-0911, the following be approved:

Administration recommends that the Audit Committee:

1. Receive this report for information;
2. Recommend that Council receive this report for information; and
3. Direct that Attachment 2 and Attachment 3 remain confidential pursuant to Sections 23, 24, and 25 of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

6.5 2017 Municipal Election Review, AC2018-0852

Moved by Councillor Farrell

That with respect to Report AC2018-0852, the following be approved:

1. That the Audit Committee receive this report for information; and

2. That the Audit Committee recommend that Council receive this report for information.

MOTION CARRIED

6.6 City Auditor's Office 2nd Quarter 2018 Report, AC2018-0860

Moved by Councillor Farrell

That Report AC2018-0860 be postponed to the call of the chair.

MOTION CARRIED

Moved by Councillor Farrell

That this Report be lifted from the table and dealt with at this time

MOTION CARRIED

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0860:

Clerks: D. Williams and J. Palaschuk. Advice: J. Napier, C. Stewart, K. Gardiner, E. Sawyer, K. Palmer, C. Smillie, C. Male. External Advice: T. Nakka, H. Gill, E. Vervoort.

Moved by Councillor Farrell

That with respect to Report AC2018-0860, the following be approved, **after amendment**:

1. That the Audit Committee receive this report for information; and

2. That the Audit Committee recommend that Council receive this report for information.

And further, that the Closed Meeting discussions remain confidential subject to Sections 23 and 24 of the *Freedom of Information and Protection of Privacy Act.*

MOTION CARRIED

6.7 External Auditor 2018 Audit Service Plan and Fees Report, AC2018-0913

Moved by Councillor Chahal

That with respect to Report AC2018-0913, the following be approved:

That the Audit Committee:

1. Reviews and approved the Deloitte 2018 Audit Services Plan (Attachment 1); and

2. Recommends that Council receive this Report and the Attachments for information.

MOTION CARRIED

7. ITEMS DIRECTLY TO COMMITTEE

7.1 REFERRED REPORTS

None

7.2 NOTICE(S) OF MOTION

None

8. URGENT BUSINESS

None

9. CONFIDENTIAL ITEMS

Moved by Citizen Representative Caltagirone

That the Audit Committee move into Closed Meeting, at 11:44 a.m., in the Council Lounge, to consider confidential matters with respect to the following items, pursuant to Sections 16, 19 ,24, 25, and 26 of the *Freedom of Information and Protection of Privacy Act*:

• 6.4 Integrated Risk Management Program Update AC2018-0852 Attachments 2 and 3;
• 6.6 City Auditor's Office 2nd Quarter 2018 Report AC2018-0860;
• 9.1.1 External Auditor - Provision of Additional Services AC2018-0915;
• 9.1.2 External Auditor - Provisions of Additional Services Approval Request AC2018-0928;
• 9.1.3 External Auditor 2017-2018 Performance Assessment AC2018-0194;
• 9.1.4 Audit Forum (Verbal) AC2018-0916;
• 9.1.5 External Auditor Report (Verbal) AC2018-0917;
• 9.1.6 City Auditor's Office - 2019-2022 Budget Proposal AC2018-0861; and
• 9.1.7 City Auditor Report (Verbal) AC2018-0918

MOTION CARRIED

Committee reconvened in public at 1:02 p.m. with Councillor Woolley in the Chair.

Moved by Councillor Farkas

That Committee rise and report.

MOTION CARRIED

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

9.1.1 External Auditor – Provision of Additional Services, AC2018-0915

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0915:

Clerks: D. Williams and J. Palaschuk. Advice: R. Hinse, L. Luhnau, E. Sawyer, K. Palmer, C. Smillie, C. Male. External Advice: T. Nakka, H. Gill, E. Vervoort.

Moved by Councillor Chahal

That with respect to Report AC2018-0915, the following be approved:

That the Audit Committee:

1. Approve Recommendation 1; and
2. Direct that this Report, Recommendations and Closed Meeting discussions remain confidential pursuant to Sections 16 and 24 of the *Freedom of Information and Protection of Privacy Act.*

MOTION CARRIED

9.1.2 External Auditor – Provision of Additional Services Approval Request, AC2018-0928

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0928:

Clerks: D. Williams and J. Palaschuk. Advice: E. Sawyer, K. Palmer, C. Smillie, C. Male. External Advice: T. Nakka, H. Gill, E. Vervoort.

Moved by Councillor Chahal

That with respect to Report AC2018-0928, the following be approved:

That the Audit Committee:

1. Approve Recommendation 1; and
2. Direct that this Report, Recommendations and Closed Meeting discussions remain confidential pursuant to Sections 16 and 24 of the *Freedom of Information and Protection of Privacy Act.*

MOTION CARRIED

9.1.3 External Auditor 2017-2018 Performance Assessment, AC2018-0914

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0914:

Clerks: D. Williams and J. Palaschuk. Advice: R. Hinse, L. Luhnau, E. Sawyer, K. Palmer, C. Smillie, C. Male. External Advice: T. Nakka, H. Gill, E. Vervoort.

Moved by Citizen Representative Lambert

That with respect to Report AC2018-0914, the following be approved:

That the Audit Committee recommends:

1. That Council receive this report and Attachments for information; and

2. That this Report, Attachments, and the Closed Meeting discussions remain confidential pursuant to Sections 16 and 19 of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

9.1.4 Audit Forum (Verbal), AC2018-0916

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0916:

Clerks: D. Williams and J. Palaschuk. Advice: E. Sawyer, K. Palmer, C. Smillie, C. Male. External Advice: T. Nakka, H. Gill, E. Vervoort.

Moved by Citizen Representative Caltagirone

That with respect to Report AC2018-0916, the following be approved:

That that Audit Committee directs that the Verbal Report and Closed Meeting discussions remain confidential pursuant to Sections 24 and 26 of the *Freedom of Information and Protection of Privacy Act*

MOTION CARRIED

9.1.5 External Auditor Report (Verbal), AC2018-0917

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0915:

Clerks: D. Williams and J. Palaschuk. Advice: E. Sawyer, K. Palmer, C. Smillie, C. Male. External Advice: T. Nakka, H. Gill, E. Vervoort.

Moved by Councillor Farkas

That with respect to Report AC2018-0917, the following be approved:

That the Audit Committee directs that the Verbal Report and Closed Meeting discussions remain confidential pursuant to Sections 24 and 26 of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

9.1.6 City Auditor's Office - 2019-2022 Budget Proposal, AC2018-0861

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0861:

Clerks: D. Williams and J. Palaschuk. Advice: K. Palmer, C. Smillie.

Moved by Citizen Representative Lambert

That with respect to Report AC2018-0861, the following be approved:

That the Audit Committee:

1. Approve recommendation 1; and

2. recommend that the report and In Camera discussions remain confidential pursuant to Section 24 of the *Freedom of Information and Protection of Privacy Act* until which time the agenda is published for the 2018 November Once Calgary Operating and Capital Budget Plan.

MOTION CARRIED

9.1.7 City Auditor Report (Verbal), AC2018-0918

Administration in attendance during the Closed Meeting discussions with respect to Report AC2018-0918:

Clerks: D. Williams. Advice: K. Palmer.

Moved by Citizen Representative Caltagirone

That with respect to Report AC2018-0918, the following be approved:

That the Audit Committee directs that the Verbal Report and Closed Meeting discussions remain confidential pursuant to Sections 24 and 26 of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

9.2 URGENT BUSINESS

None

10. ADJOURNMENT

Moved by Councillor Chahal

That this meeting adjourn at 1:08 p.m.

MOTION CARRIED

The following items have been forwarded to the 2018 September 10 Combined Meeting of Council:

Consent

2017 Municipal Election Review, AC2018-0852

Integrated Risk Management Program Update, AC2018-0911

City Auditor's Office 2nd Quarter 2018 Report, AC2018-0860

External Auditor 2018 Audit Service Plan and Fees Report, AC2018-0913

Closed Meeting

External Auditor 2017-2018 Performance Assessment, AC2018-0914

City Auditor's Office - 2019-2022 Budget Proposal, AC2018-0861

That the next Regular Meeting of the Audit Committee has been scheduled for 2018 September 18 at 9:30 a.m.

CONFIRMED BY COMMITTEE ON

CHAIR	ACTING CITY CLERK

Calgary Police Commission Finance and Audit Committee Annual Report

EXECUTIVE SUMMARY

This report, to the City's Audit Committee, is for information only to provide the annual audit governance status report from the Calgary Police Commission Finance and Audit Committee.

ADMINISTRATION RECOMMENDATION:

That the Audit Committee receives this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

The Audit Committee Bylaw 48M2012 states that Audit Committee is responsible for:

"overseeing its governance responsibility with audit committees of The City's major autonomous civic entities."

Section 4(1)(i)

BACKGROUND

This annual report is intended to be an ongoing dialogue between The City of Calgary and the Calgary Police Commission's Finance & Audit Committee. The information highlighted responds to the details requested in the May 2, 2018 letter from the Audit Committee Chair.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In accordance with the Alberta Police Act, the Calgary Police Commission has a number of legislated responsibilities, including:

- to allocate funds, in consultation with the Chief of Police, provided by City Council,
- to establish policies providing for efficient and effective policing,
- to issue instructions as necessary to the Chief in regards to those policies,
- to ensure sufficient persons are employed by the service to carry out the functions of the service.

It is the responsibility of the Commission, in consultation with the Chief of Police, to prepare and review the business and budget plan, as well as a yearly plan for service provision.

In support of the Commission's oversight role, this report includes attachments that provide:

- A summary of the Commission's 2017 priorities and key initiatives,
- An overview of the Commission's 2018 priorities and key initiatives,
- A description of the key operating and strategic risks the Calgary Police Service faces,
- The Commission's Finance & Audit committee terms of reference and composition,
- Summary of the CPS 2017 external auditor reports.

Stakeholder Engagement, Research and Communication

The Commission created this report in consultation with the Calgary Police Service.

Calgary Police Commission Finance and Audit Committee Annual Report

Strategic Alignment

This report aligns with the City Audit Committee's governance responsibility to receive annual reports on matters of audit governance, including the organization's most recent annual financial statements, from the Calgary Police Commission.

Social, Environmental, Economic (External)

This report has been reviewed for alignment with the City of Calgary's Triple Bottom Line Policy Framework. No implications were identified.

Financial Capacity

Current and Future Operating Budget:

Not applicable to this report.

Current and Future Capital Budget:

Not applicable to this report.

Risk Assessment

This report has been completed in accordance with the City of Calgary's Integrated Risk Management Policy and Framework. There are no significant risks associated with this report.

REASON(S) FOR RECOMMENDATION(S): This report responds to the City Audit Committee's reporting requirements of the Calgary Police Commission and is intended for information only.

ATTACHMENT(S)

1. AC2018-0596 – Calgary Police Commission Report to City Audit Committee – Sept 2018
2. AC2018-0596 – Calgary Police Commission Annual Report to the Community 2017
3. AC2018-0596 – Calgary Police Commission – CPS Organizational Risks
4. AC2018-0596 – Calgary Police Service Audit Plan 2017 - Deloitte
5. AC2018-0596 – Calgary Police Service Audit Results 2017 - Deloitte
6. AC2018-0596 – Calgary Police Service – Audited Financial Statements - December 31, 2017
7. AC2018-0596 – Finance & Audit Committee Terms of Reference - 2018

ISC: UNRESTRICTED
AC2018-0596
ATTACHMENT 1

Providing independent civilian oversight and governance of the Calgary Police Service to ensure a safe community

Calgary police commission

Report to

City audit committee

September 18, 2018

Overview

The following information is presented in response to the details requested by the Audit Committee.

Highlights include:

- Commission governance structure,
- Succession planning
- CPS financial highlights
- Commission priorities + 2018 initiatives
- CPS operating and strategic risks
- Internal controls
- Financial report summary
- Finance & Audit Committee workplan + composition
- Regulatory changes impacting business approach
- Initiatives to improve efficiencies
- Risk management assessments

Governance Structure – Commission Committee Responsibilities

Finance & Audit Committee

- Reviews CPS budget, proposed adjustments, and any urgent funding needs, and submits to City Council
- Monitors allocation of funds provided by City Council
- Provides independent oversight of external audit reports, the development of internal operational audits, and information technology governance
- Monitors Commission budget

Governance Committee

- Monitors strategic direction for the Commission
- Provides leadership to Commission and CPS in development and maintenance of policies to ensure efficient and effective policing.

Complaint Oversight Committee

- Monitors the process for complaints against officers and CPS policies

Succession Planning + Recruitment

Calgary Police Service

- Commission has kicked-off search process for Calgary's next Chief Constable

Calgary Police Commission

- Recruitment and selection of Commission members is conducted by City of Calgary
- Commission sends memo to City outlining the desired skills and qualifications necessary to help the Commission perform its duties effectively

CPS Financial Highlights

- An external audit concluded that no recommendations for improvement in internal controls were required.
- There were no audit adjustments or recommendations for improvement to the 2017 audit.

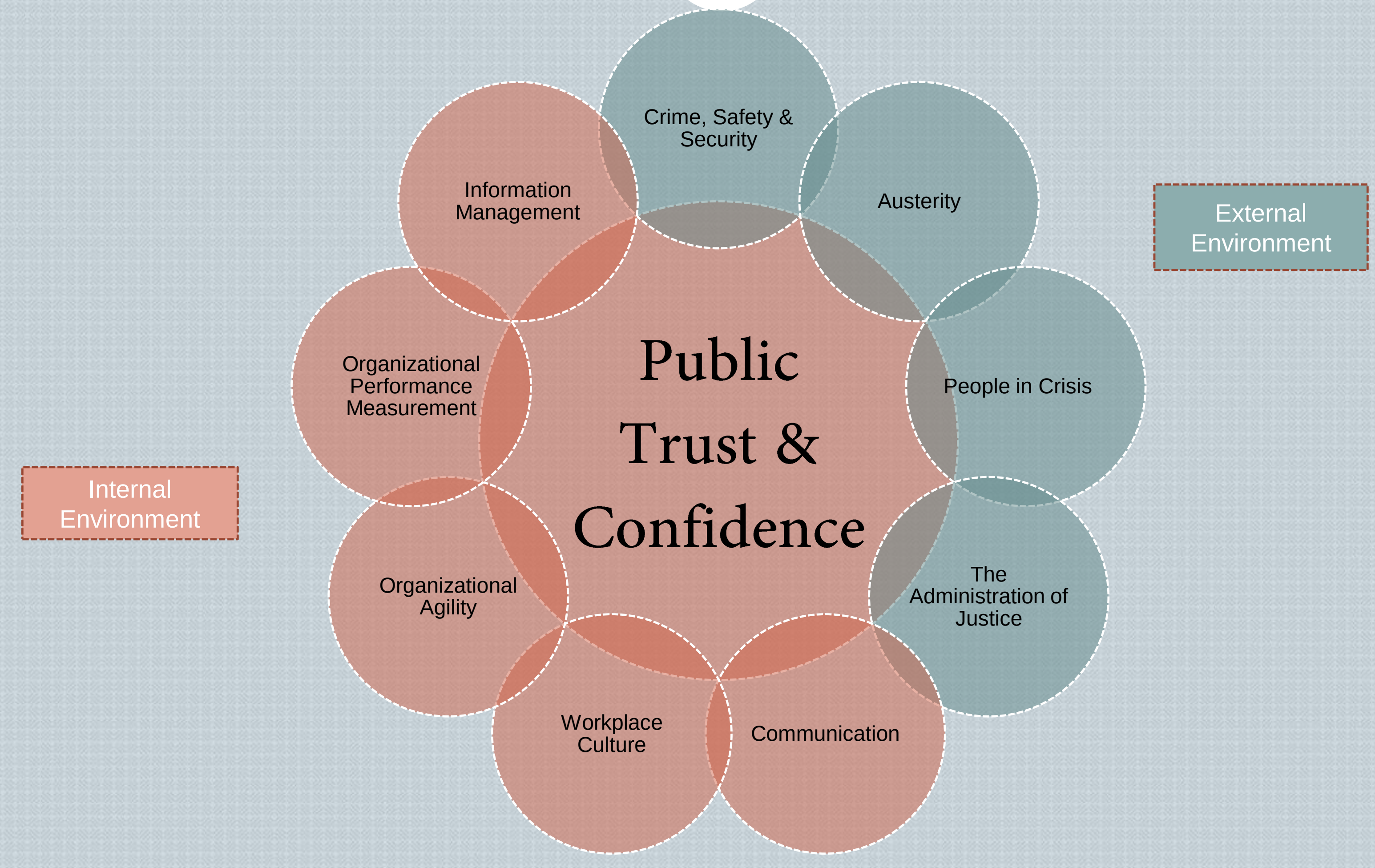
Commission Priorities + Key Initiatives 2018

- Hiring a new Chief Constable for Calgary
- Engaging in the development of the CPS 2019-2022 business plan and budget and the resource review process (tailored ZBR)
- Overseeing implementation of the Commission's 7-point plan to achieve gender equity, diversity, and inclusion at CPS
- Monitoring preparation of management response to Justice Wittmann's use of force review
- Strengthening community engagement and relationships with key partners
- Overseeing plans by CPS leadership to improve employee morale

Commission Key Initiatives 2018 - contd

- Reviewing CPS risk management strategy
- Observe the development of annual CPS internal audit plan and review results/progress reports
- Monitor staffing levels at CPS to ensure adequate personnel
- Oversee CPS information and IT systems and technologies
- Monitor CPS performance using available data

Key Operating and Strategic Risks for CPS



Top Three Risks - CPS

1. Safety- Crime Reduction + Management

- CPS crime reduction strategy focuses on break + enters, drug response, stolen vehicles, cyber-crime, offender management and traffic safety.

2. Administration of Justice

- CPS responding to legalization of cannabis by training drug recognition experts, reviewing police powers, public education and awareness, data collection and analysis, performance management and reporting.

3. Austerity in policing

- In response to the increasing complexity of crime and increasing need for resources, CPS has used cost avoidance strategies including intelligence-led policing, strategic deployment (Real Time Operations Centre), and investments in capital for operational efficiencies.

Internal Controls

- Monthly operating and capital budget summaries
- In-depth reviews of financials and staffing 3x/year
- Assessment of risks informs Commission priorities

Internal Controls - IT

- Governance of CPS IT is accomplished through regular reporting by CPS Chief Technology Officer on IT-related risks including:
  - Operating and capital budgets associated with IT requirements
  - Asset management lifecycle for all IT infrastructure, hardware, and software
  - Risk management and key performance indicators for cyber security, critical systems (servers and storage), software development, and staffing
  - Alignment of tasks and projects to CPS business plan

Financial Report Summary

External Auditor Report (attached)

- Deloitte completed its audit of the 2017 financial statements of CPS and issued an opinion without qualification
  - No audit adjustments related to the 2017 audit
  - No uncorrected or corrected misstatements during the course of the audit
  - No unadjusted disclosure deficiencies to report
  - Auditors issued an unmodified audit report
  - No management recommendations for improvement in internal controls

Finance & Audit Committee 2018

- Key activities for 2018:
  - Oversee and guide the development of the CPS multi-year business plan
  - Oversee CPS resource review process to find efficiencies, increase effectiveness, and further improve the services CPS provides to the community and its members
  - Oversee and inform the development of internal operational audits and monitor implementation of recommendations
  - Receive and understand CPS financial and IT risk management strategies
- Terms of reference are reviewed annually *(attached) – No changes were made in 2017*

F&A Committee Composition

Johnathan Liu, CPA, CA, ICD.D – Committee Chair

- Executive with Westmount Charter School Society working on finance and accounting and enterprise risk management. Director with the Alberta Association of Police Governance, and the Supply Chain Management Association. Holds an ICD.D designation from the Institute of Corporate Directors, a Bachelor of Commerce in accounting and is a chartered professional accountant.

Amira Dassouki

- Compensation consultant with experience providing statistical trend analysis. Holds a Bachelor of Science in Actuarial Science and volunteers with organizations including the Calgary Women’s Centre, Junior Achievement Southern Alberta Company program, and the University of Calgary.

F&A Composition contd

Roy Goodall, ICD.D

- 36 year career with the Canadian Forces in national and international defence settings. Spent 26 years working with capital and operations budgets, security and information technology policy, and risk management.

Chris Salmon

- Management consultant, specializing in areas of strategy, change management, and organizational performance. Post-graduate qualifications in management and criminal intelligence. Chair of the Emergency Medical Services Foundation.

Ward Sutherland

- Member of Calgary City Council with 25 years of senior leadership and management in top-tier companies.

Changes to Organizational Leadership

- Chief Constable Roger Chaffin announced his retirement, effective January 2019.
- CPS created a position of Chief Human Resource Officer, reporting directly to the Chief. Leads the organization's efforts evolve HR practices to better support CPS membership.

Improving Efficiencies

Resource Review (a zero-based review tailored to CPS)

- Using an independent review of areas of the organization to examine where CPS could find efficiencies, effectiveness, and build capacity for service delivery and sustainability.

Patrol Resource Teams

- Established to improve response times to the community and reduce pressure on frontline patrol teams.

Body-Worn Cameras

- The first 100 cameras have been deployed, with service-wide deployment expected to be complete by mid 2019.

Significant Changes - based on external assessments

Independent review of CPS use of force – by former Chief Justice Wittmann

- 65 recommendations for improvements to training, recruitment, equipment and oversight

Adoption of Philadelphia Model

- CPS was first agency in Canada to adopt an approach to investigating sexual assault allegations – allows independent agencies to work directly with police to review the investigative steps and outcomes of each sexual assault file.

Regulatory Changes

- The Province of Alberta is reviewing the Alberta Police Act based on advocacy efforts from police services, police commissions, municipalities, and interest groups across the province.
- An engagement process is currently underway to gather input from stakeholders about the legislation and the broad aspects of public safety that inform policing.
- Input from the engagement process will inform government's next steps.

Management of Risks

External Review

- External Audits
  - Use of Force Independent Review
  - Review of K9, Tac, & PSU
  - Annual External Financial Audit
- Solicitor General
- Provincial Policing Standards
- Alberta Policing Oversight Standards (every 4 yrs)
- Judicial Inquiries
- LERB
- ASIRT
- City Auditor

CPS Operations Audit Section

Annual Audit Plan in consultation with CPS Executive and Calgary Police Commission

Identify

- Internal & External Scanning
- Subject Matter Experts

Assess

- Subject Matter Experts
- Risk Management Coordinator

Mitigate

- Policy/SOPs
  - Policy Development Section
- Training
  - Chief Crowfoot Learning Centre (CCLC)
  - Early Intervention Program
- MOUs

Monitor

- Finance Division
- Operations Audit Section
- Business Strategy & Research Section
- Driver Safety & Compliance
- Ethics & Accountability Division
- Professional Standards Section
- Health, Safety & Wellness Section

Communication

- Reporting
  - Executive, Commission
  - Public
- Best Practices

CPS Internal Review

- Ethics & Accountability Division
- Operations Audit Section
- Office of Inclusion, Development & Employee Engagement
- General Counsel to the Chief
- Strategic Communications Section
- Employee Services Division

As part of the **CPS commitment to the community**, the organization examines risk at the operational, project and strategic levels.

Follow-up Questions?

Contact the Calgary Police Commission

403 428-8914

chair@calgarypolicecommission.ca

ISC: UNRESTRICTED
AC2018-0596
ATTACHMENT 2

2017

Annual report to the community

Calgary Police Commission

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MESSAGE FROM THE CHAIR

Dear Calgarians,

Looking back on 2017, it was a crucial year for the Calgary Police Commission as we focused on providing independent civilian oversight of CPS in a way that would uphold the high levels of trust and confidence CPS has earned from the community.

We know how important it is to citizens to have professional, knowledgeable, and compassionate officers who reflect the citizens they serve. The Commission's focus remained on overseeing the reforms underway at CPS to create an inclusive workplace with fair opportunities for all employees. Achieving a respectful culture with a diverse workforce is a long-term effort that we believe will create a stronger police service capable of adapting to our city as it grows.

This long-term outlook also involved securing additional funding from city council for CPS to hire more members and acquiring the equipment needed to meet citizen needs and expectations.

We know that crime, safety and policing play a prominent role in your quality of life. That's why we continued our public engagement activities, through public meetings, online consultations, and events so your priorities and concerns could be reflected in all the work we do.

On behalf of the Commission, I would like to thank Chief Constable Chaffin and his senior team for their leadership, as well as each and every CPS employee for their commitment to making our city a safe place to live, work, and raise families. We are humbled to work alongside these thoughtful, dedicated professionals and honoured to have the privilege of seeing their successes up close.

We look forward to continuing working with CPS and our community partners in the year ahead.

Sincerely,

Brian Thiessen, Chair

COMMISSION OVERVIEW

RELATIONSHIP TO ALBERTA JUSTICE

The Calgary Police Commission is accountable to Alberta Justice and Solicitor General. The Province sets the standards for effective policing in Alberta, and through the Police Act, sets out the requirements and responsibilities for police commissions, Public Complaint Directors, municipalities, and police services.

We uphold and value the core principles of police oversight in Alberta:

1. The participation of the public in determining the priorities is essential.
2. The police service must be accountable to the public.
3. The police service must operate in the absence of political influence.

The Calgary Police Commission remains committed to fulfilling our legislated responsibilities, as well as our responsibilities outlined in the Alberta Policing Oversight Standards. The standards require police oversight agencies to ensure efficient and effective policing, and to provide a way to receive and monitor public complaints against the police service.

When last measured in 2015, the Calgary Police Commission achieved full compliance with the Provincial Policing Oversight Standards. A review by the Province confirmed that the Commission has well-developed policies and practices that promote and support police oversight.

RELATIONSHIP TO CALGARY CITY COUNCIL

The Police Act provides for the city to establish a municipal commission. The Calgary Police Commission operates in accordance with the City's Calgary Police Commission bylaw. The bylaw reiterates and refines the responsibilities of the Commission, and outlines its duties and procedures, including for the creation and appointment of members. City Council appoints members to the Calgary Police Commission, drawing upon the expertise and experience available in the community.

In consultation with the Chief of Police, the Commission is responsible for allocating funds for policing that are provided through City Council. The Commission regularly provides reports and presentations to City Council on the financial status of CPS, and works to ensure information flows seamlessly between the Commission, CPS, and the City.

Each year, the Calgary Police Commission and the Calgary Police Service present an annual report to the Standing Policy Committee on Community and Protective Services. This includes a report on the activities and highlights from the previous year.

The Commission also presents to the City's Audit Committee to provide annual financial statements and the results of the annual financial audit.

We continually strive to ensure we have a strong working relationship with our partners, including the City of Calgary.

OVERSIGHT IN PRACTICE

Providing independent civilian oversight and governance of the Calgary Police Service to ensure a safe community.

PUBLIC MEETINGS

In 2017, the Calgary Police Commission held nine public meetings. The Commission provides advance notice of upcoming meetings and posts agenda, reports and minutes of those meetings on the Commission's website. Public guests are welcome to attend meetings and speak to the Commission.

In recent months, the Commission has welcomed increased media and public attendance as an opportunity to show the community what police oversight looks like in practice. In 2017, public guests have addressed topics including CPS internal culture, street checks, acquisition of body-worn cameras and less-lethal options, and board membership.

As part of its oversight role, the Commission receives briefings from CPS on various aspects of police operations. In 2017, topics included:

- HR reform action plan updates
- Break + enter response
- Sexual assault investigation model
- Drug-impaired driving and the implications of cannabis legalization
- Partnerships with community agencies to reduce crime (SORCe model)
- Discharging firearms at motor vehicle occupants
- Policy reviews underway
- Collection of information for intelligence purposes (ie. 'street checks/info posts')

OVERSIGHT IN PRACTICE

ADVOCACY

Part of the Commission's role involves advocating for legislative and other changes that may improve the ability of the police service to improve safety and effectively serve the community. In 2017, the Commission's advocacy efforts included sponsoring a resolution at the Alberta Association of Police Governance, and conversations with the Province endorsing broad Police Act reforms, supporting CPS's position on supervised consumption sites, engaging with community partners to facilitate CPS's inclusion and full participation in Pride events, and encouraging city councillors to support a budget increase for CPS to hire more members in 2018.

FINANCE + AUDIT COMMITTEE

This committee works closely with CPS on closely analyzing the budget allocated by city council to ensure funding is dedicated to the strategic priorities outlined in its 2015-2018 business plan, and to ensure CPS has the resources it needs to keep the city safe.

COMPLAINT OVERSIGHT COMMITTEE

With the support of the Public Complaint Director, this committee monitors and oversees the public complaint process. While CPS is responsible for investigating complaints, the Commission and the Public Complaint Director ensure investigations are thorough, fair to all parties, and are conducted in accordance with laws and policies.

GOVERNANCE + PERSONNEL COMMITTEE

As part of the Commission's responsibility to establish policies for efficient and effective policing, this committee considers the financial, privacy, personnel, and public interest implications of CPS policies and decisions. This committee also establishes the evaluation framework and evaluates the performance of the Chief Constable.

OUR MEMBERS (2017)

While it is funded by the city, the Calgary Police Service is governed by a civilian police board. This structure ensures civilian oversight and accountability to the community and protects police from political influences. The Calgary Police Commission includes nine citizen volunteers and two city councillors. The Commission represents a mix of gender, ethnicity, experience, and skills.

(L to R (back): Tyler Shandro, Councillor Ward Sutherland, Richard Sigurdson, Chris Salmon, Howie Shikaze.
(Front): Ferdinand Legaspi, Chair Brian Thiessen, John Liu.
Not pictured: Vice-chair Lisa Silver, Councillor Richard Pootmans, Myra D’Souza.

[Photo credit: Tim Bellaart]

OUR MEMBERS (2017)

MYRA D'SOUZA
[APPOINTED NOVEMBER 2015]

Commissioner D'Souza is an active community representative with experience on several local boards. She is a member of the Calgary Urban Aboriginal Initiative board, past chair of the Citizen's Advisory Committee for Corrections Canada and was previously a member of the Calgary Co-Op board of directors. She also instructs courses and provides interactive workshops in her role as a corporate trainer/facilitator.

Commissioner D'Souza was selected as one of the 50 most diverse people in Canada by the Canadian Board Diversity Council. She has strong ties with the community and a diverse cultural background that includes traveling in 23 countries and speaking Urdu, Hindi, Spanish, and German.

FERDINAND LEGASPI
[APPOINTED NOVEMBER 2015]

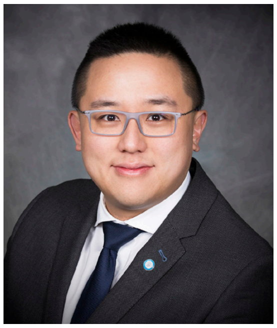
Commissioner Legaspi brought to the Calgary Police Commission more than 30 years of experience developing technology and business solutions in the healthcare sector. He has specialized in management of electronic medical records, large scale system implementation, process optimization, and ensuring security and privacy of records. He even applied his expertise as part of a two-year medical mission abroad.

He has completed technical computer engineering programs at DeVry and SAIT, and completed a project management certificate from the University of Calgary.

Commissioner Legaspi is also involved in the community through the Rotary Club of Calgary and fundraising as a Knight of Columbus.

OUR MEMBERS (2017)

JOHNATHAN LIU
[APPOINTED NOVEMBER 2014]



Commissioner Liu is an executive with Westmount Charter School Society who works on policy development, finance and accounting and enterprise risk management. He is also a director with the Alberta Association of Police Governance, and the Supply Chain Management Association - National.

He previously served on the board of Brickburn Funds Inc., Norfolk Housing Association, Kincora Residents Association, and Kincora Community Association.

Commissioner Liu holds an ICD.D designation from Institute of Corporate Directors program, a Bachelor of Commerce degree in Accounting from the University of Calgary, and is a chartered professional accountant.

RICHARD POOTMANS
[APPOINTED FEBRUARY 2017]

As a two-term city councillor, Richard Pootmans worked with the community, the city, and industry to ensure that ongoing development is sustainable, affordable, and serves the needs and interests of the community.

Prior to his role on city council, Councillor Pootmans had more than 30 years of experience as a leader in public service and business sectors. Prior to being elected, he worked as a business executive in a public company, co-owned and managed a successful business, and worked in the oil patch. He also earned an MBA from the University of Calgary in Finance and Marketing and instructed students at the U of C Haskayne School of Business.

Councillor Pootmans has served on numerous community and business boards prior to joining the Calgary Police Commission, where he applied his progressive approach alongside his financial and governance expertise.

OUR MEMBERS (2017)

Chris Salmon, Vice-chair
[appointed November 2015]

Chris Salmon is a management consultant, specializing in the areas of strategy, change and organizational performance. He previously served as a UK Crown Servant and has strong professional interests in the areas of intelligence, big data, and the mental wellness of first responders.

Commissioner Salmon serves as Chair of the Emergency Medical Services Foundation and has previously served on the advisory board for change management programs at Mount Royal University and with a number of community organizations.

He is a graduate of the Universities of London, Manchester and Aberystwyth, a member of the Institute of Corporate Directors, and holds the Freedom of the City of London.

Tyler Shandro
[appointed November 2015]

Tyler Shandro received his J.D. in 2004 from the University of Calgary and has focused his legal practice in the area of municipal law. He is a member of the Law Society of Alberta and facilitates and evaluates several modules of the Legal Education Society of Alberta's bar admission course.

In the past, Commissioner Shandro sat on a number of boards including the Municipal Government Board, the National Parole Board, the Criminal Injuries Review Board, as well as the Senate of the University of Calgary, and the Calgary Parking Authority.

His community experience also extends to volunteering with the Calgary Flames Ambassadors and previously with the Calgary Stampede Promotion Committee.

OUR MEMBERS (2017)

Howie Shikaze
[appointed November 2010]

Commissioner Shikaze is a member and a Fellow of the Institute of Chartered Accountants of Alberta and the Institute of Corporate Directors.

Retired as a partner in MMP LLP, he dedicates time to the Rotary Club of Calgary, participating in its many community service and fundraising activities, and as the Chair of the Board of Directors of the Calgary YMCA.

He was past president of both the Kiwanis Club of Calgary and the Calgary Kiwanis Music Festival.

Richard Sigurdson
[appointed November 2016]

Dr. Richard Sigurdson has spent almost three decades in academic and administrative roles in universities across the country. He is currently the Dean of the Faculty of Arts at the University of Calgary.

Prior to moving to Calgary in 2012, Dr. Sigurdson served as Dean, Faculty of Arts and Acting Provost at the University of Manitoba where he also held the Duff Roblin Professorship of Government. A political scientist by training, Dr. Sigurdson has published on a variety of topics, from the history of political theory to the Charter of Rights in Canada. As an administrator, his focus has been on internationalization, indigenous teaching and learning, and improving the student experience.

Dr. Sigurdson has a long-standing commitment to public service, volunteerism, and engagement with the community. He has served on the Manitoba Electoral Boundaries Commission, and has co-chaired the University of Calgary’s United Way campaign.

OUR MEMBERS (2017)

Lisa Silver, Vice-chair
[appointed November 2012]

Commissioner Silver is a native Calgarian, lawyer, and educator. Her educational achievements include earning a degree in economics, a degree in law, and a master's of law. She has appeared before all levels of court, including the Supreme Court of Canada.

Since 2016, Commissioner Silver has been on faculty at the University of Calgary Faculty of Law where she teaches criminal law, evidence, and advocacy courses.

Commissioner Silver also sits on the Alberta Legal Aid Provincial Appeals Committee, is a board member of Calgary Legal Guidance and is on the Access to Justice Committee for the Canadian Bar Association – Alberta. She is a member of the Advocate's Society, the Canadian Bar Association, and the Institute of Corporate Directors.

Ward Sutherland
[appointed November 2014]

Councillor Ward Sutherland was re-elected to Calgary's City Council in 2017 for a second term. Prior to his role as city councillor, he had 25 years of senior leadership and management in top-tier companies such as Sony, Tim Horton's, McDonald's, and Hartco Corporation.

In Councillor Sutherland's volunteer work and as the president of the Rocky Ridge Royal Oak Community Association, he established a track record of positive outcomes across various levels of government, on multiple diverse issues. In 2013, he was honoured to receive the Queen Elizabeth II Diamond Jubilee Medal for his service to the community.

OUR MEMBERS (2017)

Brian Thiessen, Chair
[appointed November 2015]

Commissioner Thiessen is Calgary lawyer and a partner at Osler, Hoskin & Harcourt LLP. His practice focuses

on employment, labour, and workplace privacy law where he engages on workplace investigations, employment disputes, human rights complaints, and privacy compliance on behalf of his clients.

He is among Canada's top business lawyers and has received numerous recognitions including Chambers Canada: Canada's Leading Lawyers for Business from 2011 to 2018, and the Best Lawyers in Canada from 2011 to 2018.

As a certified human resource professional and certified information and privacy professional, he works extensively on developing best practices in employment, privacy and governance with employers and their boards of directors.

Commissioner Thiessen has a Juris Doctor, Law from the University of Calgary and a Bachelor of Commerce (Honours) from Queen's University.

As a dedicated community volunteer, he has received the Debra Dean Award for outstanding contribution for work with the Board of Directors of Ronald McDonald House Southern Alberta.

HIGHLIGHTS (2017)

EMBRACING DIVERSITY

In 2017, the Commission continued its focus on achieving a diverse, inclusive, and respectful workplace.

Building on the 7-point plan provided to CPS in 2016, the Commission received frequent updates from CPS about the progress on each item. In a short amount of time, CPS has made significant progress on reviewing and modifying policies and organizational structures to achieve the goals outlined in the 7-point plan:

Address personal concerns and specific allegations

1. The Commission will work with CPS to establish an independent third party advocate to assist staff in reporting and addressing concerns in a confidential and/or anonymous manner.

   CPS Progress 2017:
   - **Strengthened Respectful Workplace Office**
   - **Put in place an Independent Workplace Concern Advisor**
   - **Revising Respectful Workplace Policy**

Address systemic issues by considering the following actions:

2. Retain external expertise to address the recommendations outlined in the 2013 workplace review, including a process for meaningful audit and reporting. Provide report and recommendations to CPS and the Commission.

   CPS Progress 2017:
   - **Implementing a revised human resource delivery model based on results of an independent review**
   - **Drafted a workplace violence policy**
   - **Monitoring provincial legislation**
   - **Provide monthly updates at public Commission meetings**

Examine, and report to the Commission, on the progress CPS is making in relation to:

3. Conducting a workforce census and analyzing data collected to determine the representation of employees protected by grounds of sex, family status, or both, at all levels and ranks.

   CPS Progress 2017:
   - **Census conducted, analysis underway**

4. Reviewing all written and unwritten promotion and job placement policies, practices and procedures to ensure that they do not discriminate on the basis of sex and/or family status.

5. Assessing whether perceived or actual gender bias, maternity, and parental leaves or family caregiving responsibilities may be impacting women’s access to advancement opportunities.

   CPS Progress 2017 (#4 & 5):
   - **Following up with independent policy reviews**
   - **Applied Gender-Based Analysis plus model**
   - **Developing a diversity and inclusion strategy**

6. Revising promotion and job placement policies, practices, and procedures and human rights accommodation policy to address sex and family status discrimination and accommodation. Include an update on the status of the flexible work policy.

   CPS Progress 2017:
   - **Following up with independent policy reviews**
   - **Implementing a flexible work program**

HIGHLIGHTS (2017)

7. Providing training to employees, in consultation with the Calgary Police Association, on the promotion and job placement policies, practices, and procedures, and human rights accommodation policy.

CPS Progress 2017:

- **Delivering respectful workplace training**
- **Developing a diversity and inclusion strategy**
- **Developing a multi-year "people plan"**

The Commission acknowledges that these organizational and cultural reforms will take time, just as they do in all other industries. Both CPS and the Commission are committed to dedicating the time and resources necessary to ensure that CPS becomes an equitable, inclusive workplace. The 7-point plan is the catalyst for change, and monitoring its implementation is a long-term priority that has gained significant public interest. It reflects the Commission's vision for gender equality and success that, in turn, promotes the well-being and safety of our community.

DIVERSITY ON THE COMMISSION

The Commission also supports and endorses the City of Calgary's efforts to create a more inclusive municipal decision making system, which includes the participation of women across diverse communities on boards and commissions.

With this in mind, the Commission encourages city council to select individuals with proven professional experience from a diverse cross-section of the city to fill vacancies on the Calgary Police Commission. The Commission expects the Calgary Police Service to achieve gender equity and diversity within the organization which means the Commission itself must model the diversity it expects.

The Commission supports achieving a gender balance on the board and believes the city would be best served if the board was comprised of individuals who represent the diversity of our community alongside proven professional expertise.

HIGHLIGHTS (2017)

INTERNATIONAL WOMEN'S DAY

International Women's Day celebrates the advancement of women throughout our global community. It provides a space in our daily lives to pause and reflect on the many significant achievements of women. It creates a moment of reflection on our progress towards gender equity and serves as a call for action for us to step boldly forward to achieve even more.

This year's theme- equality matters - embraces this momentum of change by requiring all of us to take charge of the future by answering this question: how will I support progress?

The answer is to be bold. To be bold is to be courageous, even audacious, in our support of gender equity. To be bold, we must throw down the metaphorical gauntlet of change and pledge to be an agent of that change. This means we must not only suggest change but we must be a catalyst for it.

At the Calgary Police Commission, this approach is driving us and our vision for progress within the Calgary Police Service. It reflects who we are as a society by encouraging and promoting gender parity in the workplace with equitable opportunities for women to advance and to be heard.

Studies have shown that female police officers advance goals of safe community policing and are an integral part of successful policing practices. To promote and encourage the employment of female officers we need to ensure that the policing workplace is a welcoming and responsive environment. The Commission's seven-point plan for a more equitable and fair workplace will be our catalyst for this change and we look forward to sharing this vision with the community.

This is how we will celebrate International Women's Day - by supporting a vision of gender equality and success that, in turn, promotes the well-being and safety of our community. The time for bold action is now and we at the Commission will stand with our policing community to make it happen.

Brian Thiessen, Lisa Silver, Chris Salmon

Calgary Police Commission

Calgary Herald, March 7, 2017

HIGHLIGHTS (2017)

SECURING RESOURCES FOR CPS

The Calgary Police Commission has a duty under the Police Act to ensure that the service has sufficient resources to carry out their mission to keep our city safe, and to prevent crime.

Throughout 2017, the Commission and CPS were involved in extensive discussions about the 2018 budget. After much discussion and consideration to the upcoming challenges facing public safety in Calgary, the Commission decided it could not support any cuts to the CPS budget in 2018.

Additional funding was required to help CPS respond to the priorities we've heard from citizens, and to grow into a modern, professional, and world-class police service.

The Calgary Police Service is facing significant additional pressures now and in the coming years when it comes to responding to the opiod crisis, cybercrime, increasing caseload demands, increasing calls for service, and significant increases in child abuse, sexual assault, and domestic violence.

We realized that asking city council for more funding in this economic climate would be challenging. However, we knew that an increase was necessary to ensure that CPS would have enough resources to keep our city safe, to prevent crime, and to support officers with the resources they need to do their jobs.

The Commission is thankful to Calgary city council for voting to increase the Calgary Police Service budget. Additional funding in 2018 will allow CPS to hire 55 additional employees, and move forward with HR reform work, and the body worn camera program.

The 2018 budget is only one small part of the bigger picture. We are also preparing for the 2019 - 2022 budget and business plan period. We respect the budget challenges the city is facing and are working maintain a strong working relationship with city council.

We know CPS is committed to providing the community with the services they need, including community-based prevention programs that have earned CPS high levels of confidence.

HIGHLIGHTS (2017)

USE OF FORCE REVIEW

"CPS is constantly re-examining itself to see where improvements need to be made that will better enable officers to keep the community safe. That is consistent with what the public and the Commission expects."

Chair Brian Thiessen

In 2016, discussions focused on the higher-than-usual number of police-involved shootings – 14 over two years. The decision to use lethal force is the hardest decision an officer will ever make. We know that police encounter challenging situations numerous times each day, and the majority of incidents are resolved without incident.

Together, the Commission and CPS recognized the need for an independent review to examine ways to minimize the risks involved in dynamic police encounters. By May 2017, CPS had engaged former Chief Justice Wittmann to conduct a review with the goal of ensuring members have the correct leadership, policy, procedures, equipment, and training to police the community in the safest way possible.

"The purpose of this review is to ensure we are doing everything we can to protect both the public and our members."

Chief Constable Roger Chaffin

HEARING FROM THE COMMUNITY

COMMUNITY ENGAGEMENT FEEDBACK

The Commission's 2017 community dinner included more than 375 guests representing community associations, diversity groups, community agencies, alongside the Calgary Police Service. Guests were invited to provide their thoughts about how to create a collaborative relationship and effective communication with CPS.

Common ideas, themes, and practical suggestions emerged throughout the discussion. Comments were overwhelmingly positive, with participants expressing support and appreciation to CPS for being a reliable and accessible partner and resource. Many people also commented that the dinner itself is an important way to bridge the gap in communications between CPS and the community.

Guests expressed the importance of engaging youth as a way to improve trust and confidence within the community. They believe programs that give young people an opportunity to interact with police, and to create lasting positive impressions, should be expanded. This includes maintaining a presence in schools, at community events, through sports, and informally throughout their day.

A number of discussion participants also noted that CPS needs to improve the diversity of its members to better service the community. Having officers who speak their language and understand their culture will help CPS develop strong, respectful connections with various communities. Examples of improvements include: making information available in multiple languages, having translators available to overcome language barriers, translating CPS reports into multiple languages, engaging new Canadians through ESL programs, and taking diversity training.

Many participants also felt that increased police involvement at community events would build a stronger sense of community. Visibility and approachability were identified as important characteristics for officers.

HEARING FROM THE COMMUNITY

CITIZEN CONSULTATIONS 2017

To provide effective oversight of the police, the Commission needs to understand the expectations the community has about policing and whether they feel the Calgary Police Service is meeting those expectations.

The results of the 2017 Calgary Police Commission citizen consultations provide a valuable snapshot of perspectives about safety and policing in our city.

The Calgary Police Commission partnered with Illumina Research Partners, an accredited gold seal member of the Marketing Research and Intelligence Association, to conduct online community consultations with a cross-section of Calgary citizens. The online community consultation allowed participants to communicate their feelings about safety, crime, and the Calgary Police Service, and to explain why they hold particular views.

Citizen surveys conducted annually by the Commission from 2008 to 2016 showed that citizens felt the city is a safe place to live and that confidence in the Calgary Police Service was high. However, those feelings have been declining over recent years and the Commission wanted to dig deeper to understand why.

HEARING FROM THE COMMUNITY

Citizen Consultation Highlights:

- A visible police presence is one of five factors that impacts feelings of safety. The others are: familiarity with neighbours, being with a group, well-cared for and well-lit areas, and feeling in control of the environment.
- The perception that Calgary is a safe place to live is eroding based on a perceived increase in crime, the economic downturn, changing demographics, media coverage, and the growth of the city.
- There is uncertainty among many participants that CPS has the resources necessary to meet increasing demands.
- Gangs, drugs, and violent crime are priorities for participants, along with community programs aimed at prevention.
- Many participants believe that more officers with increased visibility in the community will make Calgary safer.
- Participants want more police engagement with the community to build relationships and break down barriers.
- Most participants hold CPS in high regard and are empathetic to their work challenges.
- Some participants indicate there is room for officers to improve when it comes to being more polite, helpful, patient, respectful and approachable.
- Media stories can play a role in how safe participants feel. Many participants value direct communication from CPS to better understand police actions and to get a complete and balanced perspective.
- There is a lack of awareness about the Calgary Police Commission.

This research is one tool, among many, that the Commission and Calgary Police Service use to inform decision-making about budget and strategic priorities.

We want to thank the Calgarians who took the time to share their views with us. Hearing citizens express experiences and concerns in their own words allows us to understand the evolving needs and expectations of our community so we can plan for the future.

HEARING FROM THE COMMUNITY

HEARING FROM CPS EMPLOYEES

Each year, the Commission engages with police officers and civilian employees through an extensive online survey to understand their perceptions and concerns about their workplace.

Through this survey, the Commission monitors employee satisfaction and engagement levels, and offers employees the opportunity to anonymously express concerns in their own words.

The responses to the 2017 annual CPS employee survey showed that employees remain passionate about making a meaningful contribution to our city, and many have good relationships with coworkers and supervisors.

However, employee engagement has declined, along with many other measures. We know staff are eager for additional supports, such as educational/ development opportunities and more employees to help with the heavy workload. They are looking for better communication and more support from senior leadership, including better acknowledgement of their contributions.

Those expectations are realistic and it is clear that there is more work that needs to be done to ensure the organization is giving employees the supports they need to help keep our community safe.

We want to thank everyone who completed the survey for taking the time to provide their perspective. That input is a valuable tool for the Commission and for CPS to understand the challenges, as well as the strengths, within the organization.

We immediately communicated the needs expressed in this survey to city council as part of the budget discussions. City council's approval of an additional $14.3m in 2018 is the result of significant advocacy work on the part of the Chief and the Commission to get the resources needed for more officers and equipment to help address the pressures employees are facing. More importantly, it reflects the value Calgarians place on the work that CPS does.

CPS leadership is implementing a broader action plan to address the concerns raised in this survey and others. The Commission is eager to see that plan implemented so employee satisfaction and engagement can start to climb back up.

COMMUNITY POLICING AWARDS

The Calgary Police Commission and the Calgary Police Service rely heavily on our partnerships with community members and groups. Without these relationships and input from residents, community policing would not be possible.

To foster and celebrate these relationships, the Commission hosts an annual community policing awards ceremony. The awards are designed to recognize individuals for their exceptional contribution to community policing and helping to make our city safer.

In 2017, the Commission presented six awards to deserving Calgarians who have helped CPS improve their service to our community.

WINNERS OF THE 2017 COMMUNITY POLICING AWARDS

EISHA BASHARAT, ACHAI BOL, AYUEN BOL, ELIZABETH JAMES, AGAK NONG, ITUBA OHISA, HANNA TOP, & ACHAI WIEN

"These girls transformed themselves into ambassadors for their community and created an opportunity for their neighbours and the police to get to know each other at a celebration. Their personal relationships with each family and their commitment to bringing the police and the community together made this event a success."

CPS Sgt. Nick Wilsher

When this group of teenage girls living in the Applewood community saw a need to build ties between their community and local police, they came up with a creative way to help.

Together they planned a Christmas party that brought together their neighbours – newcomers to Canada – and members of the Calgary Police Service in an effort to build comfort, trust, and open lines of communication. Because of the 50 hours this group spent preparing for this event, CPS was able to touch the lives of more than 100 people.

COMMUNITY POLICING AWARDS

BRIAN FERGUSON AND JIM PRENTICE (POSTHUMOUSLY)

"Mr. Ferguson and Mr. Prentice are shining examples of leadership, commitment, and dedication to our community. Together they helped create a foundation that continues to strengthen the Calgary Police Service's ability to work closely with the community to develop youth-based programs that make a difference to the lives of the youth and to our entire community."

Tara Robinson, Calgary Police Foundation & YouthLink Executive Director

The success of the Calgary Police Foundation is the direct result of the efforts of Brian Ferguson and Jim Prentice. They worked hand-in-hand to get the foundation off the group by building community and corporate partnerships, and fundraising for programs and facilities that would help vulnerable children in Calgary. They opened doors to corporate Calgary that helped the foundation raise millions of dollars to fund dynamic youth programs that are helping prevent crime and keep kids safe.

DR. MARGARET DOYLE

Based on her willingness to go above and beyond her daily duties as a veterinarian, Dr. Doyle is the first point of contact for CPS members seeking support on animal cruelty investigations. These cases are a sad and often overlooked reality that CPS faces. Dr. Doyle never fails to make herself available to support investigations, to attend calls where her medical advice is needed, or to serve as an expert witness. Her work allows CPS to collect evidence in a timely way and is a critical part of successfully prosecuting these crimes.

"There is no one more deserving of this award than Dr. Doyle. Her supportive approach enables us to intervene early and provide education and assistance to help those who lack the skills or funds to properly care for their pets. With her assistance, CPS is able to conduct important investigations on behalf of victims that do not have a voice."

CPS Detective Shawna Baldwin

COMMUNITY POLICING AWARDS

CALGARY HUMANE SOCIETY

"Due to the excellent working relationship we have with the Calgary Humane Society, we can work jointly on files and share resources to conduct more thorough and successful investigations. CPS is the first police service in Canada to successfully develop relationships with partner agencies that support the investigation and prosecution of crimes against animals."
CPS Detective Shawna Baldwin

The Calgary Humane Society and the Calgary Police Service have developed a valuable partnership that is allowing police to more effectively respond to and investigate animal-related call. The humane society generously provides extra resources for vet care, and the facilities necessary to house animals that have been seized as exhibits.

Through the leadership of the Calgary Humane Society, a number of animal hospitals in Calgary have adopted the protocol needed to aid police to conduct through investigations, while remaining focused on improving the circumstances of every animal encountered through a combination of education, compliance and enforcement.

SHAW COMMUNICATIONS

"A safe community requires corporate leaders. Rather than reducing its support in the current economic environment, Shaw has actually increased its support. This incredible relationship is irreplaceable, and Shaw demonstrates the positive impact a company can have on the community."
Tara Robinson, Executive Director YouthLink & Calgary Police Foundation

As part of Shaw Communication's broader commitment to supporting youth across Canada, the company has contributed $1 million to support the Calgary Police Foundation and YouthLink. The company understand the important role corporations have in giving children a leg-up to help them fulfill their potential, which contributes to the long-term health and safety of our community.

Shaw's unwavering and generous support has been a critical part of the success of both organizations. Whether it's through financial sponsorship, staff participation on the Foundation board of directors, or media visibility for Foundation fundraising campaigns such as 'Get Framed for Kids' and the canine calendar, Shaw raises awareness about the services available to help youth deal with bullying, crime, and safety.

COMMUNITY POLICING AWARDS

CONSTABLE MIKE YANKO

"For more than 13 years, Cst. Yanko has committed no less than 2600 hours of his personal time and expertise as an ambassador for the Calgary Police Service, having a tangible effect on Calgary's youth and strengthening the supports available in the youth justice system. He demonstrates the best of CPS's core values through integrity, a passion to serve the community, and a commitment to education, prevention, and intervention."

Mike Ellis, Calgary - West MLA

Even before becoming a CPS member, Cst. Yanko volunteered with the Calgary Youth Justice Society where his expertise and guidance have been instrumental in developing programs that find meaningful and appropriate consequences to address offending behavior.

He is a founding member of the 'In the Lead' program, an innovative program that connects at-risk youth with adult mentors.

Cst. Yanko has personally trained every youth justice committee volunteer who has joined the organization since 2004- more than 500 Calgarians, and his work is estimated to have impacted the lives of more than 9000 Calgary youth and their families.

[photo credit: Ken Woo, James Paton]

COMPLAINTS OVERSIGHT

In 2017, the Commission continued its ongoing work to enhance the public complaint process. This involved monitoring and reviewing ongoing files and reviewing complaint file audits conducted by the Public Complaint Director.

How does the Public Complaint Director support the Commission's oversight role?

- Receives complaints from the public
- Acts as a liaison between the Commission, CPS, and the complainant
- Review investigations conducted by CPS while they are ongoing and at their conclusion
- Offer alternative dispute resolution, when appropriate, and review the delivery of the resolution process
- Report to the Commission on complaint matters

Public Complaint: complaint re. conduct of a member that may contravene the regulations governing the discipline or performance of duty of police officers

Citizen Contact: initial contact re. an allegation or an inquiry or request for assistance - may become a complaint

Internal Complaint: complaint initiated by the Chief of Police re. the conduct of a member that may contravene the regulations governing the discipline or performance of duty of police officers

Statutory Complaint: criminal complaint re. an act by a police officer that may be an offence under the Criminal Code or Controlled Drugs and Substances Act or may contravene provincial legislation– may be generated by a citizen or the police service

Administrative Concern: examination of specific incident types to ensure all CPS policy and procedures have been followed - assesses whether existing policy is adequate and whether any misconduct occurred

PUBLIC COMPLAINTS AND CITIZEN CONTACTS

Public Complaints & Citizen Contacts	2013	2014	2015	2016	2017
Public Complaint (External)	190	213	247	282	226
Citizen Contact	839	846	847	1094	908
Internal Complaint	21	23	40	33	69
Statutory Complaint	12	20	29	41	33
Admin. Concern	16	23	43	46	16
TOTAL	**1078**	**1125**	**1206**	**1496**	**1252**

COMPLIMENTS AND THANK YOU TO CPS

In 2017, CPS received 357 written compliments.

Each of these is for one or more members or for CPS as an organization.

COMPLAINTS OVERSIGHT

PUBLIC COMPLAINTS AND CITIZEN CONTACTS CONT'D

Resolutions of Public (External) Complaints 2013-2017	**2013**	**2014**	**2015**	**2016**	**2017**
Withdrawn by Complainant	11	10	13	13	4
Lost Jurisdiction (resign/retire)	2	1	3	3	0
Filed Beyond One Year Limit	11	9	8	8	4
Dismissed - Extension Not Granted *(new category in 2015)*	N/A	N/A	2	1	0
Frivolous / Vexatious / Bad Faith*	3	12	0	4	1
Informally Resolved	97	134	171	222	140
Supervisor Intervention	21	41	36	42	28
Professional Mediation	1	2	1	0	0
Facilitated Discussion	11	13	12	5	4
Informal Discussion Among Parties	64	78	122	175	108
Sustained - No Hearing	0	0	0	3	2
Sustained In Part - No Hearing	5	3	4	12	7
Not Sustained - No Hearing	31	28	26	55	69
Sustained - Hearing	0	0	2	1	0
Sustained in Part - Hearing	0	0	0	2	2
Not Sustained - Hearing	3	3	1	1	0
Other	8	8	0	0	1
TOTAL	**171**	**208**	**230**	**325**	**230**

COMPLAINTS OVERSIGHT

Disciplinary Measures for External Complaints 2017		
Incident	Allegation	Discipline
1	Discredit the Reputation of the Service	Official Warning (3 Years)
2	Insubordination - Breach Policy / Order / Directive	Forfeiture of Overtime Hours
3	Insubordination - Breach Policy / Order / Directive	Suspension from Duty Without Pay
4	Unlawful / Unnecessary Exercise of Authority Neglect of Duty - Fail to Promptly / Diligently Perform Duty	Other Action Considered Appropriate Other Action Considered Appropriate
5	Unlawful / Unnecessary Exercise of Authority Inappropriate Use of Force	Official Warning (1 Year)
6	Discredit the Reputation of the Service	N/A
7	Discredit the Reputation of the Service	N/A
8	Neglect of Duty - Fail to Promptly / Diligently Perform Duty Insubordination - Breach Policy / Order / Directive	Official Warning (2 Years)
9	Neglect of Duty - Fail to Promptly / Diligently Perform Duty	Official Warning (1 Year)
10	Unlawful / Unnecessary Exercise of Authority	Other Action Considered Appropriate
11	Insubordination - Breach Policy / Order / Directive	Forfeiture of Overtime Hours

APPEALS

In the case of a complaint about officer conduct, if either a complainant or officer is unsatisfied with the Chief's decision, the Police Act allows appeals to be made to the Alberta Law Enforcement Review Board. In 2017, the Alberta Law Enforcement Review Board received three appeals related to the Calgary Police Service.

In 2017, three public complaint files were ordered to a disciplinary hearing.

In 2017, 14 allegations of misconduct were sustained in relation to 11 incidents.

COMPLAINTS AGAINST THE CHIEF

In 2017, six complaints were made against the Chief Constable. The Commission concluded in two instances that, based on the information provided, there was no conduct on the part of the Chief that would provide jurisdiction for the Commission to proceed under the Police Act. One of those determinations is the subject of an appeal to the Law Enforcement Review Board. Four complaints remain under review or in progress.

COMMISSION REPORTING

CONFERENCE EXPENSES 2017

The Commission is proud to offer professional development opportunities to help its volunteer members make a meaningful contribution to the board. The Calgary Police Service has a budget of more than $380 million. It is appropriate that the Commissioners responsible for overseeing this budget on behalf of citizens have sufficient professional development opportunities to effectively carry out their duties.

The Commission is comprised of citizen volunteers with a wide range of professional backgrounds who are representative of Calgarians. Generally, they do not come with extensive knowledge about policing. Attendance at conferences offers a deeper understanding of the profession, including trends and best practices.

The courses and conferences offered help Commissioners maintain and enhance the knowledge and skills they need to carry out important legislated functions on behalf of the community.

Alberta Association of Police Governance - Edmonton

- 3 members, $1338

Canadian Association of Police Governance – Montreal

- 4 members, $8528

Canadian Association of Civilian Oversight of Law Enforcement – St. John

- 1 member, $2748

COMMISSION REPORTING

Commissioner	Number of Commission Meetings Attended
Diane Colley-Urquhart	1/2*
Myra D'Souza	7/8
Ferdinand Legaspi	6/8
John Liu	9/9
Chris Salmon	8/9
Tyler Shandro	8/9
Howie Shikaze	8/8
Lisa Silver	8/9
Ward Sutherland	7/9
Brian Thiessen	8/9
Richard Sigurdson	9/9
Richard Pootmans	5/5*

COMMISSIONER VOLUNTEER HOURS

The time dedicated by citizens to volunteer as a Commission member is significant. In addition to monthly Commission meetings, each member attends two committee meetings each month, as well as separate strategic planning meetings, CPS events, learning opportunities, and district engagements.

City Council selects citizens with proven professional experience from a diverse cross-section of the city, who are about to dedicate approximately 30 hours each month to this community service position.

**Reflects mid-year transition of council representative*

To find out more about how to become a citizen member, visit this City of Calgary page: http://bcconline.calgary.ca/publish/bcc.aspx?id=72

CONTACT INFORMATION

To learn more about the Calgary Police Commission, or to weigh in on policing in Calgary, contact us at:

Calgary Police Commission

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Calgary, AB T2G 4t8

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ORGANIZATIONAL RISKS FACING THE CALGARY POLICE SERVICE

2018


The Internal Environment
The External Environment
Crime, Safety & Security
Organizational Agility
Expectations of Austerity
Information Management
Public Trust & Confidence
People in Crisis
Performance Measurement
The Administration of Justice
Workplace Culture
Communication

The External Environment

Crime, Safety and Security

CPS remains concerned about the level of crime and high-risk offender behavior in the community. Much of the increased crime and dangerous behavior has been attributed to the increase in highly addictive and deadly drugs in the community. Along with increases in traditional crime, most criminal offences have a technological component that is a contributing factor in the growing complexity of crime. Increased crime and the growing complexity of crime bring a number of issues/risks for CPS and the community that include but are not limited to: allocating human and technological resources to detect and enforce crime with a technological component continues to be a challenge; high risk offender behavior; increased supply of drugs on the street and increased CPS workload.

Austerity in Policing

While economic conditions have improved since the decrease in the price of oil, the climate of transparency and accountability will likely require all government agencies to find greater efficiencies. While fiscal expectations may change in the future, the growing complexity of crime often requires a bigger investigative investment to bring a file to the courts. Increasing technological sophistication is likely to require more resources dedicated by law enforcement. While finding and exploiting efficiencies is likely to be fruitful, the cost of resources deployed and dedicated to the criminal landscape are likely to increase. The risks include but are not limited to: That the CPS will be significantly challenged to detect, investigate and enforce crime with a technological component as the quantity and complexity of offences increases; that budgeted resources are decreased or maintained in an environment where crime is increasing.

People in Crisis

The outcomes of police encounters with people in crisis are a crucial social topic that has the ability to significantly impact public trust and confidence in law enforcement. The CPS understands the community’s expectations and their role in protecting people suffering from addictions/drug and alcohol abuse, homelessness, joblessness, mental illness, domestic violence and abuse, as well as financial stress. The CPS understands how important their role is in an environment where there are limited resources available for: addiction detox and treatment; mental health assessment and treatment; shelter and low-income housing options. Limited resources in the face of mounting concerns may contribute to less desirable outcomes for affected people.

The Administration of Justice

Globalization and the speed and depth of technological innovation continue to change the face and scope of crime that police investigate, as well as introduce complexities into investigation and the court process. These complexities strain scarce resources for police, the courts and community supports. The complexities introduced into investigation, disclosure and court procedure are a function of the criminal landscape, changes in the criminal code and/or charter challenges that significantly impact law enforcement workload.

Following Royal Assent, the Government of Canada intends to bring the proposed Cannabis Act into force. The law enforcement community across the country continues to prepare, but have considerable concerns including but not limited to: impaired operation of a motor vehicle; the training and investment in Drug Recognition Experts (DREs) and Standardized Field Sobriety Test (SFST) Training; the impact on policing resources due to the link between cannabis use and mental health; public education and awareness on the impact of using cannabis; and human resource implications.

The Internal Environment

Communication

The CPS is policing during a very difficult and challenging time. The presence of highly addictive and deadly drugs is driving crime and disorder in the community. The ability of police to communicate with the workforce and the community around challenges is a significant determinant of the organization's success.

The Calgary Police Commission Annual Employee Engagement Survey Report 2017 suggests members feel that internal communications do not meet their expectations. Members feel that more internal communication would be beneficial to better meet the needs of the community. Some of the risks include but are not limited to: constraints on communication around the challenges in the environment have the potential to impact crime and safety outcomes, public trust and confidence, as well as job satisfaction.

Workplace Culture

While media scrutiny of CPS has stabilized, recent work surveying and receiving input from the membership indicates some components of CPS culture are negatively impacting workplace satisfaction and engagement. Some member's feel that respect; fairness and equality do not meet their expectations and this negatively impacts their experience of the workplace. Some of the risks include but are not limited to: Workplace culture that does not align with the community's or the employee's expectations may impact organizational productivity as well as public trust and confidence.

Performance Measurement

Outside of performance metrics associated with the business plan, metrics evaluating performance are aligned with traditional measures of police performance. Some examples of traditional measures include calls for service, response times and crime statistics. These measures have limited focus on: community outcomes associated with proactive and preventative policing; and outcomes associated with partnerships which are important for program and financial decision making.

The risks for the organization include but are not limited to: an incomplete understanding of which programs or activities produce the best impacts and outcomes for the community; and the ability to compare efficiencies of programs or activities.

Information Management

Data is a valuable strategic and corporate asset to optimize community safety and well-being by supporting operational and business decision making. The growth in data available for analysis in both investigation and to support business decision making poses risks for the organization that include but are not limited to: technological limitations in data storage; analytical and business intelligence capabilities that do not meet the needs of the organization; and limitations in the ability to get the information to the people who need it in a timely manner.

Organizational Agility & Employee Diversity

Organizational flexibility and agility are key characteristics in any organization's ability to respond and strategically navigate the environment. The CPS continues to face resourcing challenges in meeting the needs of the community. These resourcing challenges translate into increasing and demanding workloads for the membership. *The Calgary Police Commission Annual Employee Engagement Survey Report 2017* suggests that increasing and demanding workloads are negatively impacting workplace satisfaction and engagement. The risks for the organization include but are not limited to: declining levels of employee engagement have the potential to negatively impact organizational efficiency and effectiveness.

Top Three Risks for the City of Calgary Audit Committee: Public Trust and Confidence

1) **Crime, Safety and Security/Crime Reduction & Management**

   To best tackle current challenges, the CPS is actively engaged in a crime reduction strategy to ensure Service-wide efforts to comprehensively address interdependent crime issues facing the community. The following strategies are the basis of the crime reduction strategy:
   - Break and Enters (residential)
   - Drug Response Portfolio/Drug and Opioid Strategic Enforcement.
   - Stolen Autos
   - Cyber-crime
   - Offender Management
   - Traffic Safety Plan

2) **Administration of Justice**

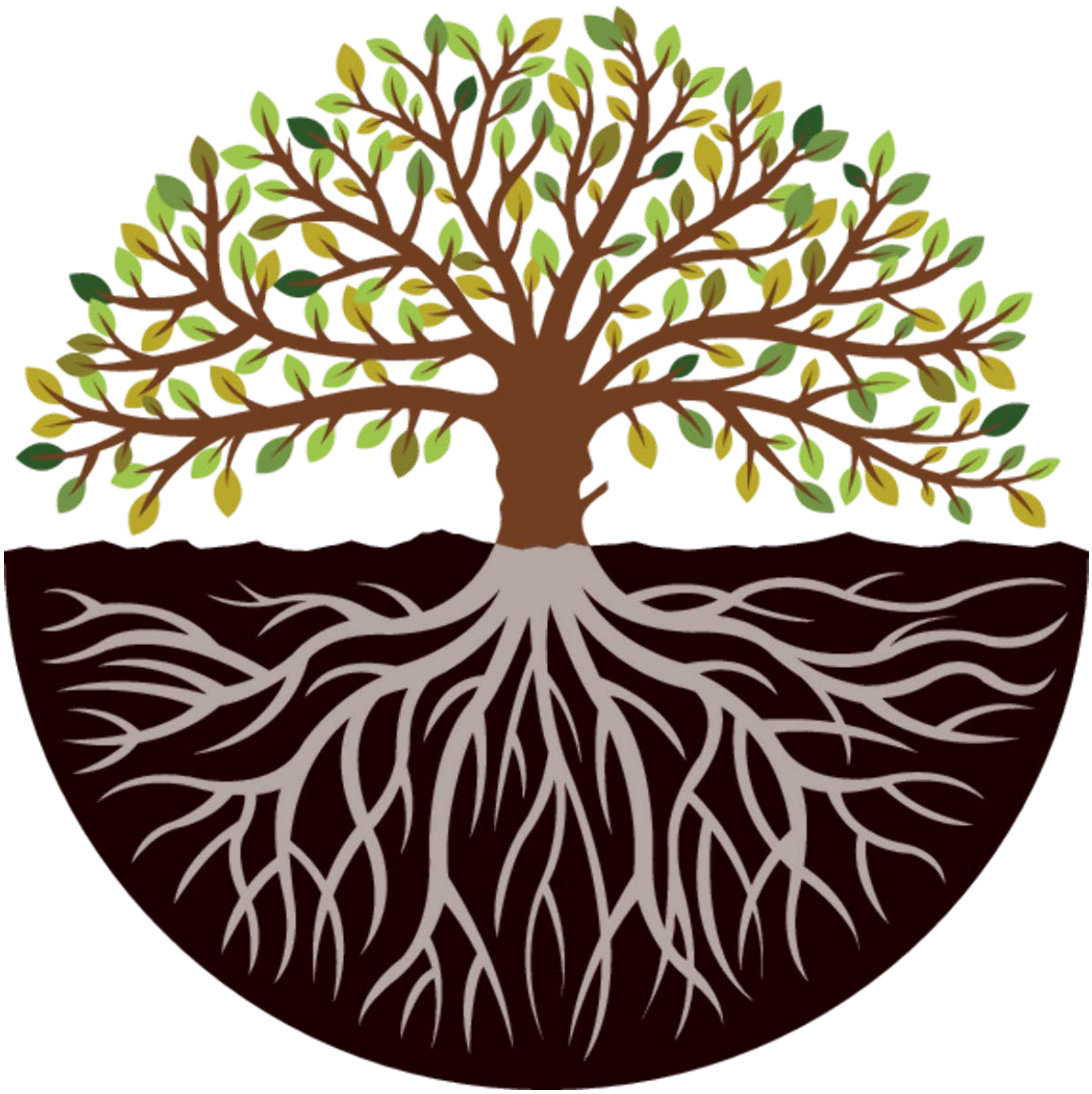
In anticipation of The Cannabis Act coming into force, the Calgary Police Service has created the:

- The Cannabis Sub-Committee of the Drug and Opioid Strategic Enforcement (DOSE) to prepare the organization for legalization. Some of this work includes but is not limited to: training of DRE and SFST, HR issues and training, a review of police powers in light of the changes, public education and awareness; public safety, data collection and analysis as well as performance measurement and reporting.

3) Austerity in Policing

In response to the increasing complexity of crime and the increasing demand for resources to meet the needs of the community, the Calgary Police Service:

- utilizing cost avoidance strategies that include but are not limited to:
  - employing intelligence led policing principles to aid in providing real time intelligence to decrease resource needs;
  - the Real Time Operations Division; and
  - continue to invest in capital for operational efficiencies



Calgary Police Service
2017 Audit service plan

For the year ending December 31, 2017
Presented to the Finance and Audit Committee
November 15, 2017

Deloitte LLP
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November 8, 2017

To the Finance and Audit Committee of the Calgary Police Commission

2017 Audit service plan

Dear Finance and Audit Committee members:

We are pleased to provide you with our audit service plan for the Calgary Police Service (the "Service") for the year ending December 31, 2017. This document describes the key features of our plan including our audit scope and approach, our planned communications with you and an estimate of our fees.

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of professionals.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Table of contents

Our audit explained

Audit scope and terms of engagement

We have been asked to perform an audit of the Service's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ending December 31, 2017. Our audit will be conducted in accordance with Canadian generally accepted auditing standards ("GAAS").

The terms and conditions of our engagement are described in the draft engagement letter, which is included in Appendix 5. Our engagement letter should be signed on behalf of the Finance and Audit Committee and management.

Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of budgeted operating expenditures. Our preliminary estimate of materiality for the year ending December 31, 2017 has been set at $7,400,000 (2016, $7,000,000).

We will inform the Finance and Audit Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will ask that any misstatements be corrected.

Significant audit risks

Through our preliminary risk assessment process, we have identified the significant audit risks. These risks of material misstatement and related audit responses are discussed in the Significant audit risks section of this report.

Fraud risk

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Asking people involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
5. Evaluating whether the judgements and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Finance and Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Service and their role in the oversight of management's antifraud programs.

If we suspect fraud involving management, we will immediately inform the Finance and Audit Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

Complete engagement reporting

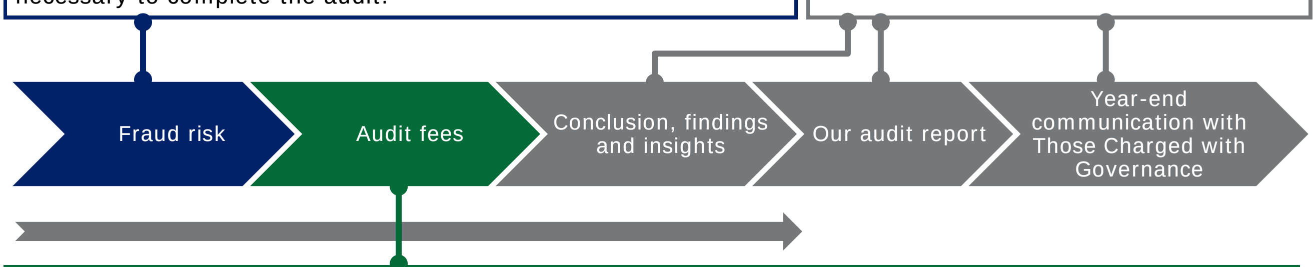
Audit reporting

Under Canadian GAAS, we are required to communicate certain matters to the Finance and Audit Committee. The primary reports and formal communications through which we will address these matters are:

- This Audit Service Plan;
- Year End Communication; and
- Our Auditor's Report on the financial statements.

Business Insights

We will provide you with insights into the condition of your business and offer meaningful suggestions for improvement, if applicable.



Audit fees

We propose audit fees of $48,400 (2016 $47,250). These fees exclude the 7% administration fee and GST.

Significant audit risks

During our risk assessment, we identified some significant audit risks that will require special audit consideration. These risks, together with our planned responses, are described below.

Revenue recognition

Audit risk

Assurance standards include the presumption of a fraud risk involving improper revenue recognition.

There may be a risk of material misstatement relating to the occurrence and cut off of the following revenue streams: government grants, sale of goods and services, and fines and penalties.

Our proposed audit response

- We will make selections and perform tests of detail to verify whether it is appropriate to recognize revenue for each revenue stream.
- We will make inquiries of management and test control activities involving management's process for accounting for revenue transactions and determining when the revenue recognition criteria have been met.

Management override of controls

Audit risk

Assurance standards include the presumption of a significant risk of management override of controls.

Management may be in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively.

Our proposed audit response

- We will engage in periodic fraud discussions with certain members of senior management and others within the Service's Finance and Audit Committee.
- We will consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- We will evaluate the business rationale for any significant unusual transactions.
- We will evaluate the Service's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.
- We will test journal entries that exhibit characteristics of possible management override of controls identified.

As we perform our audit procedures, we will inform you of any significant changes to the significant risks discussed above and the reasons for those changes.

Areas of Focus

Accuracy, recording and presentation of reserves

Audit risk	Our proposed audit response
Completeness and accuracy of the recording and presentation of reserves.	• We will review the expenditures charged to the reserve and vouch a sample of expenditures to invoices to verify that the item is non-recurring and an appropriate charge against the reserve.

Accuracy and disclosure of pension liability (employee benefit obligations)

Audit risk	Our proposed audit response
The pension liability, including financial statement disclosures may not be accurately recorded.	• We will review the pension plan balance recorded at year-end and verify this balance through confirmation with the actuary. • We will review the financial statement disclosure of the pension liability with the most recent actuarial valuation report prepared and ensure financial statement disclosures are in accordance with accounting standards. • We will consider the reasonableness and consistency of assumptions used by the actuary. In accordance with Canadian GAAS, we will communicate with the actuary in writing regarding our use of and reliance on their report and we will assess the qualification and independence of the actuary.

Appendix 1 – Audit approach

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing the Service.

The following steps are not necessarily sequential nor are they mutually exclusive. For example, once we have developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

1. Initial planning

The Deloitte audit approach begins with an extensive planning process that includes:

- Assessing your current business and operating conditions;
- Understanding the composition and structure of your business and organization;
- Understanding your accounting processes and internal controls;
- Understanding your information technology systems;
- Identifying potential engagement risks; and
- Planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks.

2. Assessing and responding to engagement risk

Our audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

Consideration of the risk of fraud

When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audit, particularly the reliability of management representations.

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

- Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement.
- Evaluate whether the Service's selection and application of accounting policies, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures.

We will inquire directly of the Finance and Audit Committee regarding:

- Its views about the risk of fraud;
- Whether it has knowledge of any actual or suspected fraud affecting the Service; and
- The role it exercises in the oversight of fraud risk assessment and the establishment of mitigating controls.

We will also inquire if the Finance and Audit Committee is aware of tips or complaints regarding the Service's financial reporting and, if so, the Finance and Audit Committee's responses to such tips and complaints and whether it is aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations.

If we suspect fraud involving management, we will communicate these suspicions to the Finance and Audit Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

Information technology
An important part of our audit planning process involves gaining an understanding of:

1. The importance of the computer environment relative to the risks to financial reporting;
2. The way in which that environment supports the control procedures we intend to rely on when conducting our audit; and
3. The computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the financial statements. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then conduct tests to support our conclusion on the operating effectiveness of controls considered relevant to the audit.

3. Developing and executing the audit plan

The performance of an audit includes evaluating the design and determining the implementation of internal controls relevant to the audit, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

Audit procedures
The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow us sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

Tests of controls
As part of our audit, we will review and evaluate certain aspects of the systems of internal control over financial reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the financial statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of financial statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of financial statements.

We will inform the Finance and Audit Committee and management of any significant deficiencies that are identified in the course of conducting the audit.

Substantive audit procedures

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls tests and are designed to enable us to obtain reasonable assurance that the financial statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the financial statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at 5% of materiality), will be reported to management and the Finance and Audit Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

4. Reporting and assessing performance

Perform post-engagement activities

We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- The scope of the audit was sufficient to support our opinion; and
- The misstatements identified during the audit do not result in the financial statements being materially misstated.

Independence

We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditor to the Service.

We are independent of the Service and we will reconfirm our independence in our final report to the Finance and Audit Committee.

Appendix 2 – Communication requirements

Required communication	Reference
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS[1] 260.14
2. An overview of the overall audit strategy, addressing: a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
Enquiries of those charged with governance	
4. How those charged with governance exercise oversight over management's 's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.20
5. Any known suspected or alleged fraud affecting the Service	CAS 240.21
6. Whether the Service is in compliance with laws and regulations	CAS 250.14
Year-end communication	
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.
10. Matters related to going concern	CAS 570.23
11. Management judgments and accounting estimates	CAS 260.16 a.
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16 d.
15. Modifications to our opinion(s)	CAS 260.A18

[1] CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference
Year-end communication	
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19
17. Significant matters discussed with management	CAS 260.A.19
18. Matters involving non-compliance with laws and regulations that come to our attention	CAS 250.23
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265
20. Uncorrected misstatements and disclosure items	CAS 450.12-13
21. Any significant matters arising during the audit in connection with the Service's related parties	CAS 550.27

Appendix 3 – 2017 summary audit timeline

This estimated timetable indicates our various procedures and release of our communications as planned throughout the year:

	Estimated to begin	Targeted for completion
Audit performance		
Planning		October 2017
Final audit procedures	March 26, 2018	April 6, 2018
Auditor's communications		
Discuss audit planning, scope, risks of fraud, and fees		November 15, 2017
Review the results of our audit and provide audit report		May 2018
Review of business insights with management		May 2018

Appendix 4 – Upcoming financial reporting standards

Significant upcoming financial reporting standards and other regulatory requirements that are likely to impact the Service's financial reporting for future audits are:

Standards	Effective Date
Related Party Disclosures, Section PS 2200	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Assets, Section PS 3210	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Contingent Assets, Section PS 3320	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Contractual Rights, Section PS 3380	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Inter-entity Transactions, Section PS 3420	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Introduction to Public Sector Accounting Standards	Fiscal years beginning on or after January 1, 2017.
Restructuring Transactions, Section PS 3430	Fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Appendix 5 – Draft engagement letter

Deloitte.

Deloitte LLP
700, 850 - 2 Street SW
Calgary, AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 587-774-5379
www.deloitte.ca

November 15, 2017

Private and confidential

The Finance and Audit Committee of Calgary Police Commission
Mr. John Liu, Chair of the Finance and Audit Committee
6th Floor Rocky Mountain Plaza
#650, 615 Macleod Trail SE
Calgary, AB T2G 4T8

Calgary Police Service
Mr. Blaine Hutchins
5111 - 47 Street NE
Calgary, AB T2J 3R2
Finance Mail Code #960

Re: Confirmation of services

Dear Sirs/Mesdames:

Deloitte LLP ("Deloitte" or "we" or "us") is pleased to serve as your professional service provider for the Calgary Police Service (the "Service") for the fiscal year 2017.

The purpose of this letter and any attached appendices (collectively, the "Confirmation Letter") is to confirm our mutual understanding of the services to be provided to you. This Confirmation Letter is issued to you further to the executed engagement letter dated November 16, 2016 (the "Prior Engagement Letter"). This Confirmation Letter is subject to the terms and conditions contained in the Prior Engagement Letter, its accompanying appendices and any subsequent amendments, except to the extent revised herein.

We estimate that our total fees for this audit will be $48,400. In addition to the professional fees, you will reimburse us for reasonable expenses and pay an administrative charge of 7% of professional fees, and applicable taxes.

This Confirmation Letter (including any documents incorporated by reference) will continue in force for future services provided by us to the Service unless amended by mutual agreement.

Please sign and return the attached copy of this Confirmation Letter to indicate your acknowledgement that it is in accordance with your understanding of the arrangements for our services.

Yours truly,

Chartered Professional Accountants

Enclosure

The services and terms set forth in and incorporated into this letter are acknowledged and approved by the Finance and Audit Committee:

Calgary Police Service

____
Signature

____
Title

The services and terms set forth in and incorporated into this letter are accepted and agreed to by management:

Calgary Police Service

____
Signature

____
Title

Appendix A
General business terms

Calgary Police Service
November 15, 2017

The following general business terms (the “GBTs”) apply to all services that are performed under this Confirmation Letter and the Prior Engagement Letter (the “Services”) between Deloitte LLP, a limited liability partnership organized under the laws of Ontario (“Deloitte”) and you, the Service or other entity that is a party to this Confirmation Letter (the “Client”). The GBTs, the Prior Engagement Letter (including the appendices), and the Confirmation Letter are together the “Agreement”.

1. **Timely performance –** Deloitte will not be liable for failures or delays in performance that arise from causes beyond Deloitte’s control, including the untimely performance by the Client of its obligations.
2. **Termination –** This Agreement and any Services may be terminated by either party at any time, with or without cause, by giving prior written notice to the other party 30 days before the effective date of termination, provided that in the event of a termination for cause, the breaching party shall have the right to cure the breach within such 30 day period. Deloitte may terminate this Agreement with immediate effect upon written notice to Client if Deloitte determines that its performance of any part of the Agreement would be illegal or in conflict with independence or professional rules. The Client will pay for time and expenses incurred by Deloitte up to the termination date together with reasonable time and expenses incurred to bring the Services to a close in a prompt and orderly manner.
3. **Fees –** Any fee estimates take into account the agreed-upon level of preparation and assistance from the Client and Client personnel. Deloitte will advise the Client on a timely basis should this preparation and assistance not be provided or should any other circumstances arise which cause actual time to exceed that estimate.
4. **Billing –** All invoices shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an invoice which remains unpaid from 30 days after the invoice date to the date on which the outstanding invoice is paid. To the extent that as part of the Services to be performed by Deloitte as described in the Agreement, Deloitte personnel are required to perform the Services in the United States of America (“U.S. Business”), the Client and Deloitte agree to assign performance of the U.S. Business to Deloitte Canada LLP, an affiliate of Deloitte. All Services performed by Deloitte Canada LLP shall be performed under the direction of Deloitte which shall remain responsible to the Client for such Services. Deloitte Canada LLP shall invoice the Client with respect to the U.S. Business and Deloitte will invoice for Services performed in Canada (“Canadian Business”). Payment for U.S. Business and/or Canadian Business can be settled with one payment to Deloitte.
5. **Governing law –** The Agreement will be governed by the laws of the Province where Deloitte’s principal office performing the Services is located and all disputes related to the Agreement and Services shall be subject to the exclusive jurisdiction of the courts of such Province.
6. **Working papers –** All working papers, files and other internal materials created or produced by Deloitte related to the Services are the property of Deloitte. In the event that Deloitte is requested by the Client or required by legal or regulatory process to produce its files related to the Services in proceedings to which Deloitte is not a party, the Client will reimburse Deloitte for its professional time and expenses, including legal fees, incurred in dealing with such matters.

7. **Third parties –** Deloitte's Services are not planned or conducted in contemplation of, or for the purpose of, reliance by any third party (other than the Client and any party to whom Deloitte's report is addressed) or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. The Client shall use the advice, opinions, reports or other work product of Deloitte solely for the purposes specified in this Agreement and, in particular, shall not, without the prior written consent of Deloitte, use any advice, opinion, report or other work product of Deloitte in connection with business decisions of any third party or for advertisement purposes. All Services are only intended for the benefit of the Client and any party to whom Deloitte's report is addressed. The mere receipt of any advice, opinions, reports or other work product by any other persons is not intended to create any duty of care, professional relationship or any present or future liability between those persons and Deloitte. As a consequence, if copies of any advice, opinions, reports or other work product (or any information derived therefrom) are provided to others under the above exclusions, it is on the basis that Deloitte owes no duty of care or liability to them, or any other persons who subsequently receive the same. Nothing in this section shall be construed as limiting or restricting disclosure of the tax treatment or tax structure of the transaction as described in Rule 3501(c)(i) of PCAOB Release 2005-014 or Internal Revenue Code sections 6011 and 6111 and related Internal Revenue Service guidance.

8. **Privacy –** Deloitte and the Client agree that, in connection with the engagement, Deloitte may collect, use, disclose and otherwise process personal information about identifiable individuals ("Personal Information"). Deloitte's Services are provided on the basis that the Client has obtained any required consents under applicable privacy legislation for collection, use, disclosure and processing to Deloitte of Personal Information.

9. **Confidentiality –** To the extent that Deloitte collects or is provided with Personal Information or any proprietary or confidential information of the Client (collectively, "Confidential Information"), Deloitte will not disclose such information to any third party without the Client's consent, except as may be required or permitted by law, regulation, legal authority or professional obligations, or as otherwise permitted by this Agreement. Confidential Information may be disclosed by Deloitte to its affiliates and to member firms of Deloitte Touche Tohmatsu Limited and their respective subsidiaries and affiliates ("Deloitte Entities"), component auditors and third parties that provide services to Deloitte. Confidential Information collected by or provided to Deloitte in connection with the Services may be used, processed, disclosed and stored outside Canada by Deloitte, Deloitte Entities, component auditors or third party service providers to Deloitte. Deloitte is responsible to the Client for causing any such Deloitte Entities, component auditors and third party service providers to comply with the obligations of confidentiality set out in this section of the Agreement. Confidential Information may be subject to disclosure in accordance with laws applicable in the jurisdiction in which the information is used, processed or stored. The Client also agrees that Deloitte and such third party service providers to Deloitte may aggregate Confidential Information and use and disclose that information as part of research and advice, including, benchmarking services, provided that all such information will be rendered anonymous and not subject to association with the Client.

   Except as instructed otherwise in writing, each party consents to the transmission by fax, email and voicemail, both confidential and other types of documents, correspondence and any other information relating to the execution of this Agreement. It is recognized that the parties will use the internet and that the internet may be insecure. Each party will be responsible for protecting its own systems and interests and, to the fullest extent permitted by law, will not be responsible to the other on any basis (contract, tort or otherwise) for any loss, damage or omission in any way arising from the use of the internet by either party or its personnel, including any Deloitte Entity and subcontractor personnel, to access the networks, applications, electronic data or other systems of the other party.

10. **Limitation on liability –** The Client and Deloitte agree to the following with respect to Deloitte's liability to the Client:

    a. The Client agrees that Deloitte shall not be liable to the Client for any claims, liabilities, or expenses relating to this Agreement and any Services for an aggregate amount in excess of three times the fees paid by the Client to Deloitte in the twelve months preceding the incident giving rise to the claim.

    b. In no event shall Deloitte be liable for consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this Agreement or any Services for any loss of revenue or profit, loss of opportunity, loss of data, or any other commercial or economic loss or failure to realize expected savings.

    c. In any action, claim, loss or damage arising out of this Agreement and any Services, the Client agrees that Deloitte's liability will be several and not joint and several and the Client may only claim payment from Deloitte of Deloitte's proportionate share of the total liability based on the degree of fault of Deloitte.

    The provisions of this section shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise. This section shall survive termination or expiry of the Agreement. The provisions of this section shall not apply to any liability which by the governing law of the Agreement is unlawful to limit or exclude. In furtherance of the foregoing, from time to time, Deloitte may have individual partners and employees performing the Services within the Province of Quebec who are members of the Ordre des comptables professionnels agréés du Québec. The limitations outlined above in this Section 10 shall not apply to limit the personal civil liability of members of the Ordre des comptables professionnels agréés du Québec performing professional Services hereunder (and with respect to such members, such limitations shall be deemed not to be included in this Agreement). For purposes of this section, "Deloitte" shall mean Deloitte LLP and its directors, officers, partners, professional corporations, employees, subsidiaries and affiliates and to the extent providing Services, any Deloitte Entities and all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee. The Client agrees that any claims that may arise out of this Agreement or any Services will be brought solely against Deloitte as the contracting party and not against any other Deloitte Entities.

11. **Assignment –** Except as provided herein, no party may assign, transfer, or delegate any of its rights or obligations relating to the Agreement without the prior written consent of the other party. Deloitte may assign its rights and obligations under this Agreement to any affiliate or successor in interest to all or substantially all the assets or business of the relevant Deloitte practice.

12. **Deloitte Entities and subcontractors –** Deloitte may use the services of any Deloitte Entities, component auditors, or other subcontractors (including those operating outside Canada) to assist Deloitte. Deloitte remains responsible to the Client for Services performed by Deloitte Entities and subcontractors.

13. **Software Tools –** In connection with the Services, Deloitte may use data analytics technology which may require Deloitte to install and use one or more data extraction tools ("Extractors") on the Client's computing systems. The Client hereby consents to such access and the installation and use of such Extractors, and where applicable, Deloitte hereby grants the Client a limited, revocable, non-exclusive, non-assignable, non-sublicensable right to install and use those Extractors solely in connection with Deloitte's performance of the Services. Deloitte recommends that the Client perform adequate security and other appropriate testing on the Extractors before installation. All Extractors are protected by copyright and other laws of various countries, and Deloitte and its licensors reserve all rights not expressly granted in the Agreement. The Client is not allowed to reverse engineer, disassemble, decompile, or otherwise attempt to derive the Extractors' source code, nor assist, directly or indirectly, in any efforts to do so, nor adapt, modify or create derivative works based on the Extractors. The license granted above will terminate upon completion or termination of the Services. When the license terminates, the Client must, where applicable, stop using the Extractors and delete any and all installed

Extractors from the Client's computing systems, unless Deloitte and the Client have entered into a subsequent agreement that allows for the Client's continued use. Although Deloitte takes commercially reasonable steps to make the Extractors useful and secure, Deloitte does not have any obligation to ensure they are so, or to maintain, update, upgrade or otherwise modify or support the Extractors. The Extractors are provided "as is" and "as available", without warranty of any kind, and Deloitte expressly disclaims all implied warranties, including that the Extractors will be secure and error-free, or will meet any other criteria of performance or quality.

14. **Survival –** Any clause that is meant to continue to apply after termination of the Agreement will do so.

15. **Entire Agreement –** The Agreement forms the entire agreement between the parties in relation to the Services and supersedes all other oral and written representations, understandings or agreements related to the Services.

16. **Severability –** If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of the Agreement will remain in effect.

17. **Qualifications –** Notwithstanding anything herein to the contrary, Deloitte may use the name of the Client, refer to this Agreement and the performance of Services in marketing, publicity materials and other material, as an indication of its experience, and in internal data systems.

18. **Tax services and review by tax authorities –** The Client shall cooperate with Deloitte in the performance by Deloitte of tax related Services, including, without limitation, providing Deloitte with reasonable facilities and timely access to data, information and personnel of the Client. Client shall be responsible for the performance of its personnel and agents, for the timeliness, accuracy and completeness of all data and information (including all financial information and statements) provided to Deloitte by or on behalf of the Client and for the implementation of any advice, opinions, reports or other work product in any form provided as part of the Services. Deloitte may use and rely on information and data furnished by the Client or others without verification. Deloitte's performance shall be dependent upon the timely performance of the Client's responsibilities hereunder and timely decisions and approvals of the Client in connection with the Services. Deloitte shall be entitled to rely on all decisions and approvals of the Client. To the extent the Client requests tax related Services, Deloitte will use professional judgment in resolving questions affecting the Client relating to the tax Services to be provided by Deloitte. Where there are alternative filing positions or tax transactions, Deloitte will undertake to describe the benefits and risks of each so that the Client can make an informed decision. All returns are subject to examination by taxation authorities and the Client's returns may be audited and challenged by Canadian and other tax authorities. The Client understands that Deloitte's tax advice or opinions are not binding on tax authorities or the courts and should never be considered a representation, warranty, or guarantee that the tax authorities or the courts will concur with Deloitte's advice or opinion. Any tax assistance provided by Deloitte will be based upon the law, regulations, cases, rulings, and other tax authority in effect at the time the specific tax assistance is provided. Deloitte may provide the Client with draft copies of returns or tax advice. Where any drafts are finalized and provided to the Client in final form, such previous drafts should not be relied upon. Nothing in this Agreement shall be construed as limiting or restricting disclosure of the tax treatment or tax structure of any transaction as described in the rules of any taxation authority, including Canada Revenue Agency and the Internal Revenue Service.

19. **Electronic messaging –** In accordance with Canadian anti-spam legislation, the Client consents to Deloitte contacting the Client and its personnel through electronic messages relating to Deloitte's Services, products and other matters of interest to the Client after the completion of this Agreement. The Client may withdraw any such consent by contacting Deloitte at unsubscribe@deloitte.ca.

20. **Language –** The parties have requested that this Agreement and all communications and documents relating hereto be expressed in the English language. Les parties ont exigé que la présente convention ainsi que tous les documents s'y rattachant soient rédigés dans la langue anglaise.

Calgary Police Service

Report to the Finance and Audit Committee on the 2017 audit

May 4, 2018

Deloitte.

Deloitte LLP
700, 850 2 Street SW
Calgary AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 403-213-5791
www.deloitte.ca

May 4, 2018

To the Finance and Audit Committee of the Calgary Police Service

Report on audited annual financial statements

Dear Members:

We are pleased to submit this report on the status of our audit of the Calgary Police Service (the "Service") for the 2017 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you.

As agreed in our engagement letter dated November 15, 2017, we have performed an audit of the financial statements of the Service as of and for the year ended December 31, 2017, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated May 29, 2018.

Our audit was conducted in accordance with the audit plan that was presented to Finance and Audit Committee at the meeting on November 15, 2017.

This report is intended solely for the information and use of the Finance and Audit Committee, management and others within the Service and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

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ISC: UNRESTRICTED
AC2018-0596
ATTACHMENT 5

Our audit explained

This report summarizes the main findings arising from our audit to date.

Audit scope and terms of engagement

We have been asked to perform an audit of the Service's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2017. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the engagement letter dated November 15, 2017, which was signed on behalf of the Finance and Audit Committee and management.

Significant audit risks

Through our risk assessment process, we have identified significant audit risks. These risks of material misstatement and related audit responses are discussed in the significant audit risks section of this report.

Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of actual operating expenses. Our materiality for the year ended December 31, 2017 was $7,400,000 (2016, $7,000,000).

We are required to inform the Finance and Audit Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material.

Audit fees

We communicated our proposed audit fees of $48,400 (2016 – $47,250) in our audit plan. These fees exclude the 7% administration fee and GST.

There have been no changes to our proposed fee.

Status and outstanding matters

We expect to be in a position to render our audit opinion dated May 29, 2018 on the financial statements of the Service following approval of the financial statements by the Board of Directors and the completion of the following outstanding procedures:

- Receipt of signed management representation letter and update of subsequent events to audit report date
- Receipt of legal letters
- Minor documentation items

Uncorrected misstatements

In accordance with Canadian GAAS, we request that all misstatements be corrected. As of the date of this report, we have no uncorrected misstatements to report to you.

Going concern

Management has completed its assessment of the ability of the Service to continue as a going concern. And in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Service's ability to continue as a going concern. We agree with management's assessment.

Business Insights

During the course of our audit, we examined the accounting procedures and internal controls employed by the Service. We have not identified any matters that need to be communicated to the Finance and Audit Committee.

Uncorrected disclosure misstatements

In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected.

We have no unadjusted disclosure deficiencies to report to you.

Fraud risk

A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the significant audit risks section of this report.

Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remain appropriate.

Significant accounting practices, judgments and estimates

The significant accounting practices, judgments and estimates include:

- Accounts receivable collections collectability
- The estimates of useful lives, amortization and potential impairment of tangible capital assets
- Contingencies and accrued liabilities
- Employee benefit obligations

In our judgment, the significant accounting practices and policies selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of the Service.

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of the Service.

Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

We confirm that we have complied with relevant ethical requirements regarding independence. A draft version of our independence letter is included in Appendix 3.

Conclusion

In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the Service's annual financial statements prepared in accordance with PSAS.

No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.

We intend to issue an unmodified audit report on the financial statements of the Service for the year ended December 31, 2017 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Calgary Police Commission.

A draft version of our auditor's report is included in Appendix 2.

Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Revenue Recognition

Audit risk	Our audit response	Audit results
Assurance standards include the presumption of a fraud risk involving improper revenue recognition. There may be a risk of material misstatement relating to the occurrence and cut off of the following revenue streams: government grants, sale of goods and services, and fines and penalties.	• We made selections and performed tests of detail to verify whether it is appropriate to recognize revenue for each revenue stream. • We made inquiries of management and tested control activities involving management's process for accounting for revenue transactions and determining when the revenue recognition criteria have been met.	Overall, we conclude that there were no areas of concern noted relating to revenue recognition in the context of the financial statements taken as a whole.

Management override of controls

Audit risk	Our audit response	Audit results
Assurance standards include the presumption of a significant risk of management override of controls. Management may be in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively.	• We engaged in periodic fraud discussions with certain members of senior management and others within the Service's Finance and Audit Committee. • We considered the potential for bias in judgments and estimates, including performing a retrospective analysis of significant accounting estimates. • We evaluated the business rationale for any significant unusual transactions. • We evaluated the Service's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process. • We tested journal entries that exhibit characteristics of possible management override of controls identified.	Overall, we conclude that there were no areas of concern noted relating to management override of controls in the context of the financial statements taken as a whole.

Accuracy, recording and presentation of reserves

Audit risk	Our audit response	Audit results
Completeness and accuracy of the recording and presentation of reserves.	• We reviewed the expenditures charged to the reserve and vouched a sample of expenditures to invoices to verify that the item is non-recurring and an appropriate charge against the reserve.	Overall, we conclude that there were no areas of concern noted relating to the accuracy, recording and presentation of reserves in the context of the financial statements taken as a whole.

Accuracy and disclosure of pension liability (employee benefit obligations)

Audit risk	Our audit response	Audit results
The pension liability, including financial statement disclosures may not be accurately recorded.	• We reviewed the pension plan balance recorded at year-end and verified this balance through confirmation with the actuary. • We reviewed the financial statement disclosure of the pension liability with the most recent actuarial valuation report prepared and ensured financial statement disclosures are in accordance with accounting standards. • We considered the reasonableness and consistency of assumptions used by the actuary. In accordance with Canadian GAAS, we communicated with the actuary in writing regarding our use of and reliance on their report and we assessed the qualification and independence of the actuary.	Overall, we conclude that there were no areas of concern noted relating to accuracy and disclosure of pension liability (employee benefit obligations) in the context of the financial statements taken as a whole.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Finance and Audit Committee as part of the audit plan.

	Comment
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Service on November 15, 2017. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit.
Related party transactions	We have not identified any related party transactions that were not in the normal course of operations that involved significant judgments made by management concerning measurement or disclosure.
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has informed us that the Service has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Management is responsible for ensuring that the Service's operations are conducted in accordance with the laws and regulations applicable to the Service in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Service.
Post-statement of financial position events	Management is responsible for assessing subsequent events up to the date of the release of the financial statements. No post-statement of financial position events have been identified during the course of our audit, which would have an impact on the financial statements. We will update subsequent events to the audit report date of May 29, 2018.

Appendix 1 – Communication requirements

Required communication	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Engagement Letter and Audit Plan communicated on November 15, 2017
2. An overview of the overall audit strategy, addressing: a. Timing of the audit b. Significant risks, including fraud risks	Audit Plan communicated on November 15, 2017
3. Significant transactions outside of the normal course of business, including related party transactions	Nothing to report.
4. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting practices, judgments and estimates
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	Significant accounting practices, judgments and estimates
7. Matters related to going concern	We concluded that there was no substantial doubt about the Service's ability to continue as a going concern for the year ended December 31, 2017.
8. Management judgments and accounting estimates	Significant accounting practices, judgments and estimates
9. Significant difficulties, if any, encountered during the audit	No significant difficulties.
10. Material written communications between management and us, including management representation letters	Management representation letter
11. Other matters that are significant to the oversight of the financial reporting process	None noted.
12. Modifications to our opinion(s)	We will issue an unmodified opinion.
13. Significant matters discussed with management	None noted.
14. Illegal or possibly illegal acts that come to our attention	We are not aware of any illegal acts.
15. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report based on audit procedures for the year ended December 31, 2017.
16. Uncorrected misstatements and disclosure items	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements and uncorrected disclosure to report based on audit procedures for the year ended December 31, 2017.

Appendix 2– Draft version of our auditor's reports

Our report on the financial statements is expected to be in the following form. However, the final form may need to be adjusted to reflect the final results of our audit.

Independent Auditor's Report

To the Members of the Calgary Police Commission

We have audited the accompanying financial statements of the Calgary Police Service, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, statement of cash flows and statement of changes in net financial assets 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 public sector accounting standards, 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.

Auditor's 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 auditor's 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 the Calgary Police Service as at December 31, 2017, and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
May 29, 2018

Appendix 3– Draft independence

May 29, 2018

The Members of the Finance and Audit Committee of the Calgary Police Service

Dear Members:

We have been engaged to perform an audit of the financial statements of the Calgary Police Service ("the Service") as of and for the year ended December 31, 2017 in accordance with Canadian generally accepted auditing standards.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Service, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/order and applicable legislation, covering such matters as:

a) Holding a financial interest, either directly or indirectly, in a client.
b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
d) Economic dependence on a client.
e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 23, 2017, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and the Service and its affiliates, or persons in financial reporting oversight roles at the Service and its affiliates, that under the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta may reasonably be thought to bear on independence, that have occurred from May 23, 2017 to May 29, 2018.

The total fees charged to the Service for audit services were $51,788 (2016 – $50,558)) the period covered by the financial statements. This fee includes the 7% administration fee, but excludes GST.

We hereby confirm that we are independent with respect to the Service in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of May 29, 2018.

This letter is intended solely for the the information and use of the Finance and Audit Committee, management and others within the Service and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

Appendix 4– Draft management representation letter

[Client Letterhead]

May 29, 2018

Deloitte LLP
700, 850 - 2 Street SW
Calgary, AB T2P 0R8

Dear Sirs:

Subject: Financial Statements of the Calgary Police Service as at and for the year ended December 31, 2017

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of the Calgary Police Service (the "Service" or "we" or "us" or "Organization") for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Service in accordance with Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Service and Deloitte dated November 15, 2017 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Service as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with PSAS.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

   In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Service has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2017 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. All related party relationships and transactions have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of PSAS.
4. We have determined that the Financial Statements are complete as of December 31, 2017 as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2017 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.
7. The Service has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Information provided

8. We have provided you with:
   a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
   b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
9. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
10. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
11. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the Financial Statements.
12. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Service.

13. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.

14. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.

15. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

17. We have disclosed to you, and the Service has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

18. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.*

19. The Organization has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

21. We have disclosed to you, and the Organization has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

22. Prior to the Organization having any substantive employment conversations with a former or current Deloitte engagement team member, the Service has held discussions with Deloitte and obtained approval from the Audit Committee.

23. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the in accordance with its established approval policies and procedures.

Accounting policies

24. The accounting policies selected and application of those policies are appropriate.

25. The Service's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2016.

Management's responsibilities

26. All transactions have been carried out in accordance with law, regulation or other authorities.

Receivables

27. The Service is responsible for determining the appropriate carrying amount of accounts receivable, as well as estimated used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

Government transfers

28. We have disclosed to you all disclosed to you all correspondence relating to government transfers that the Service has had with the funding body.

29. We have assessed the eligibility criteria and determined that the Service is an eligible recipient for the government transfers received.

30. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.

31. All government transfers that have been recorded as unearned revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

Tangible capital assets

32. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150 - Tangible Capital Assets.

33. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to the Service's ability to provide goods and services and therefore do not require a write down.

Communicating a threshold amount

34. We understand that the threshold used for accumulating misstatements identified during the year was $370,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Section 3260 – Liability for contaminated sites

35. Based on management's assessment of the requirements of this standard, there is no impact on the December 31, 2017 year-end financial statements of this standard.

City of Calgary Capital Asset Policy

36. The Service is aware of the City of Calgary's change in Capital Asset Policy for Land and Land Improvements for the year ended December 31, 2017. Management has reviewed and understands the policy. Management has complied with the policy and has determined that there is no material impact of the change in accounting policy on the fiscal 2017 Financial Statements.

Yours truly,
Calgary Police Service

____
Roger Chaffin
Chief of Police

____
Blaine Hutchins
Finance Manager

Appendix A
Calgary Police Service
Summary of corrected and uncorrected financial statement misstatements
Year ended December 31, 2017

No uncorrected or corrected misstatements

Appendix B
Calgary Police Service
Summary of disclosure items passed
Year ended December 31, 2017

None noted

Appendix 5 – New and revised auditor reporting standards

On April 11, 2017, the Canadian Auditing and Assurance Standards Board (AASB) approved new and revised Canadian Auditing Standards (CASs) on auditor reporting which will be effective for audits of financial statements for periods ending on or after December 15, 2018 with earlier application permitted.

While a number of CASs were impacted, the most significant changes made relate to the following four standards:

- Revised CAS 700, Forming an Opinion and Reporting on Financial Statements
- New CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report
- Revised CAS 720, The Auditor's Responsibilities Relating to Other Information
- Revised CAS 570, Going Concern

These CASs are based on the International Auditing and Assurance Standards Board's (IAASB) new and revised International Standards on Auditing (ISAs) that were effective for periods ending on or after December 15, 2016 however there are two significant differences:

1. Deferral of the effective date for application by one year, and
2. Amending the scope of reporting Key Audit Matters so that such matters are communicated in the auditor's report only when required by law or regulation or the auditor decides to do so.

The following sets out the enhancements made to the new Independent Auditor's Report

Changes to the Auditor's Report and new reporting requirements	
For all audits	
Auditor's opinion	• Auditor's opinion moved from the end of the auditor's report to the very beginning
Auditor's independence and ethics	• An explicit statement of the auditor's independence in accordance with relevant ethical requirements and the auditor's fulfilment of other ethical responsibilities
Going concern	• A separate section under the heading "Material Uncertainty Related to Going Concern", when a material uncertainty exists related to an entity's ability to continue as a going concern and is adequately disclosed in the financial statements
Other information	• A separate section under the heading "Other Information", when an entity prepares other information (e.g., an annual report) containing or accompanying the entity's financial statements and auditor's report thereon, to explain management's and the auditor's responsibilities for the other information and the auditor's conclusion from reading and considering the other information

Changes to the Auditor's Report and new reporting requirements	
Roles and Responsibilities	• An enhanced description of management's responsibilities for assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate • Identification of those charged with governance (when applicable) and their responsibility for the oversight of the financial reporting process • An enhanced description of the auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting • An enhanced description of the auditor's responsibilities in an audit of group financial statements
For audits of entities where the auditor decides or law or regulation requires reporting of key audit matters	
Key audit matters	• A separate section under the heading "Key Audit Matters", when law or regulation requires the auditor, or the auditor decides, to communicate key audit matters in the auditor's report to those charged with governance that, in the auditor's judgment, were of most significance to the audit

We will work to provide management and the Finance and Audit Committee with guidance on the implications of the new and revised auditor reporting standards.

Benefits

- **Transparency** into the audit and discussions between the auditor, those charged with governance, and management
- **More robust** discussions between auditors and those charged with governance
- **Enhanced** communications between all stakeholders including regulators
- **Relevant** auditor's reports and insights into the complexities of the entity
- **Comparability** across industries and audit firms
- **Improved** audit and financial reporting quality

Highlights of Changes to Performance Requirements with respect to Going Concern

Auditors are now required to evaluate the adequacy of management's disclosure in the financial statements for "close calls" related to going concern (i.e., when events or conditions were identified that may cast significant doubt of an entity's ability to continue as a going concern but due to management's plans, the auditor concluded that no material uncertainty exists).

The following are some considerations for those charged with governance to start discussing with their auditor.

Implementation considerations for those charged with governance

- **KAMs:** If applicable, this commentary in the audit report will have a significant impact on the timing of:
  - Meetings between the auditor and Audit and Finance Committee to discuss risks, which will form the basis of KAMs
  - Meetings with the auditor to identify, discuss and challenge KAMs as early as possible, and
  - Review of the auditor's report as the process will likely be more rigorous.
- **Going Concern:** Increased auditor focus may heighten your scrutiny of management's process for assessing the entity's ability to continue as a going concern and the relevance and completeness of related disclosures in the financial statements, particularly for "close calls".

- **Other information:** Discuss with the auditor which documents will be within the scope of "other information", evaluate timeframes for drafting and finalizing these documents, and assess documents for consistency with financial statements to ensure factually correct and reasonable.

Resources

The AASB is currently working with CPA Canada and other groups to drive the effective implementation of the new standards through a broad range of communications, tools and guidance materials for stakeholders. CPA Canada has issued a number of Audit and Assurance alerts in June 2017 discussing key features of the changes and will be releasing a web portal devoted exclusively to the topic of implementing auditor reporting. Webinars and other publications will be issued throughout the remainder of the year, including an update expected in December incorporating the changes to the new auditor's report into a revised reporting guide, "Reporting Implications of New Auditing and Accounting Standards."

- Keep abreast of the Canadian project at www.cfr.deloitte.ca.
- Information relating to the new and revised CASs and conforming amendments to other CASs can be found on the AASB website.

We encourage you to engage your engagement partner or any other member of the Deloitte Team with any questions or enquiries related to the new and revised auditor reporting standards.

Calgary Police Service
Financial Statements
December 31, 2017

MANAGEMENT'S REPORT **May 29, 2018**

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management, in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

The Calgary Police Commission fulfills its responsibility for financial reporting through its Finance and Audit Committee. The Committee consists of Commission members who meet regularly to deal with financial and budget-related issues and to review financial control and reporting matters.

Deloitte LLP, Chartered Professional Accountants, have been appointed by the Calgary Police Commission to express an opinion on the Service's financial statements. Their report follows.

Roger Chaffin
Chief of Police

Blaine Hutchins
Finance Manager

May 29, 2018
Calgary, Canada

INDEPENDENT AUDITOR'S REPORT

To the Members of the Calgary Police Commission

We have audited the accompanying financial statements of the Calgary Police Service, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, statement of cash flows and statement of changes in net financial assets 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 public sector accounting standards, 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.

Auditor's 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 auditor's 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 the Calgary Police Service as at December 31, 2017, and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
May 29, 2018
Calgary, Alberta

Statement of Financial Position

As at December 31 (in thousands of dollars)

	2017	2016
FINANCIAL ASSETS		
Cash	**$ 24**	$ 13
Investments (Note 2)	**898**	851
Receivables		
Federal and Provincial governments	**6,333**	7,004
General	**1,460**	1,348
Due from The City of Calgary (Note 9 (a))	**212,148**	206,591
	220,863	215,807
FINANCIAL LIABILITIES		
Accounts payable	**23,806**	21,490
Deferred revenue (Note 4)	**8,263**	8,224
Capital deposits (Note 5)	**32,298**	30,899
Employee benefit obligations (Note 6)	**117,049**	113,891
	181,416	174,504
NET FINANCIAL ASSETS	**39,447**	41,303
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	**231,566**	236,034
Inventories of materials and supplies	**4,064**	2,569
Prepaid assets	**3,537**	3,272
	239,167	241,875
ACCUMULATED SURPLUS (Note 7)	**278,614**	283,178

Commitments and Contingencies (Note 10)
See accompanying notes to the financial statements

Approved on behalf of the Calgary Police Commission

Chairman

Vice Chairman

Statement of Operations and Accumulated Surplus

For the year ended December 31 (in thousands of dollars)

	Budget 2017	2017	2016
REVENUES			
Government grants	$ 32,890	$ **33,173**	$ 33,229
Sale of goods and services	18,161	**17,479**	17,806
Fines and penalties	55,936	**56,493**	56,364
Miscellaneous revenue	1,457	**773**	1,989
	108,444	**107,918**	109,388
EXPENSES			
Salary, wages and benefits	423,701	**423,397**	408,818
Contracted and general services	30,159	**33,677**	32,367
Materials, equipment and supplies	32,425	**33,142**	34,208
Utilities	5,373	**4,526**	3,666
Internal recoveries (Note 9(a))	(2,600)	**(4,534)**	(3,048)
Amortization	-	**18,761**	18,587
Interest charges	50	**42**	43
	489,108	**509,011**	494,641
DEFICIENCY OF EXPENSES OVER REVENUES BEFORE GOVERNMENT TRANSFERS	(380,664)	**(401,093)**	(385,253)
MILL RATE SUPPORT (Note 11)	388,069	**388,069**	379,084
TRANSFERS RELATED TO CAPITAL	(11,969)	**8,460**	22,593
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	(4,564)	**(4,564)**	16,424
ACCUMULATED SURPLUS, BEGINNING OF YEAR	283,178	**283,178**	266,754
ACCUMULATED SURPLUS, END OF YEAR	278,614	**278,614**	283,178

See accompanying notes to the financial statements

Statement of Cash Flows

For the year ended December 31 (in thousands of dollars)

	2017	2016
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	$ **(4,564)**	$ 16,424
Items not affecting cash		
Amortization	**18,761**	18,587
Loss on disposal of tangible capital assets	**307**	119
Change in non-cash items		
Receivables	**559**	(401)
Prepaid assets	**(265)**	(969)
Due from The City of Calgary	**(5,557)**	(9,051)
Accounts payable	**2,316**	(5,265)
Deferred revenue	**39**	(2)
Capital deposits	**1,399**	5,913
Employee benefit obligation	**3,158**	4,384
Inventories of materials and supplies	**(1,495)**	127
	14,658	29,866
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	**(14,909)**	(30,456)
Proceeds on disposal of tangible capital assets	**309**	612
	(14,600)	(29,844)
INVESTING ACTIVITIES		
Purchase of investments	**(47)**	(32)
INCREASE (DECREASE) IN CASH FOR THE YEAR	**11**	(10)
Cash, beginning of year	**13**	23
CASH, END OF YEAR	**24**	13

See accompanying notes to the financial statements

Statement of Changes in Net Financial Assets

For the year ended December 31 (in thousands of dollars)

		2017		2016
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	$	**(4,564)**	$	16,424
Amortization of tangible capital assets		**18,761**		18,587
Proceeds on disposal of tangible capital assets		**309**		612
Acquisition of supplies inventories		**(1,054)**		74
Use of supplies inventories		**(441)**		53
Prepaid assets		**(265)**		(969)
Loss on sale of tangible capital assets		**307**		119
Acquisition of tangible capital assets		**(14,909)**		(30,456)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS		**(1,856)**		4,444
NET FINANCIAL ASSETS, BEGINNING OF YEAR		**41,303**		36,859
NET FINANCIAL ASSETS, END OF YEAR		**39,447**		41,303

See accompanying notes to the financial statements

Notes to Financial Statements

The Calgary Police Service ("CPS"), which operates under the provisions of the Police Act of the Province of Alberta, is a business unit of The City of Calgary ("The City") and is not a separate legal entity. The Police Act provides for public accountability of the CPS through the Calgary Police Commission. The Calgary Police Commission reports directly to Calgary City Council for budget matters relating to the CPS. CPS expenditures are primarily funded by mill rate support from The City. The City retains legal ownership and title to all land and property used by the CPS. The City also provides various corporate and administrative services, including the recognition and funding of liabilities relating to environmental and legal matters relating to the CPS, as discussed in Notes 9 and 10.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CPS are prepared by management in accordance with Canadian public sector accounting standards ("PSAS").

a) Basis of Presentation

The financial statements of the CPS include and reflect all of the assets, liabilities, revenue and expenses except as indicated below and in Note 10, notwithstanding that The City retains legal title to all land and property of the CPS. Corporate and administrative services, including the recognition and funding of liabilities relating to environmental and legal matters, provided by The City at no cost, have not been fair valued and recorded in these financial statements, as discussed in Notes 9 and 10. These financial statements do not reflect all tangible capital assets owned by The City and used by the CPS.

b) Basis of Accounting

i) Revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

ii) Government transfers and grants are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

c) Investments

Investments are managed for the CPS by The City, consistent with other City of Calgary business units.

Included in investments are temporary investments in money market instruments and portfolio investments such as fixed income bonds. Investments are recorded at the lower of original cost net of amortized discounts and premiums and market value on a portfolio basis.

d) Deferred Revenue

Deferred revenue represents amounts received from third parties for a specified operating purpose. These amounts are recognized as revenue in the period when the related expenditures are incurred.

e) Capital Deposits

Capital deposits represent amounts received from third parties for specified capital projects. Deposits must be expended on projects for which they are designated, and are recognized as revenue in the capital fund as expenditures are made.

f) Inventories of Materials and Supplies

Inventories are valued at the lower of cost, calculated on a weighted average basis, and replacement cost.

g) Employee Benefit Obligations

Pension Benefits

i) Contributions to multi-employer plans are expensed when the contributions are due.

ii) The cost of City-sponsored, registered defined benefit pension plans, non-registered defined benefit pension plans, and post-employment benefits are recognized when earned by the members. These costs are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected salary and benefit escalation, retirement ages of employees and plan investment performance. Plan obligations are discounted using The City's cost of borrowing using estimated rates for debt with maturities similar to expected benefit payments in the future.

iii) CPS records the actuarially determined excess of the accrued benefit obligation over the market value of the plan assets for The City sponsored, registered defined benefit pension plans. For jointly sponsored plans, CPS records its proportionate share of that excess. For non-registered, defined benefit plans and other retirement benefit obligations, CPS records the estimated proportionate share of the actuarially determined accrued benefit obligation only. The City holds assets within its cash and investments to address these obligations. No obligations are recorded for multi-employer defined benefit pension plans administered by external parties as CPS's share of those obligations is not readily determinable.

iv) Adjustments arising from experience gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees. Adjustments arising from prior service costs related to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs.

Post-Employment Benefits

i) In addition to pension benefits, the CPS has various post-employment benefits and termination benefits obligations earned by employees and expected to be provided to them when they are no longer providing active service.

ii) The City has recorded its total estimated obligations with respect to its post-employment benefits and termination benefits, a portion of which was recorded as an obligation to be funded from future years' revenues, as indicated in Note 6. Amounts attributable to the CPS have been recorded similarly.

Obligations to be funded in future years

The City has recorded its total estimated employee benefit obligations, a portion of which is recorded as an obligation to be funded from future years' revenues, as indicated in Note 6. Future obligations will be addressed through a portion of the CPS budget.

Employee benefit obligations include liabilities for pensions, other retirement benefits, vacation and overtime.

i) For the defined benefit multi-employer plans, The City's contributions are expensed when they are due and payable. Thus, no obligations are recorded as the actuary for these plans does not attribute portions of the obligation to individual employers.

ii) For City-sponsored registered defined-benefit pension plans, non-registered defined-benefit pension plans, other retirement benefits, vacation and overtime the costs are recognized when earned by plan members.

h) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i) Accumulated Surplus

Accumulated surplus represents the CPS' net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that CPS has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

j) Tangible Capital Assets

Tangible capital assets, including assets held under capital leases, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Interest charges are not capitalized.

Work in progress represents assets which are not available for use and therefore are not subject to amortization.

The cost, less residual value, of tangible capital assets is amortized on a straight line basis over the estimated useful life as follows:

	YEARS
Buildings	10 - 75
Vehicles	2 - 15
Land improvements	5 - 40
Machinery and equipment	
Computer equipment	3 - 5
Boats	3 - 25
Furniture & equipment	5 - 25

k) Equity in Non-Financial Assets

Equity in non-financial assets represents the investment in non-financial assets, excluding prepaid assets, after deducting the portion of these assets that have been financed by long-term debt.

l) Budget Figures

The City of Calgary Council approved 2017 operating and capital budgets are reflected on the Statement of Operations and Accumulated Surplus. The budgets established for the capital fund are on a project oriented basis, the costs of which may be incurred over one or more years and therefore may not be comparable with the current year's actual amounts.

m) Financial Instruments and Fair Values

The City and the CPS are exposed to the risk that arises from fluctuations in interest rates and exchange rates and the degree of volatility of these rates.

The City utilizes derivative financial instruments in order to reduce the impact of fluctuating interest rates on its short-term investments and fluctuating foreign currency exchange rates on anticipated future expenditures in foreign currencies. The City's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Based on available market information, the carrying value of the CPS's financial instruments approximates their fair value due to their short period to maturity, except with respect to investments, as indicated in Note 2.

n) Environmental Provisions

The City has a formal environmental assessment and reclamation program in place to ensure it complies with environmental legislation. The City, on behalf of the CPS, provides for the cost of compliance with environmental legislation when costs are identified and can be reasonably measured.

o) Use of Estimates

The preparation of financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, accounts receivable collections, accrued liabilities, contingencies and employee benefit obligations are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

p) Write-downs

When conditions indicate that a tangible capital asset no longer contributes to a government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset will be reduced to reflect the decline in the asset's value. The write-downs of tangible capital assets would be accounted for as expenses on the Statement of Operations and Accumulated Surplus.

q) Future Accounting Standards

The following new standards are applicable to the Service for future periods. The Service is currently assessing the impact of these new standards on the financial statements.

Standards effective for year ends beginning on or after April 1, 2017:

i) Assets

Assets ("PS 3210") provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate cannot be made, the reason(s) for this should be disclosed.

ii) Contingent Assets

Contingent Assets ("PS 3320") defines and establishes disclosure on contingent assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

iii) Contractual Rights

Contractual Rights ("PS 3380") defines and establishes disclosure standards on contractual rights. Disclosure of the nature, extent, and timing of any contractual rights is required.

iv) Related Party Transactions

Related Party Transactions ("PS 2200") defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

v) Inter-entity Transactions

Inter-entity Transactions ("PS 3420") specifically addresses the reporting of transactions between entities controlled by the government's reporting entity from both a provider and recipient perspective. Disclosure of this information is required whether or not the transaction is given accounting recognition.

Standards effective for year ends beginning on or after April 1, 2018:

i) Restructuring Transactions

Restructuring Transactions ("PS 3430") establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor.

2. INVESTMENTS

All the investments managed by The City, on behalf of the CPS, are held in fixed income securities. The total investments holdings have a value of $898 (2016 - $851) and a market value of $926 (2016 - $870).

The average yield on the cost of these investments during the year was 3.139% (2016 - 2.246%) per annum.

3. TANGIBLE CAPITAL ASSETS

		2017				2016	
		Cost	Accumulated Amortization	Net book value		Cost	Accumulated Amortization	Net book value
Land	$	52,736	-	52,736	$	52,736	-	52,736
Land Improvements		6,655	2,394	4,261		6,841	2,193	4,648
Buildings		171,717	48,576	123,141		168,834	42,031	126,803
Machinery and equipment		71,182	43,924	27,258		65,264	36,843	28,421
Vehicles		36,319	18,589	17,730		34,327	17,061	17,266
		338,609	113,483	225,126		328,002	98,128	229,874
Work in Progress		6,440	-	6,440		6,160	-	6,160
Tangible Capital Assets	$	345,049	113,483	231,566	$	334,162	98,128	236,034

4. DEFERRED REVENUE

	2017	2016
Balance, beginning of year	$ 8,224	$ 8,226
Addition to deferred revenues	10,083	9,761
Revenue recognized	(10,044)	(9,763)
Balance, end of year	$ 8,263	$ 8,224

Deferred revenue is comprised of the following:

	2017	2016
Government transfers	$ 8,151	$ 8,188
Private contributions	83	36
Advanced Sales of Goods & Services	29	-
	$ 8,263	$ 8,224

5. CAPITAL DEPOSITS

Capital deposits represent funds received for the Municipal Sustainability Initiative (“MSI”) and for amounts received under the new community assessment program at The City. Deposits must be expended on projects for which they may be designated, and are recognized as revenue when expenditures are made.

	2017	2016
Balance, beginning of year	$ 30,899	$ 24,986
Deposits MSI	1,874	8,917
Withdrawals MSI & Provincial Grant	(1,874)	(8,917)
New Community Assessment/Provincial Grants	1,399	5,913
Balance, end of year	$ 32,298	$ 30,899

6. EMPLOYEE BENEFIT OBLIGATIONS

CPS employees and elected officials qualify to belong to one or more multi-employer pension plans, defined-benefit pension plans, and other retirement benefit plans provided by The City. Employee benefit obligations are liabilities of the CPS, as part of The City, to its employees and retirees for benefits earned but not taken as of December 31.

The City has fully met its current year cash contribution obligations for employee benefit obligations at December 31, 2017. The City and its employees have an obligation to fund the unamortized net actuarial losses for its post-retirement benefits, registered and non-registered defined-benefit pension plans and for its share of the multi-employer plans. The losses are expected to be funded through future increases in contributions and future changes in actuarial assumptions. The concept of funding refers to amounts recorded in the CPS financial statements as described below:

	2017 Funded	2016 Funded
a) The Calgary Police Supplementary Pension Plan ("PSPP") – Registered Defined Benefit Pension Plans	$ 1,687	$ 1,892
b) City of Calgary Overcap Pension Plan ("OCPP") for the Police Chief and Deputies – Non-registered Defined Benefit Pension Plans	4,024	3,434
c) Other retirement benefits	55,609	53,716
d) Vacation and overtime (undiscounted)	55,729	54,849
Total	$ 117,049	$ 113,891

Accounting Methodology

Annual valuations for accounting purposes are completed for The City sponsored registered and non-registered defined-benefit pension plans and post-retirement benefits using the actuarial projected benefit method prorated on service to determine the accrued benefit obligation and the expense to be recognized in the consolidated financial statements.

The significant actuarial assumptions used for the valuations of the registered defined-benefit plans (Note 6a), non-registered defined-benefit pension plans (Note 6b) and other retirement benefits (Note 6c) are as follows:

Date of actuarial accounting valuation	Dec. 31, 2017	Dec. 31, 2016
Year end obligation discount rate (%)	3.25	3.25
Inflation rate (%)	2.00	2.00
Long term rate of return on plan assets (%)	6.00	6.00
Rate of compensation increase	(included within each section)	

a) The Calgary Police Supplementary Pension Plan ("PSPP")

The PSPP commenced on January 1, 1975 and provides supplemental pension benefits to those police officers who retired prior to September 1, 1979. Police officers who have retired after September 1, 1979 are covered under the Special Forces Pension Plan (Note 6e) ii)).

The PSPP is not subject to provincial minimum funding legislation. Pursuant to the agreement made in 1985, The City will continue to pay benefits out of its investments. In 2007, the fund was exhausted and benefits to pensioners for the year and future years are now being paid from The City's investments. Since 2003, the liabilities associated with these continued benefits have been accounted for under the appropriate PSAS guidelines.

Sufficient funds are held with The City's investments to cover the liabilities as determined by the actuarial valuation as at December 31, 2017.

The significant actuarial assumptions used for the actuarial accounting valuations of the PSPP are as follows:

Date of actuarial accounting valuation	Dec. 31, 2017	Dec. 31, 2016
Year end obligation discount rate (%)	3.25	3.25
Inflation rate (%)	2.00	2.00
Long term rate of return on plan assets (%)	6.00	6.00
Expected average remaining service life ("EARSL")	0.0	0.0

The results of, and significant assumptions utilized, in the most recent actuarial accounting valuations for registered plans include:

	2017	2016
Fair value of plan assets - beginning of year	$ -	$ -
Employer contributions	185	198
Less benefits paid	(185)	(198)
Fair value of plan assets - end of year	$ -	$ -
Accrued benefit obligation – beginning of year	$ 1,892	$ 2,007
Interest cost	58	62
Less benefits paid	(185)	(198)
Actuarial loss (gain)	(78)	21
Accrued benefit obligation - end of year	$ 1,687	$ 1,892
Funded status – plan deficit	$ 1,687	$ 1,892
Unamortized net actuarial loss	-	-
Accrued benefit liability	$ 1,687	$ 1,892
Interest costs	$ 58	$ 62
Amortization of actuarial losses	(78)	21
Total expense	$ (20)	$ 83

Actuarial gains and losses are amortized over the expected average remaining service life ("EARSL") of the PSPP and commence in the period following the determination of the gain or loss.

b) City of Calgary Overcap Pension Plan ("OCPP") for the Chief and Deputies

The OCPP commenced on February 1, 2000. The plan is sponsored and administered by The City and provides supplementary pension benefits for management employees, the Police Chief and Deputies.

The OCPP for management employees provides a coordinated benefit with the LAPP (Note 6e) i)), and the SPP, to provide an annual retirement benefit of 2% of all pensionable earnings for the years of service since the later of January 1, 1992 and the date of hire with The City.

The significant actuarial assumptions used for the actuarial accounting valuations of The City of Calgary Police Chief and Deputies Overcap Pension Plan ("PCDOPP") are as follows:

Date of actuarial accounting valuation	Dec. 31, 2017	Dec. 31, 2016
Year end obligation discount rate (%)	3.25	3.25
Inflation rate (%)	2.00	2.00
Long term rate of return on plan assets (%)	N/A	N/A
Rate of compensation increase	2.00	2.00
Expected average remaining service life ("EARSL")	7.7	6.4

The results of, and significant assumptions utilized, in the December 31, 2017 actuarial accounting valuations for the PCDOPP of the Police Chief and Deputies is as follows:

	2017	2016
Accrued benefit obligation – beginning of year	$ 5,219	$ 3,215
Current service cost	114	78
Interest cost	172	106
Less benefits paid	(105)	(94)
Actuarial loss (gain)	1,218	1,914
Accrued benefit obligation - end of year	$ 6,618	$ 5,219
Funded status – plan deficit	$ 6,618	$ 5,219
Unamortized net actuarial (loss)	(2,594)	(1,785)
Accrued benefit liability	$ 4,024	$ 3,434
Current service costs	$ 114	$ 78
Interest costs	172	106
Amortization of actuarial losses	410	149
Total expense	$ 696	$ 333

Assets in the amount of $4,024 (2016 - $3,434) to satisfy the obligations under these plans are held within The City's investments.

Actuarial gains and losses are amortized over the expected average remaining service life (EARSL) of the PCDOPP for Police Chief and Deputies and commence in the period following the determination of the gain or loss.

c) Other retirement benefits

The City sponsors post retirement benefits for extended health, dental and life insurance benefits to qualifying retirees and their surviving spouses from the date of retirement to the age of 65, when coverage under the Alberta Seniors Plan begins. After 10 years or age 65, the life insurance policy reduces to a paid up death benefit based on the number of years of contributory service prior to retirement. The City and the retirees share equally in the cost of benefits. Due to the joint nature of the plan and the cost sharing arrangement, the consolidated financial statements of The City reflect The City's portion only of both the expense and the accrued benefit liability. The City sponsors a non-contributory retiring allowance of up to 7 weeks of salary for qualifying retirees. The cost of these benefits is recognized as an expense as the employees provide service. The City also sponsors a supplementary compensation plan for employees that are disabled or survivors of employees killed in the line of duty. The supplementary compensation plan is deemed a closed plan where employees are not actively accruing benefits.

Full actuarial valuations for other retirement benefits were (and will be) performed as stated below.

	Latest Full Actuarial Valuation Date	**Next Full Actuarial Valuation Date**
Post Retirement Benefits	December 31, 2017	December 31, 2018
Retiring Allowance	December 31, 2017	December 31, 2018
Supplementary Compensation	December 31, 2017	December 31, 2018

The results of, and significant assumptions utilized, in the December 31, 2017 actuarial accounting valuations for other retirement benefits included:

		2017		2016
Accrued benefit obligation – beginning of year	$	46,991	$	45,216
Adjustment		97		1,200
Current service cost		2,823		2,855
Interest cost		1,583		1,567
Less benefits paid		(2,385)		(2,097)
Actuarial (gain)		(7,027)		(1,748)
Accrued benefit obligation - end of year	$	42,082	$	46,991
Funded status – plan deficit	$	42,082	$	46,991
Plan assets (1)		(642)		(638)
Unamortized net actuarial loss		14,169		7,363
Accrued benefit liability (2)	$	55,609	$	53,716
Current period benefit cost	$	2,823	$	2,855
Cost of Plan amendments		-		-
Interest on accrued benefit obligations		1,583	$	1,567
Amortization of actuarial loss		(313)		13
Total expense	$	4,093	$	4,435

	2017	**2016**
Rate of compensation increase % (excluding merit & promotion)(3)	1.50%	2.00%
Annual increase in extended health care costs	7.80%	8.03%
Annual increase in dental costs	4.00%	4.00%
EARSL(4)	12.3 yr	12.2 yr

(1) Plan Assets in the amount of $642 (2016 - $638) to satisfy future life claims are equal to fair market value.
(2) Assets in the amount of $55,609 (2016 - $53,716) to satisfy the obligations under these plans are held within The City's investments.
(3) Annual increases for police are: 2018: 1.50%; 2019: 1.50%; thereafter 2.00% per annum.
(4) Actuarial gains and losses are amortized over the EARSL of the related employee group commencing in the period following the determination of the gain or loss.

d) Vacation and overtime

The vacation and overtime liability comprises the vacation and overtime that employees are deferring to future years. Employees who have deferred vacation or overtime can, under specific circumstances as outlined in administrative policies and/or contractual agreements, be paid out in cash or otherwise entitled within the next budgetary year. Assets in the amount of $55,729 (2016 - $54,849) to satisfy the obligations under these programs are held within The City's investments.

e) Multi-employer pension plans

Civic employees, with the exception of police officers, are members of the LAPP. Police officers are members of the SFPP. Both plans are multi-employer, defined-benefit pension plans sponsored by the Alberta Minister of Finance and administered by Alberta Pension Services (“APS”). Due to the multi-employer nature of these plans, information is not available to determine the portion of the plans’ obligations and assets attributable to each employer. Therefore, The City appropriately accounts for both plans using the method for defined contribution plans. The amount of expense recorded in the consolidated financial statements is equal to The City’s contributions to the plan as determined by APS for the year and no obligation is recorded in The City’s financial statements. However, given that these multi-employer plans are in deficit positions, an inherent unrecorded liability amount is attributable indirectly to plan participants. Plan deficiencies will need to be resolved by increased future employee and employer contributions, increased investment returns and interest rates, management or amendment of future liabilities, or a combination of these elements.

In 2014 the Government of Alberta withdrew planned legislation for proposed changes to the LAPP. The province has since committed to a new direction involving employer and member representatives in continuing discussions on the governance process and sustainability of LAPP and SFPP.

i) Local Authorities Pension Plan (“LAPP”)

The LAPP plan provides an annual retirement benefit of 1.4% of earnings up to the year’s maximum pensionable earnings (“YMPE”) and 2% of earnings over YMPE. Under the Alberta Public Sector Pension Plans Act, the CPS and members of the LAPP plan made the following contributions:

	2017		2016	
	Employer	**Members**	**Employer**	**Members**
Current service contributions	$8,477	$7,885	$8,228	$7,575
Contribution Rates (% of pensionable salaries)	11.39% of YMPE and 15.84% over YMPE	10.39% of YMPE and 14.84% over YMPE	11.39% of YMPE and 15.84% over YMPE	10.39% of YMPE and 14.84% over YMPE

The LAPP reported a deficiency (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2016 of $637 million. More recent information for the 2017 year was not available at the time of preparing these financial statements. LAPP consists of over 157,763 active members. The City’s plan membership is approximately 8.5% of which the CPS portion is approximately 0.4%. The City’s 2017 contribution rate was 9.2% (2016 – 9.2%).

ii) Special Forces Pension Plan ("SFPP")

The SFPP provides an annual retirement benefit of 1.4% of pensionable earnings up to YMPE, 2% of pensionable earnings over YMPE, a bridge benefit of 0.6% of YMPE to age 65, and improved early retirement and death benefits, up to maximum pension limits of the Income Tax Act (Canada). Under the Alberta *Public Sector Pension Plans Act*, The City and members of the SFPP plan made the following contributions:

	2017		2016	
	Employer	**Members**	**Employer**	**Members**
Current service contributions	$34,416	$31,870	$33,063	$30,601
Contribution Rates (% of pensionable salaries)	14.55%	13.45%	14.55%	13.45%

The SFPP reported a deficiency (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2016 of $109 million. More recent information for the 2017 year was not available at the time of preparing these financial statements. SFPP consists of 4,425 active members. The City's plan membership which consists of primarily CPS members is approximately 49%. The City's 2017 contribution rates did not change as a result of this deficit.

7. ACCUMULATED SURPLUS

	2017	2016
Equity in Non-Financial Assets	$ 235,630	$ 238,603
Capital Fund	(3,582)	(2,086)
Reserves (Note 8)	46,566	46,661
	$ 278,614	$ 283,178

8. RESERVES

Reserves consist of operating and capital reserves as follows:

	2017	2016
Vehicle capital financing	$ 20,020	$ 22,329
Red Light Camera	11,241	7,837
Court Fine Operating	4,000	4,000
Helicopter operating maintenance	2,352	2,390
Capital pay-as-you-go	8,050	9,238
Automated Fingerprint Identification System	898	851
Capital financing (Treasury interfund)	5	16
	$ 46,566	$ 46,661

9. RELATED PARTY TRANSACTIONS

a) The CPS conducts transactions with The City in the normal course of business. Expenditures aggregate $99,538 (2016 - $97,678), and recoveries include $4,534 (2016 - $3,048) of transactions with The City. The CPS also receives Mill Rate Support from The City of $388,069 (2016 - $379,084) (Note 11) and has an amount due from The City of $212,148 (2016 - $206,591).

b) The CPS conducts transactions with ENMAX Corporation ("ENMAX"), a wholly owned subsidiary of The City, in the normal course of business. Expenditures include $3,462 (2016 - $2,982), and recoveries include $Nil (2016 - $Nil) of transactions with ENMAX. Accounts payable include $516 (2016 - $635) payable to ENMAX.

c) The City, consistent with its treatment of other business units, provides services to the CPS at no cost. These services include the provision of certain premises, payroll and some human resource functions, treasury functions, including investing, borrowing, banking, and cashiers, and finance functions such as accounts payable disbursements and accounts receivable administration. In addition to these services, the CPS utilizes The City's enterprise systems (PeopleSoft), along with available support, to complete day to day work. These PeopleSoft systems include supply management, accounts payable, accounts receivable, finance, budgets, and human resources.

10. COMMITMENTS AND CONTINGENCIES

a) The Calgary Police Service has the following office space lease commitments for the years 2018 to 2044.

2018	1,173
2019	1,106
2020	588
2021	222
2022 and thereafter	952
	$ 4,041

b) Capital commitments of $6,440 (2016 - $9,128) are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2017, on major projects and estimated obligations under other various agreements. These capital commitments were included in the current year's capital budget of $36,619 (2016 - $34,375) and will be funded from reserves.

c) In the ordinary course of business, various claims and lawsuits are brought against The CPS. The City, on behalf of the CPS, has recorded a provision for these claims and lawsuits. The costs associated with defending the lawsuits and any settlements arising from the claims and lawsuits are borne by The City and accordingly, no provision has been recorded in these financial statements with respect to the claims and lawsuits

d) The City, on behalf of the CPS, has recorded a provision for environmental liabilities. The costs associated with any environmental liabilities are borne by The City and accordingly, no provision has been recorded in these financial statements with respect to environmental liabilities.

e) The Calgary Police Service provides funding of certain operating costs to the Calgary Police Foundation, which commenced June 2014. Operating costs include, but are not limited to administrative expenses and the salary for the Executive Director. The operating costs paid are determined annually based on budgeted figures.

f) The Calgary Police Service provides funding of certain operating costs to YouthLink Calgary – The Calgary Police Service Interpretive Centre, which commenced March 2015. Operating costs include, but are not limited to administrative expenses, salaries, wages, fringe benefits, and the salary for the Executive Director. The operating costs paid are determined annually based on budgeted figures.

11. MILL RATE SUPPORT FROM THE CITY OF CALGARY

	2017	2016
Approved Net Operating Budget Allocation	$ 388,069	$ 379,084
Total Mill Rate Support from The City of Calgary	$ 388,069	$ 379,084

Calgary Police Commission

Finance & Audit Committee
Terms of Reference - 2018

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1. Purpose Statement

This committee is the steward of the business planning process of the Calgary Police Service. Pursuant to sections 29(1) and 31(1) of the *Police Act*, the committee will:

a) Review the Calgary Police Service budget, proposed adjustments, and any urgent funding needs and submit these to City Council through the Calgary Police Commission,
b) Monitor the allocation of the funds provided by City Council,
c) Provide independent oversight of external audit reports,
d) Oversee development of internal operational audits,
e) Monitor the commission budget, in consultation with the Executive Director.

2. Key Areas Of Responsibility

a) Calgary Police Service Business Plan & Budget Stewardship

i. Oversee and provide guidance in the development of the service's multi-year business plan.
ii. Oversee and provide guidance in the development of the service's annual budget and budget adjustments, if any.
iii. Oversee and inform the development of internal operational audits.
iv. Monitor the implementation of recommendations arising from operational audit reports, if any.
v. Receive and understand the service's financial risk management strategies.
vi. Oversee the service's use and management of its information, information systems, and technologies by understanding any threats or vulnerabilities within the IT environment that may affect CPS funding, security and privacy of information, or confidence in CPS.
vii. Liaise with members of City Council and city administration.
viii. Review sourcing of other funds for the service.
ix. Work with the Executive Director in the development of the commission's annual budget for approval to the full commission.

b. CPC/CPS Fiduciary Review
   i. Monthly review of commission financial statements.
   ii. Review the service's quarterly report.
   iii. Oversee external financial audits of service activities including value-for-money audits
   iv. Monitor the implementation of recommendations arising from financial audit reports, if any.
   v. Annual review of service financial policies.

c. *CPS Assigned Staff vs Authorized Strength*
   i. Review CPS reports regarding assigned staff vs authorized strength

3. Objectives For 2018 (See work plan 2018)

4. Membership Appointment & Obligations

a. The commission determines the membership of the Finance & Audit Committee.
b. Whenever possible, the majority of the committee will be comprised of members defined as 'independent' through the Commission's Independent Assessment Evaluation.
c. The Committee, once its members are appointed at the annual organizational meeting of the Commission, will elect the Committee chair in accordance with the Calgary Police Commission Procedures.

5. Decision Making Authority & Lines of Communication

a. The commission may delegate tasks and projects to the committee.
b. The committee chair may appoint a designate.
c. The committee must present its resolutions to the commission for approval.
d. The commission chair may take action in urgent or time sensitive situations. An effort will be made to confer with all committee members where possible. Information regarding the issue, rationale and action taken must be provided to all commission members as soon as possible.
e. The committee chair will ensure the commission chair is advised of significant committee activities in a timely fashion.
f. The commission chair may designate the committee chair to speak to the media regarding deliberations of the committee.
g. In accordance with the Commission communication policy, formal communication between the service and the Commission shall be conducted through the Executive Director and/or Chair and the Office of the Chief.

6. Committee Decision Making

a. A quorum of the committee shall consist of three (3) members.
b. When agreement of all members cannot be reached on a particular issue/item, decided by a majority vote.
c. In the event of a tie, the chair will cast the deciding vote.
d. Members must unilaterally respect and must not publicly or privately discredit any final decision of the committee.

Calgary Economic Development Audit and Finance Committee Annual Report

EXECUTIVE SUMMARY

This report is the annual report to The City of Calgary's Audit Committee from Calgary Economic Development.

ADMINISTRATION RECOMMENDATION:
That the Audit Committee receives this report for Information

PREVIOUS COUNCIL DIRECTION / POLICY

The City of Calgary Audit Committee Bylaw 48M2012, states that the Audit Committee is responsible for:

> "overseeing its governance responsibility with audit committees of The City's major autonomous civic entities."
>
> Section 4(1)(i)

BACKGROUND

A letter dated 2018 May 02 was provided to the President and CEO of Calgary Economic Development from the City of Calgary Audit Committee Chair requesting a report and presentation on its 2017 Annual Report, its risk management processes and the AHCC Audit Committee terms of reference.

To continue to develop further understanding of your organization's audit governance approach, we would like to request the following items be provided in your annual report to the City's Audit Committee:

1. **Brief summary on governance structure, succession planning and recruitment process, recent financial highlights and key 2018 initiatives/strategy;**

1.1 Governance Structure

(a) Calgary Economic Development Ltd.

CED was incorporated as Promoting Calgary Inc. under the Business Corporations Act in the Province of Alberta in July 1999. It was reconstituted and changed its name to Calgary Economic Development Ltd. on January 1, 2003. CED is a government non-profit organization under the Income Tax Act of Canada and accordingly is exempt from income taxes under section 149(1)(e) or (l). CED is a controlled not for profit (NFP) organization of the City of Calgary with 100 shares issued.

CED's mission is to collaborate to advance opportunities in achieving economic success, embracing shared prosperity and building a strong community for Calgary. The mandate of CED is to work with business, government and community partners to position Calgary as the location of choice for the purpose of attracting and retaining business investment, fostering trade and enhancing Calgary's workforce.

Calgary Economic Development Audit and Finance Committee Annual Report

CED's Board of Directors (the Board) oversees the organization's overall strategic direction (Attachment 6). Management develops strategy and manages and conducts the day-to-day business. The Board ensures that systems are in place to effectively manage CED's business, but does not manage the operations on a day -to-day basis.

The Board approves the mission, the 4-year strategy, annual business plan, and annual budget. It monitors risk, compliance with fiduciary and legal requirements. It delegates to management the achievement of strategic, financial and other plans. CED's responsibilities to its multiple stakeholders are paramount in conducting its business. The overriding objective for Directors is to maximize the value of the work of CED.

The board is supported by four committees; Corporate Governance and Effectiveness, Economic Strategy, Performance and Compensation and Audit. A skills matrix is used for Board recruitment, and the Board conducted an annual effectiveness survey in 2017 to monitor success. See Attachment 6 for the CED Board Organization chart.

In addition to the board committees, there are also seven Advisory Committees which support CED's work in that sector. These committees are:

- Agribusiness
- Energy
- Workforce
- Transportation & Logistics
- Real Estate
- Renewables
- Tech Talent

In 2018, the CED Board and the CFCL Board created a sub-committee to monitor and advise on the CFCL transfer of assets to the City of Calgary.

(b) Calgary Film Centre Ltd.

Calgary Film Centre Ltd. (CFCL) was incorporated under the authority of the Alberta Companies Act on December 17, 2009. CFCL is a wholly owned subsidiary of CED with 100 shares issued to CED. On June 23, 2014 CFCL changed its name from The Alberta Creative Hub to Calgary Film Centre Ltd. CFCL was formed with the primary purpose of supporting the growth and development of the film, television, media and other creative industries. The new 85,000 square feet film centre was completed and opened on May 19, 2016. CFCL's aim is to deliver production support for local, national and international screen industry projects as the primary source for the attraction of film and TV production to Calgary.

Two CED Board representatives are members of the CFCL Board of Directors: CED's President & CEO, and one additional Board member. The scope of CFCL's operations do not warrant separate advisory committees. The Board is comprised of 5 directors and have been purposely composed of Directors with financial, operating and film industry experience to provide the necessary strategic direction to CFCL.

Calgary Economic Development Audit and Finance Committee Annual Report

1.2 Succession Planning and Recruitment Process

Board Directors are appointed at the annual general meeting of the shareholders for a one (1) year or two (2) year term, and are eligible for re-election to a maximum of six (6) consecutive years. A Director who has served a maximum term on the Board may be re-appointed after an absence of a minimum of one (1) year. In 2018, the following changes to the board occurred: Judy Fairburn was appointed for one year, reappointments of Mary Moran, Alice Reimer, Lori Caltagirone and Jeff Fielding as directors for two years, reappointments of Kevin Zimmel, Tom Hodson, and Hannes Kovac as directors for one year, and appointment of Councillor Jeff Davidson until a successor is appointed or designated by City Council. The Board is purposely composed of directors from legal, financial and key sector experience. On an annual basis, the Board assesses Board effectiveness; including a skills matrix and in 2017 completed a peer review evaluation. The Board is currently reviewing this process with a view to best practices.

In Q3 2017, CED completed the Management Team Succession Planning Process. The Plan provides a succession plan for each of the senior management team members including the CEO, and a development plan for high potential management throughout the organization. It also identified areas where successors were not identified. In 2016 and 2017 the Senior Management team undertook a 360 Leadership Profile which was accompanied by individual coaching sessions. Annual performance management, annual goals setting, and quarterly reviews are required for the entire organization.

1.3 Recent Financial Highlights

(a) Calgary Economic Development Ltd.

CED's December 31, 2017 financial statement audit was approved by the Board and completed on April 18, 2018. The December 31, 2017 audited financial statements and auditor's year end communications are attached to this report. (Attachment 1 and 2)

MNP provided an audit opinion that the financial statements present fairly, in all material respects, the financial position of CED as at December 31, 2017, and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-For-Profit Organizations. CED uses deferral method of accounting for contributions such that restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

CED has received contributions from the City of Calgary since inception to sustain its operations. In 2017, the Company received an operating grant of $5,584,179 (2016 - $5,367,212). The base grant contributed 45% of CED's revenue in 2017 (2016 - $55%). Additional revenue and funding sources in 2017 include the City of Calgary Economic Resiliency funds $2.4 million (2016 - $1.8M), private sector revenue $1.7 million (2016 - $1.8M), and revenue from other orders of government $2.3M (2016- $0.7M).

Expenses remained within the approved 2017 operating budget. The December 31, 2017 accumulated surplus was $1,376,049, an increase of $243,795 from the prior year's ending balance of $1,132,254. This surplus is expected to be reduced over the next three to five years. CED's cash position at yearend is relatively strong.

The cash and deferred contributions are both down significantly year-over-year, which is related to use of funding received in 2017 from the City of Calgary's Resiliency Fund, Government of Canada's Western Diversification and Government of Alberta, as well as the extension of temporary operating funds to Calgary Film Centre Ltd ($0.7M Note Receivable).

During 2017 CED, continued to execute on the initiatives to expand CED's out of market and local marketing campaigns, further develop Calgary as an inland port, expand agribusiness and renewables initiatives, and focus on real estate/head office strategy for Calgary. The result was an increase in the number of jobs and companies created and/or retained. See Attachment 7 for CED's Balanced Score Card and Key Performance Indicators.

(b) Calgary Film Centre Ltd.

CFCL's December 31, 2017 financial statement audit was approved by the Board and completed on March 18, 2018. The December 31, 2017 audited financial statements and auditor's year end communications are attached to this report. (Attachment 3 and 4)

MNP was provided an audit opinion that the financial statements present fairly, in all material respects, the financial position of CFCL as at December 31, 2017, and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations. The MNP report contains an "emphasis of matter" on going concern paragraph as future funding of CFCL is uncertain. The CFCL and CED financial statements contain notes regarding CFCL's ability to operate as a going concern and is dependent on continued support of related parties and increasing occupancy.

Total bank indebtedness as of December 31, 2017 was $12,338,850. This includes a five-year loan swap of $5,213,459 at a 2.5% interest rate, a 10-year loan swap of $6,735,482 at a 2.75% interest rate, and a demand loan of $389,909. CFCL uses hedge accounting for the interest rate swap which is in place to secure the interest rates.

In 2017, CED and CFCL entered into an agreement whereby CFCL could draw from CED up to $900,000, at an interest rate of prime; as of December 31, 2017 CFCL had drawn $700,000 (with the final draws of $200,000 completed in Q3 2018).

CFCL's success is dependent on a strong customer pipeline and securing tenants. The Centre's occupancy in 2018 has been 71% as of year-to-date August 31, 2018, compared with 52% in 2017 and 65% in 2016. Cash flow remains in a sensitive position for 2018. CFCL is transferring its assets to the City of Calgary in Q4 2018, in return for elimination of debt. This will allow renewed focus on the marketing and promotion of the film centre and less on debt management.

1.4 Key 2017 Initiatives/Strategy - See Attachment 7.0

Calgary Economic Development Audit and Finance Committee Annual Report

2. Report on your organization's key operating and strategic risks including trends and risk management plans and processes;

CED and CFCL has created an Enterprise Risk Matrix to identify and manage risks and identify mitigating strategies (Attachments 8 and 9). The risk matrix is reviewed quarterly by the Management, Committees and the Board and updated as necessary to reflect current risk levels. Key areas of risk include:

- Financial
- Reputational & Relevance
- Safety & Security
- Sustainability & Operational

3. Analysis of the top three financial and/or operational risks that in your opinion would impact the City of Calgary and be of concern to the City's Audit Committee;

In CED's opinion the top three risks that would impact the City of Calgary and/or be of concern to City's Audit Committee are:

- Startup of Calgary Film Centre Ltd. (subsidiary of CED)
- Long term funding and loss of key staff, and
- OCIF program execution

Calgary Film Centre Ltd. (CFCL)

Due to the high risk associated with reduced rental revenue from low occupancy in 2017, this has resulted in a growing concern for CFCL. CFCL has identified various mitigating strategies, including managing rent charged per square foot, minimizing operating costs, allocating more support to business development efforts at CED, creating a pipeline report of potential tenants, and evaluate strategic options including eliminating debt. To manage the risk associated with maintaining the debt service coverage ratio, CFCL closely monitors its cash flow and revenue and spending decisions, communicates with lenders, informs CED's Board of Directors and prepares regular sensitivity reports and forecasts.

In 2018, CFCL has internally prepared and engaged consultants to review the viability of the centre, the industry, and to create a strategic plan. CFCL is in the process of divesting assets of the film centre and eliminating debt to focus on the strategic plan.

Funding and Loss of Key Staff

CED has been receiving contributions from the City of Calgary since inception to sustain its operations. In 2017 CED received an operating grant of $5,584,179 which was 45% of total funding for the year. The City has indicated it will provide similar funding each year until the 2018 fiscal year, at which point funding is subject to the One Calgary 4-year Budget review. The additional funding of 55% was obtained from private sector and other orders of government and allows CED to provide key programs. This economic downturn has impacted private funding and the unpredictability of other grants makes long term planning for program development and implementation difficult.

The risk is CED will not receive appropriate funding in 2019 - 2022 to allow it to maintain the programing activity and service levels it has built. The uncertainty of funding makes the loss of key staff a significant risk for CED, but also poses a risk to the continued success and organizational excellence of CED. There are currently 15 employees on term contracts due to grant funding.

To mitigate this risk, CED is developing a succession planning process for each of the senior management team members and high potential management employees to ensure continuity. CED has presented to PFC the One Calgary 2018-2022 budget which contains funding requirements to hire employees on a permanent basis and reduce the organizational risk.

Execution of OCIF Program

CED has incorporated the Opportunity Calgary Investment Fund (OCIF) program into regular operations with only one to two additional staff. As the program processes, procedures and plans are being created and the volume of applications and business cases increases, the risk is that CED is not able to meet the demands of OCIF and the program decisions may cause reputation risk.

To mitigate this risk, OCIF has a separate board and governance structure comprised of industry experts. OCIF will engage legal and external consultants as necessary to support due diligence efforts. The City of Calgary has provided two secondments to support the OCIF program.

4. Report on internal controls including information technology and systems;

CED has implemented several controls as part of its fraud prevention activities, including appropriate segregation of duties and regular reviews of financial results. Approval processes and procedures are in place, and reviewed regularly. As part of the audit, CED has an annual fraud risk assessment with the audit committee.

CED has outsourced its IT services to Northern Backup who, provides hosting services, helpdesk support, technical support and enhancements. Utilizing the expertise of an IT company ensures strong security, timely technical response and support. As part of CED's data loss prevention strategies, it has implemented the following:

- Data back up regularly (hourly or daily based on server type) with automated data integrity check for backup
- Off-site data backup
- Climate controlled server rooms
- Servers and equipment checked regularly and replaced/upgraded when needed

CED, in conjunction with its IT provider, has a fully hosted computing solution, a disaster recovery plan, emergency response plan and a business continuity plan. A dedicated internet line directly connects to the Calgary-based data centre provided by Bell and managed by CED's IT Managed Service Provider, Northern Backup.

Calgary Economic Development Audit and Finance Committee Annual Report

5. Most recent management letter including management responses as appropriate; and

MNP, auditors for both CED and CFCL, attended the March meeting of the Audit and Finance Committee and the CFCL Board meeting to present their reports for both CED and CFCL for the year ended December 31, 2017. These reports are included as Attachments 1 and 3.

6. Audit Committee 2018 Work Plan.

See Attachment 5.0

Further, during their presentation, Calgary Economic Development was asked to prepare responses to the following questions:

1. What is the frequency of review and are there any recent changes to the Audit Committee Charter or Terms of Reference?

The Audit Committee shall meet quarterly to review financial and risk reporting and reports to the Board of Directors based on information reviewed at those sessions. The Audit Committee is responsible for stewardship of the Corporation’s finances. The Audit Committee has oversight responsibility and makes recommendations to the Board on financial and risk matters.

The Audit Committee shall review its terms of reference at minimum on an annual basis, or more often so as required, and recommend changes as necessary.

In 2017 the Audit Committee Terms of Reference were last reviewed and amended at the May 31, 2018 audit committee meeting. See Attachment 5.0.

2. What is the current composition of the Audit Committee and what is their relevant financial experience?

i. CED

Leontine Atkins, Committee Chair – CED Board Director

Lori Caltagirone – CED Board Director

Tom Hodson – CED Board Director

Mary Moran – President & CEO Calgary Economic Development

See Attachment 10.0 for Bios and Financial experience.

ii. CFCL

The CFCL Board does not have a separate Audit and Finance Committee. The CFCL Board has instead been carefully composed of Directors with financial, operating and film industry experience to provide the necessary strategic direction to CFCL.

Patricia McLeod, QC, Board Chair – Former CED Board Director

Victoria Bradbury

Calgary Economic Development Audit and Finance Committee Annual Report

Debra Deane – CED Board Director

Douglas Macleod

Mary Moran – CED President & CEO and Director

Murray Sigler – Former CED Board Director

See Attachment 11.0 for Bios and Financial experience.

3. Have there been any significant changes to organizational leadership?

Bruce Leslie, was hired as Vice President of Trade, Investment & Attraction in November 2017.

In August 2018, Mary Moran, President and CEO, took a leave of absence to December 2018 to lead the Calgary 2026 Olympic Bid process.

4. Are there any regulatory or market changes that may impact the current business approach and would they be relevant to share publicly with the Audit Committee?

CFCL is exposed to risk based on funding provided by the Government of Alberta to support the film industry, which impacts lease revenue of CFCL.

In Q4 2018, CFCL assets are being transferred to the City of Calgary and debt is being eliminated, which will increase ability of management and CFCL Board to focus on the strategic marketing and occupancy of the film centre.

5. Are there any results of any regulatory or internal/external business assessments that provide assurance on the effective management of risks as addressed in your presentation?

Both CED and CFCL have created an enterprise risk matrix to identify the top risks to their strategic goals, and identify mitigating strategies (Attachment 8 and 9).

CED has developed a balanced scorecard and individual performance metrics to help focus efforts and measure impacts (Attachment 7).

External consultants were engaged to develop a long term strategic plan to advise on best use of limited resources.

6. What initiatives are currently in progress to improve the efficiency of your processes? (e.g. sustainable operations, key performance indicators and relevance of the organization in the future)

CED has prepared a 4-year budget and corporate strategy for 2019-2022. It contains four pillars being Talent, Innovation, Place and Business Environment. CED is focused on core sectors – energy, agribusiness, and transportation and logistics and will add to its portfolio emerging sectors such as digital animation, music, financial services, life sciences, health and clean tech.

Key performance indicators will focus on jobs, companies, and commercial industrial space absorption.

As noted, CFCL is undergoing change and focus on a new 4-year strategy, key performance indicators based on leads and opportunities and marketing efforts.

Calgary Economic Development Audit and Finance Committee Annual Report

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This report responds to The City of Calgary Audit Committee's reporting requirements of the CED Board and is intended to be an ongoing dialogue between The City of Calgary and the CED Board. It is anticipated the annual report from the CED Board will continue to evolve over time to meet The City of Calgary Audit Committee's information requirements in discharging its governance responsibilities.

Stakeholder Engagement, Research and Communication

No implications for this report.

Strategic Alignment

No implications for this report.

Social, Environmental, Economic (External)

No implications for this report.

Financial Capacity

Current and Future Operating Budget:

There are no budget implications for this report.

Current and Future Capital Budget:

There are no budget implications for this report.

Risk Assessment

CED reviews risks on an ongoing basis. Risk reporting is one of the main topics in the report.

REASON(S) FOR RECOMMENDATION(S):

This Report is for information only.

ATTACHMENT(S)

1. MNP Report to the CED Audit Committee for the year ended December 31, 2017
2. Calgary Economic Development Financial Statements for the Year Ended December 31, 2017
3. MNP Report to the CFCL Audit Committee for the year ended December 31, 2017
4. Calgary Film Centre Ltd. Financial Statements for the Year Ended December 31, 2017
5. Audit Committee Terms of Reference
6. CED Board Structure
7. CED Balance Score Card and KPIs
8. CED Enterprise Risk Matrix
9. CFCL Enterprise Risk Matrix
10. CED Audit Committee Bios and Financial experience
11. CFCL Audit Committee Bios and Financial experience

Calgary Economic Development Ltd.
Report to the Audit Committee

For the Year Ended December 31, 2017

For presentation at the Audit Committee meeting March 20, 2018

MNP LLP

MNP LLP

March 20, 2018

Members of the Audit Committee of Calgary Economic Development Ltd.

Dear Sirs and Mesdames:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Calgary Economic Development Ltd. (the "Company") as at December 31, 2017 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Audit Committee.

We have completed our audit of the financial statements of the Company which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Audit Report will provide an unqualified opinion to the Board of Directors of the Company. A draft copy of our proposed Independent Auditors' Report is attached at the end of this report.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from Management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

/as
encls.

CONTENTS

INTRODUCTION

As auditors, we report to the members on the results of our examination of the financial statements of Calgary Economic Development Ltd. (the "Company") as at and for the year ended December 31, 2017. The purpose of this Audit Findings Report is to assist you, as members of the Audit Committee, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have completed our audit of the financial statements of the Company and are prepared to sign our Auditors' Report subsequent to completion of the following procedures:

- Receipt of the remaining outstanding legal confirmations;
- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Audit Committee;
- The Audit Committee review and approval of the financial statements.

We expect to have the above procedures completed and to release our Audit Report on April 18, 2018. Our draft report, which will provide an unqualified opinion, is attached at the end of this report. Our report will include an other matters paragraph with respect to the material uncertainty of the Calgary Film Centre Ltd. to continue as a going concern.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

CHANGES FROM AUDIT SERVICE PLAN

There were no deviations from the Audit Service Plan previously presented to you.

AREAS OF AUDIT EMPHASIS

The following lists the key areas of our audit emphasis for the Company:

- Deferred contributions.
- Recognition of revenue; and
- Expenses, payroll and employee costs.

Detailed information on Areas of Audit Emphasis is included as Appendix B to this report.

FINAL MATERIALITY

Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Company, and is affected by our assessment of materiality and audit risk.

Final materiality used for our audit was $480,000 for December 31, 2017 and was based on a percentage of gross expenses. Our threshold for differences reported to the Audit Committee was $24,000.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.

It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.

We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to the Audit Committee on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.

While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.

DIFFICULTIES ENCOUNTERED

No significant limitations were placed on the scope or timing of our audit.

IDENTIFIED OR SUSPECTED FRAUD

Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS

Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.

MATTERS ARISING IN CONNECTION WITH RELATED PARTIES

The following significant matters arose in connection with related parties of the Company during the course of our audit:

- It was noted during our audit that the Company's subsidiary, Calgary Film Centre Ltd. (the "Centre"), was having difficulty managing its cash flow to meet its current obligations due to the Studio's low occupancy;
- The Centre's continuation as a going concern is dependent upon the continued support of related parties, generating excess revenue over expenses through increased occupancy, and the ability to generate sufficient cash from operations;
- Management is reviewing its options to reduce the debt carried by the Centre, and with the support of related parties, management anticipates it will be able to continue operating as a going concern; and
- The Company's and the Centre's financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used that would be necessary if the going concern assumption were not appropriate should the Centre not be able to continue on in the normal course of businesss

As a result of the above circumstances, we are of the opinion that the going concern assumption is appropriate in preparation of the Centre's financial statements. The circumstances identified are disclosed adequately in Note 2 of the Centre's financial statements and an emphasis of matter paragraph has been added to the Auditors' Report with respect to the material uncertainty of the Centre to continue as a going concern.

As discussed earlier, our independent auditors' report will provide an unqualified opinion to the Board of Directors. Without modifying our opinion an other matter paragraph was added. The other matter paragraph draws attention to the Centre's ability to continue as a going concern.

GOING CONCERN

We do not expect that the Centre's going concern issue discussed above to cause a material uncertainty to the Company itself.

We have not identified any other material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

AUDITORS' VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian accounting standards for Not-For-Profit Organizations allows and requires the Company to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Company's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Accounting Policies

- The accounting policies used by the Company are appropriate and have been consistently applied.
- No new accounting policies, or changes in accounting policies were applied.

Accounting Estimates

Allowance for Doubtful accounts

- Provision for doubtful accounts receivable is based on individual account balances at the time that all other collection efforts have failed. At December 31, 2017 there was no provision for doubtful accounts receivable.

Amortization of property, equipment and intangibles

- Tenant improvements, furniture and fixtures, technology, and intangibles are amortized using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. The rates range from two to five years.

Impairment assessment

- During the year, Management determined that the website no longer provided long-term service potential to the Company and therefore these costs were written down to $nil, resulting in a loss of $27,233.
- No write-downs considered necessary by Management for financial assets, property and equipment or intangible assets.

Provision for legal contingencies

- No provision deemed necessary. We are finalizing the receipt of legal letters required to fully complete our audit. We do not expect the finalization of these outstanding matters to be of any concern.

Financial Statement Disclosures

The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.

MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT

We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Company.

There were no significant matters discussed, or subject to correspondence, with Management that in our judgment need be brought to your attention.

SIGNIFICANT DIFFERENCES

No differences were proposed to Management with respect to the December 31, 2017 financial statements.

MODIFICATIONS TO THE INDEPENDENT AUDITORS' REPORT

As discussed earlier, our independent auditors' report will provide an unqualified opinion to the Board of Directors and include an other matters paragraph with respect to the material uncertainty of the Calgary Film Centre Ltd. to continue as a going concern.

MANAGEMENT REPRESENTATIONS

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit.

This letter, provided by management, has been included as additional material to this report.

AUDITOR INDEPENDENCE

We confirm to the Audit Committee that we are independent of the Company. Our letter to the Audit Committee discussing our independence is included under separate cover from this report.

APPENDIX A – MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessed the accounting principles used and significant estimates made by Management;
- Obtained an understanding of the Company and its environment, including Management's internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees;
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the financial statements;
- Not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to Management judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

APPENDIX B – Areas of Audit Emphasis

Deferred contributions

The Company receives contributions for projects, of which some contributions are deferred to future years when the expenses are incurred. As at December 31, 2017, the Company has restricted contributions totaling $2,074,166 (2016 - $3,274,261). Of this amount, $1,595,790 (2016 - $1,736,989) has been restricted for the Opportunity Calgary initiative, $202,109 (2016 - $nil) for the Startup Calgary program, $181,153 (2016 - $nil) for the Careers in Calgary program, $32,286 (2016 - $918,147) for the Headquarter Strategy initiative, $nil (2016 - $367,725) for the WORKshift program, $nil (2016 - $93,033) for the Connector program, and $62,828 (2016 - $158,367) for other various programs.

MNP tested a sample of amounts outstanding at year-end to revenue contracts to ensure the revenue was being appropriately deferred in accordance with the Company's revenue recognition policy. No issues were noted during testing.

MNP tested a sample of deferred contributions recognized during the year to supporting documentation and to ensure appropriate expenditures had occurred. No issues were noted during testing..

We have concluded that deferred contributions have been reasonably stated as at December 31, 2017.

Recognition of revenue

The Company follows the deferral method of accounting for contributions. Restricted contribution are recognized as revenue in the year in which the related expense are incurred. Contributions for the purchase of property, equipment and intangible assets are deferred and recognized on the same basis as amortization expense of the related asset. Unrestricted contributions are recognized as revenue when received or receivable.

MNP tested a sample of amounts recorded during the year to signed agreements to ensure the revenue was being appropriately recorded in relation to the Company's revenue recognition policy. These were also verified to payments received to ensure the Company is collecting on its agreements.

MNP recalculated the revenue recognized for deferred contributions for the purchase of property and equipment using amortization rates as disclosed by the Company. No issues were noted in the recalculation.

We have concluded that revenue has been reasonably stated for the year ended December 31, 2017.

Expenses, payroll and employee costs

The Company incurs significant costs related to payroll and other employee costs and benefits. The Company incurred $12,091,082 in expenses during the year (2016 - $9,573,452) of which $5,314,538 related to employee costs (2016 - $4,814,368).

MNP tested a sample of payroll to Ceridian reports and employee files to ensure wages are being appropriately recorded and deductions are being accurately made. MNP also tested the completeness of the bonus and vacation accruals. No issues were noted during testing.

MNP noted that the majority of the increase in expenses is related to the marketing and proposal for the Amazon Headquarters bid, included in program costs and marketing and promotions. MNP agreed a sample of other expense transactions to supporting documents to ensure amounts were complete, had occurred, and were accurate. No issues were noted during testing.

We have concluded that expenses, payroll and employee costs are reasonably stated for the year ended December 31, 2017

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Financial Statements

December 31, 2017

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Management's Responsibility

To the Board of Directors of Calgary Economic Development Ltd.:

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 Public Sector Accounting Standards for Not-For-Profit Organizations and ensuring that all information in the annual report is consistent with the statements. 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 and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. 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 Company's external auditors.

MNP LLP is appointed by the Directors 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.

April 18, 2018

Mary Moran
Chief Executive Officer

Sheila Will
Chief Financial Officer

Independent Auditors' Report

To the Board of Directors of Calgary Economic Development Ltd.:

We have audited the accompanying financial statements of Calgary Economic Development Ltd., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets 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 Public Sector 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 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 Calgary Economic Development Ltd. as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-For-Profit Organizations.

Calgary, Alberta

MNP LLP

April 18, 2018

Chartered Professional Accountants

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Calgary Economic Development Ltd.
Statement of Financial Position
As at December 31, 2017

	2017	2016
Assets		
Current		
Cash	**514,404**	1,179,165
Accounts receivable and accrued revenue *(Note 3)*	**1,182,863**	676,521
Due from related party *(Note 10)*	**172,795**	246,854
Prepaid expenses	**46,647**	73,589
Employee expense advances	**9,380**	-
Note receivable from a related party (*Note 8*)	**700,000**	-
	2,626,089	2,176,129
Restricted cash *(Note 7)*	**2,074,166**	3,274,261
Property and equipment *(Note 4)*	**126,587**	97,949
Intangible assets *(Note 5)*	**23,513**	104,728
	4,850,355	5,563,067
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 6)*	**914,016**	852,747
Due to related party *(Note 10)*	**4,385**	675
Salary and vacation payable	**481,739**	393,130
Deferred contributions *(Note 7)*	**2,074,166**	3,274,261
	3,474,306	4,520,813
Commitments *(Note 12)*		
Net Assets		
Invested in property, equipment and intangible assets *(Note 9)*	**150,100**	202,677
Unrestricted	**1,225,949**	929,577
	1,376,049	1,132,254
	4,850,355	5,653,067

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

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Calgary Economic Development Ltd.
Statement of Operations
For the year ended December 31, 2017

	2017	*2016*
Revenue		
City of Calgary		
Operating grant *(Note 1)*	**5,584,179**	5,367,212
Other grants (*Note 10*)	**2,401,437**	1,813,220
Alberta government	**1,227,431**	529,923
Federal government	**1,030,646**	177,167
Other government	**-**	4,450
Business community *(Note 10)*	**1,693,208**	1,558,288
Expense recovery *(Note 10)*	**173,347**	249,416
Other revenue	**200,845**	93,137
Investment income *(Note 10)*	**51,017**	16,930
	12,362,110	9,809,743
Expenses		
Employee costs	**5,314,538**	4,814,368
Marketing and promotion *(Note 10)*	**3,928,671**	2,748,758
Program costs *(Note 10)*	**1,529,430**	904,215
Corporate services *(Note 10)*	**915,874**	810,143
Business travel	**299,093**	208,483
Amortization of intangible assets (*Note 5*)	**54,934**	70,231
Amortization of property and equipment (*Note 4*)	**48,542**	17,254
	12,091,082	9,573,452
Excess of revenue over expenses before other items	**271,028**	236,291
Other items		
Loss on disposal of property, equipment and intangibles	**(27,233)**	(36,935)
Excess of revenue over expenses	**243,795**	199,356

The accompanying notes are an integral part of these financial statements

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Calgary Economic Development Ltd.
Statement of Changes in Net Assets
For the year ended December 31, 2017

	Invested in property, equipment and intangible assets	*Unrestricted*	***2017***	*2016*
Net assets, beginning of year	202,677	929,577	**1,132,254**	932,898
Excess (deficiency) of revenue over expenses *(Note 9)*	(130,709)	374,504	**243,795**	199,356
Investment in property and equipment	77,180	(77,180)	**-**	-
Investment in intangible assets	952	(952)	**-**	-
Net assets, end of year	**150,100**	**1,225,949**	**1,376,049**	1,132,254

The accompanying notes are an integral part of these financial statements

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Calgary Economic Development Ltd.
Statement of Cash Flows
For the year ended December 31, 2017

	2017	*2016*
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**243,795**	199,356
Amortization of intangible assets	**54,934**	70,231
Amortization of property and equipment	**48,542**	17,254
Loss on disposal of property, equipment and intangibles	**27,233**	36,935
	374,504	323,776
Changes in working capital accounts		
Accounts receivable and accrued revenue	**(506,342)**	(172,027)
Due from related party	**74,059**	(35,399)
Prepaid expenses and employee expense advances	**17,562**	(31,078)
Accounts payable and accrued liabilities	**61,269**	376,582
Due to related party	**3,710**	675
Salary and vacation payable	**88,609**	(22,734)
Deferred contributions	**(1,200,095)**	2,402,743
	(1,086,724)	2,842,358
Investing		
Purchase of property and equipment (*Note 4*)	**(77,180)**	(107,363)
Purchase of intangible assets (*Note 5*)	**(952)**	(53,580)
	(78,132)	(160,943)
Financing		
Note advanced to a related party	**(700,000)**	-
Purchases of short-term investments	**-**	(6,316,930)
Proceeds on disposal of short-term investments	**-**	7,810,045
	(700,000)	1,493,115
(Decrease) increase in cash and cash equivalents	**(1,864,856)**	4,174,710
Cash and cash equivalents, beginning of year	**4,453,426**	278,716
Cash and cash equivalents, end of year	**2,588,570**	4,453,426
Cash and cash equivalents are composed of:		
Unrestricted cash	**514,404**	1,179,165
Restricted cash - external	**2,074,166**	3,274,261
	2,588,570	4,453,426

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Calgary Economic Development Ltd. (the "Company") was incorporated as Promoting Calgary Inc. under the Business Corporations Act in the Province of Alberta in July 1999. The Company changed its name to Calgary Economic Development Ltd. on January 1, 2003. The Company is registered as a non-profit organization under the Income Tax Act of Canada, and is exempt from income taxes. The Company is a controlled not-for-profit organization of the City of Calgary (the "City").

The mandate of Calgary Economic Development Ltd. is to lead the City of Calgary's economic development efforts in promoting the City's competitive advantages and pro-business climate. Successful economic development results in business growth and industry development, increased investment and trade activities. In turn, this fosters increased competitiveness, access to foreign markets, sustainable prosperity, diversification, productivity, high employment and a desirable quality of life.

The Company has been receiving contributions from the City since inception to sustain its operations. In the current year, the Company received an operating grant of $5,584,179 (2016 - $5,367,212) and the City has indicated that they will provide similar funding each year to the end of the 2018 fiscal year, at which point the funding is subject to renegotiation.

2. Significant accounting policies

Basis of accounting

These financial statements are expressed in Canadian dollars. The financial statements of the Company are the responsibility of management. They have been prepared in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations ("PSAS for NPOs"), with the optional 4200 series, as established by the Public Sector Accounting Board in Canada. The significant polices are described below.

Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector 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 revenue 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 property and equipment, and intangible assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

Controlled not-for-profit

The Company's financial statements do not include the accounts of Calgary Film Centre Ltd. ("CFCL"), which is controlled by the Company. The required disclosures have been provided in Note 15.

All transactions with the subsidiary are disclosed as related party transactions (refer to Notes 8 and 10).

Revenue recognition

The Company follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions for the purchase of property and equipment are deferred and recognized on the same basis as amortization expense of the related asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Sponsorship (pledges) are recognized as revenue when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Contributions for program related activities include amounts recovered from events and projects undertaken by the Company alone or with a number of economic partners.

Interest revenue is recognized on a pro rata basis over the term of the related deposit or investment.

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

Cash

Cash include balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Property, equipment and intangible assets

Purchased property, equipment and intangible assets are recorded at cost. Contributed property, equipment and intangible assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives. Tenant improvements are amortized over the lease term.

	Method	**Rate**
Technology	straight-line	2 years
Furniture and fixtures	straight-line	5 years
Tenant improvements	straight-line	5 years
Software	straight-line	1 year
Trademarks	straight-line	5 years
Website development costs	straight-line	30 %

Long-lived assets

Long-lived assets consist of property, equipment and intangible assets. Long-lived assets held for use are measured and amortized as described in the above accounting policy.

When the Company determines that a long-lived asset no longer has any long-term service potential to the Company, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Financial instruments

The Company recognizes its financial instruments when the Company becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with PSAS Section 4260 *Disclosure of Related Party Transactions By Not-For-Profit Organizations* (refer to Note 10).

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.

Transaction costs related to financial instruments remeasured at fair value at each reporting date are expensed in the period, whereas they are added to the carrying value of the financial instrument for those measured at cost or amortized cost.

Financial asset impairment

The Company assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Company determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Company reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year deficiency of revenue over expenses. The Company reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

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

Contributed materials and services

The Company receives various contributions in the form of material or services that it uses to carry out its objectives. Because of the difficulty in determining the fair value of these materials and services, the Company does not recognize the amounts in the financial statement.

3. Accounts receivable and accrued revenue

Accounts receivable and accrued revenue relate to the following:

	2017	*2016*
Accrued revenue	**902,226**	166,185
Trade accounts receivable	**172,123**	405,018
Goods and Services Tax receivable	**108,514**	105,318
	1,182,863	676,521

As at December 31, 2017, accounts receivable includes $6,533 (2016 - $77,781) in amounts outstanding greater than 90 days, of which $5,000 was subsequently received (2016 - $47,530). Accounts receivable have been recorded at their net realizable value, based on management's best estimate of the recoverable amounts.

4. Property and equipment

	Technology	*Furniture and fixtures*	*Tenant improvements*	***Total***
Cost:				
Balance December 31, 2016	669,679	380,515	2,606,413	**3,656,607**
Additions	72,633	4,547	-	**77,180**
Balance at December 31, 2017	**742,312**	**385,062**	**2,606,413**	**3,733,787**
Accumulated amortization:				
Balance December 31, 2016	(643,072)	(333,330)	(2,582,256)	**(3,558,658)**
Amortization	(27,988)	(10,937)	(9,617)	**(48,542)**
Balance at December 31, 2017	**(671,060)**	**(344,267)**	**(2,591,873)**	**(3,607,200)**
Net book value December 31, 2016	26,607	47,185	24,157	97,949
Net book value December 31, 2017	**71,252**	**40,795**	**14,540**	**126,587**

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5. Intangible assets

	Software	*Trademarks*	*Website development costs*	***Total***
Cost:				
Balance December 31, 2016	265,959	7,290	501,833	**775,082**
Additions	-	952	-	**952**
Disposals	-	(6,288)	(63,712)	**(70,000)**
Balance at December 31, 2017	**265,959**	**1,954**	**438,121**	**706,034**
Accumulated amortization:				
Balance December 31, 2016	(265,959)	(6,311)	(398,084)	**(670,354)**
Additions	-	(1,106)	(53,828)	**(54,934)**
Disposals	-	6,288	36,479	**42,767**
Balance at December 31, 2017	**(265,959)**	**(1,129)**	**(415,433)**	**(682,521)**
Net book value December 31, 2016	-	979	103,749	104,728
Net book value December 31, 2017	**-**	**825**	**22,688**	**23,513**

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities relate to the following:

	2017	*2016*
Trade accounts payable	**777,430**	841,197
Accrued liabilities	**136,586**	11,550
	914,016	852,747

7. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted for programs. Recognition of these amounts as revenue is deferred to periods when the specified expenses are made. Changes in the deferred contribution balance are as follows:

	2017	*2016*
Balance, beginning of year	**3,274,261**	871,518
Amount received during the year	**3,152,292**	5,119,761
Less: Amount recognized as revenue during the year	**(4,338,578)**	(2,717,018)
Less: Funds held for return as accrued liability	**(13,809)**	-
Balance, end of year	**2,074,166**	3,274,261

8. Note receivable from related party

On June 29, 2017 the Company and CFCL entered into an agreement which enabled CFCL to draw on a demand loan of up to $500,000, with an interest rate at prime. On September 29, 2017 the available funds on this loan were increased to $700,000, and then on December 12, 2017 the available funds were further increased to $900,000. As of December 31, 2017, CFCL has drawn $700,000 against this loan agreement.

9. Net assets invested in property, equipment and intangible assets

	2017	*2016*
Property and equipment	**126,587**	97,949
Intangible assets	**23,513**	104,728
Invested in property, equipment and intangible assets	**150,100**	202,677
Amortization of intangible assets	**(54,934)**	(70,231)
Amortization of property and equipment	**(48,542)**	(17,254)
Loss on disposal of property, equipment and intangibles	**(27,233)**	(36,935)
Deficiency of revenue over expenses	**(130,709)**	(124,420)

10. Related party transactions

CFCL

Related party balances and transactions with CFCL consist of:

	2017	*2016*
Due from related party:		
Management Services Agreement and other	**168,687**	246,854
Interest on note receivable from related party	**4,108**	-
Note receivable from a related party	**700,000**	-
Due to related party	**4,385**	675
Revenue recognized from CFCL:		
Management Services Agreement and other	**172,797**	246,854
Interest on note receivable from related party	**4,108**	-
Expenses paid to CFCL	**25,245**	84,638

At current time, the note receivable is deemed to be fully collectable based on the business plan for CFCL

City

Related party balances and transactions with the City consist of:

	2017	*2016*
Accounts receivable	**5,250**	10,000
Accounts payable	**1,195**	1,558
Revenue and expense recovery (excluding operating grant identified in Note 1)	**2,463,958**	1,823,220
Expenses paid to City	**191,613**	157,306

Other companies related through common ownership

The Company had the following balances and transactions with other companies related through common ownership by the City:

	2017	*2016*
Accounts receivable	**35,000**	10,000
Accounts payable	**7,497**	9,228
Revenue recognized from companies related by common ownership	**85,000**	60,000
Expenses paid to companies related by common ownership	**403,425**	181,603
(These transactions include expenses for event space and catering, and staff for parking)		

10. Related party transactions (*Continued from previous page)*

Other companies related to directors

The Company paid to organizations related to directors of the Company for other services totaling $64,113 (2016 - $14,920), of which $64,000 (2016 - $nil) is included in program costs, $113 (2016 - $12) is included in corporate services expense, and $nil (2016 - $14,908) is included in marketing and promotion. At year end, $23,100 was outstanding (2016 - $nil) and included in accounts payable. The Company also recognized revenue from these companies totaling $232,781 (2016 - $198,240), which is included in business community revenue towards its Action Calgary and other programming. At year end, $62,500 (2016 - $81,250) of this amount was outstanding and included in accounts receivable.

All transactions are in the normal course of operations and have been recorded at the agreed to exchange amounts that have been negotiated between the parties.

11. Income taxes

The Company is a tax-exempt organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes. In order to maintain its tax-exempt status under the Act, the Company must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

12. Commitments

Facility lease

On September 16, 2016, the Company entered a five-year lease with the related party City of Calgary Corporate Properties with an effective date of January 1, 2015. Annual rent for 2017 is $63,834 plus operating costs (2016 - $53,195 plus operating costs).

The Company has a ten-year rental agreement, effective June 15, 2009, with a third-party corporation, for office space in the Neilson Block which is part of the TELUS Convention Centre facility. The term of the agreement is for ten years with an option to not continue after the first five years. On March 27, 2014, the Company agreed to continue the lease for another five years. There are no rental costs and the Company does pay operating costs.

The estimated minimum annual payments on leases for facilities and equipment are as follows:

2018	75,090
2019	85,729
2020	11,256
2021	8,442
	180,517

13. Financial instruments

General objectives, policies and processes

The Board of Directors, through the Audit Committee, has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's senior management. The Board of Directors receives quarterly reports from the Company's senior management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Company, as part of its operations, carries a number of financial instruments. The nature of these instruments and the Company's operations expose the Company to credit, interest rate and liquidity risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

13. Financial instruments *(Continued from previous page)*

Credit risk

Credit risk is the risk that the Company will incur a financial loss because a contributor or counterparty has failed to discharge an obligation. The Company is exposed to credit risk on its accounts receivable and accrued revenue. This risk is somewhat mitigated because the accounts receivable comprises amounts due from the City of Calgary and the provincial and federal governments. To further mitigate this risk, the Company regularly reviews its accounts receivable list and follows up on collections in a timely manner. The amount outstanding at the prior year end, which is the Company's maximum exposure to credit risk related to the accounts receivable, are disclosed in Note 3 and summarized below.

	Current	*0-30 days*	*31-60 days*	*61-90 days*	*91 days and older*	*Total*
2017						
Trade accounts receivable	**67,000**	**41,046**	**55,544**	**2,000**	**6,533**	**172,123**
Goods and Services Tax	**108,514**	**-**	**-**	**-**	**-**	**108,514**
Accrued revenue	**280,758**	**150,479**	**184,622**	**155,846**	**130,521**	**902,226**
Due from related party	**18,159**	**14,126**	**14,051**	**14,051**	**112,408**	**172,795**
Employee advances	**7,200**	**2,180**	**-**	**-**	**-**	**9,380**
Note receivable	**245,000**	**85,000**	**85,000**	**85,000**	**200,000**	**700,000**
Total	**726,631**	**292,831**	**339,217**	**256,897**	**449,462**	**2,065,038**
2016						
Trade accounts receivable	55,103	198,393	14,812	58,929	77,781	405,018
Goods and Services Tax	105,318	-	-	-	-	105,318
Accrued revenue	166,185	-	-	-	-	166,185
Due from related party	246,854	-	-	-	-	246,854
Total	573,460	198,393	14,812	58,929	77,781	923,375

Credit concentration

As at December 31, 2017, one member accounted for 78% of accounts receivable (2016 – two members, 46%); The Company believes that there is no unusual exposure associated with the collection of these amounts. The balance of accounts receivable is widely distributed amongst the remainder of the Company's large membership base. The Company performs regular credit checks and provides allowances for potentially uncollectible accounts receivable.

Interest rate risk

The Company is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the fair value of financial instruments. As at December 31, 2017 a 1% change in interest rate, with all other variables held constant would impact the excess of revenue over expenses by $25,886 (2016 - $44,534).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term requirements, considering its anticipated cash flows from operations and its holdings of cash and cash equivalents. In addition, the monies invested in short-term investments can be withdrawn on demand. At the current time, the Company deems the note receivable from CFCL to be collectable, and even with the going concern uncertainty for CFCL (identified in Note 15), do not deem the Company to be in a position of liquidity risk. The table on the following page sets out the contractual maturities of financial liabilities.

13. Financial instruments *(Continued from previous page)*

	0-90 days	*91 days and older*	*Total*
2017			
Trade accounts payable	**777,430**	**-**	**777,430**
Accrued liabilities	**128,136**	**8,450**	**136,586**
Due to related party	**4,385**	**-**	**4,385**
Total	**909,951**	**8,450**	**918,401**
2016			
Trade accounts payable	841,197	-	841,197
Accrued liabilities	11,550	-	11,550
Due to related party	675	-	675
Total	853,422	-	853,422

14. Defined contribution pension plan

The Company established a defined contribution pension plan for its salaried employees on January 1, 2000. The total expense incurred for the year ended December 31, 2017 was $152,198 (2016 - $136,180).

15. Controlled not-for-profit

The Company controls its wholly owned subsidiary, the Calgary Film Centre Ltd., formerly The Alberta Creative Hub. The companies are under common management. CFCL has not been consolidated in the Company's financial statements, but its financial statements are available on request. CFCL was incorporated under the authority of the Alberta Companies Act on December 17, 2009 and commenced operations on January 1, 2010. The Company is registered as a not for profit organization and thus is exempt from income taxes under the Income Tax Act of Canada. It was formed with the primary purpose of supporting the growth and development of the film, television, media and other creative industries.

The following is condensed financial information of CFCL as at and for the years ended December 31, 2017 and December 31, 2016. This information was prepared using the same accounting policies as Calgary Economic Development Ltd.

	2017	*2016*
Financial position		
Total assets	**27,274,112**	28,661,793
Total liabilities	**(23,797,571)**	(24,353,981)
Total net assets	**3,476,541**	4,307,812
Statement of operations		
Revenue	**1,709,255**	1,383,854
Expenses	**2,540,526**	1,893,549
Deficiency of revenue over expenses	**(831,271)**	(509,695)
Cash flows		
Cash flows from operating activities	**(842,922)**	62,621
Cash flows from financing activities	**478,971**	5,325,330
Cash flows from investing activities	**(111,187)**	(5,175,591)
(Decrease) increase in cash and cash equivalents	**(475,138)**	212,360

15. Controlled not-for-profit *(Continued from previous page)*

CFCL has entered into a management agreement with the Company that sets out the terms and conditions by which the Company is to provide services of its employees in relation to general day-to-day administration and management services in connection with the business of CFCL (Note 10).

CFCL has entered into a term loan agreement of $900,000 with the Company to provide interim financing (Note 8).

In June 2015, CFCL entered into a credit facility for interim construction financing of up to $13,000,000, bearing interest at a rate of prime. On August 2, 2016, CFCL converted the $12,431,163 drawn on the interim construction loan to a term facility, in the form of one 5-year and one 10-year interest rate swap. On October 19, 2016, CFCL entered into a new credit facility of up to $550,000, bearing interest at prime. As at December 31, 2017, CFCL has bank indebtedness of $12,338,850 (2016 - $12,637,879).

The credit facilities, as noted above, are secured by a general security agreement with a Canadian Chartered Bank representing first charge on all CFCL's present and after acquired personal property, and all other property, assets and undertakings and by a continuing collateral mortgage representing a first charge on CFCL's real property in the principal amount of $14,100,000, beneficially owned by and registered in the name of CFCL.

The facilities are subject to certain financial and non-financial covenants including a debt service coverage ratio and a change in ownership provision. As at December 31, 2017, the CFCL was in violation of certain covenants, for which the lender has provided a waiver stating that as at December 31, 2017 there is no intention to demand repayment.

There is a material uncertainty as to the ability of CFCL to continue as a going concern. Its ability to continue as a going concern is dependent upon the continuing support of its related parties, generating excess revenue over expenses through increased occupancy, and the ability to generate sufficient cash from operations.

The Company's financial statements and CFCL's financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used that would be necessary if the going concern assumption were not appropriate for CFCL.

16. Comparative figures

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

Calgary Film Centre Ltd.
Report to the Board of Directors

For the Year Ended December 31, 2017

For presentation at the Board of Directors meeting March 16, 2018

MNP LLP

March 16, 2018

Members of the Board of Directors of Calgary Film Centre Ltd.

Dear Sirs and Mesdames:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Calgary Film Centre Ltd. (the “Centre") as at December 31, 2017 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

We have substantially completed our audit of the financial statements of the Centre which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Audit Report will provide an unqualified opinion to the Board of Directors of the Centre. A draft copy of our proposed Independent Auditors' Report is attached at the end of this report.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from Management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

/as
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CONTENTS

MNP LLP

INTRODUCTION

As auditors, we report to the members on the results of our examination of the financial statements of Calgary Film Centre Ltd. (the “Centre”) as at and for the year ended December 31, 2017. The purpose of this Audit Findings Report is to assist you, as members of the Board of Directors, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have completed our audit of the financial statements of the Centre and are prepared to sign our Auditors' Report subsequent to completion of the following procedures:

- Receipt of the remaining outstanding legal confirmations;
- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Board of Directors;
- The Board of Directors' review and approval of the financial statements.

We expect to have the above procedures completed and to be able to release our Audit Report on March 16, 2018. Our draft report, which will provide an unqualified opinion, is attached at the end of this report. Our report will include an emphasis of matter paragraph with respect to the material uncertainty of the Centre to continue as a going concern.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

CHANGES FROM AUDIT SERVICE PLAN

We previously presented our proposed Audit Service Plan to you on September 21, 2017. Over the course of our audit, the following deviations were made from this plan:

- Materiality was proposed at $125,000 based on 3% of net assets. Upon receiving the finalized trial balance, materiality was decreased to $104,000 based on 3% of net assets.

AREAS OF AUDIT EMPHASIS

The following lists the key areas of our audit emphasis for the Centre:

- Property and equipment;
- Restricted cash, deferred contribution and deferred contributions related to property and equipment;
- Bank indebtedness;
- Recognition of revenue;
- Expenses; and
- Going concern.

Detailed information on Areas of Audit Emphasis is included as Appendix B to this report.

FINAL MATERIALITY

Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Centre, and is affected by our assessment of materiality and audit risk.

Final materiality used for our audit was $104,000 for December 31, 2017 and was based on a percentage of net assets. Our threshold for differences reported to the Board was $5,200.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Our audit process focuses on understanding the controls utilized in Management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.

It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.

We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to the Board of Directors on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.

While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.

DIFFICULTIES ENCOUNTERED

No significant limitations were placed on the scope or timing of our audit.

IDENTIFIED OR SUSPECTED FRAUD

Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS

Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.

MATTERS ARISING IN CONNECTION WITH RELATED PARTIES

All related party transactions identified were in the normal course of business and accounted for appropriately in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

GOING CONCERN

During the course of our audit we have identified the following issues which may impact the Centre's ability to continue as a going concern:

- It was noted during our audit that the Centre was having difficulty managing its cash flow to meet current obligations due to the Studio's low occupancy;
- The Centre's continuation as a going concern is dependent upon the continued support of related parties, generating excess revenue over expenses through increased occupancy, and the ability to generate sufficient cash from operations;
- Management is reviewing its options to reduce the debt carried by the Centre, and with the support of related parties, it will be able to continue operating as a going concern; and
- The financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used that would be necessary if the going concern assumption were not appropriate should the Centre not be able to continue on in the normal course of business.

As a result of the above circumstances, we are of the opinion that the going concern assumption is appropriate in preparation of the financial statements. The circumstances identified are disclosed adequately in Note 2 of the financial statements and an emphasis of matter paragraph has been added to the Auditors' Report.

AUDITORS' VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian Public Sector Accounting Standards for Not-For-Profit Organizations allows and requires the Centre to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Centre's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Accounting Policies

- The accounting policies used by the Centre are appropriate and have been consistently applied.

Accounting Estimates

Allowance for Doubtful accounts

- Provision for doubtful accounts receivable is based on individual account balances at the time that all other collection efforts have failed. At December 31, 2017 there was no provision for doubtful accounts receivable.

Amortization of property and equipment

- Buildings and furniture, fixtures and equipment are amortized using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. The rates range from two years to 25 years. Land is appropriately not amortized.

Impairment assessment

- No write-downs considered necessary by Management for financial assets, property and equipment or intangible assets.
- MNP confirmed with Management that there was no change to the manner that the Centre's property and equipment and intangible assets are used. These assets continue to be used for the purpose of providing a world-class facility for filming.
- As the assets continue to contribute to the Centre's ability to provide services, no adjustment to their carrying amounts is required.

Financial Statement Disclosures

The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.

MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT

We would like to formally acknowledge the cooperation and assistance we received from Management and staff of the Centre and Calgary Economic Development.

There were no significant matters discussed, or subject to correspondence, with Management that in our judgment need be brought to your attention.

SIGNIFICANT DIFFERENCES

No differences were proposed to Management with respect to the December 31, 2017 financial statements.

MODIFICATIONS TO THE INDEPENDENT AUDITORS' REPORT

As discussed earlier, our independent auditors' report will provide an unqualified opinion to the Board of Directors. Without modifying our opinion an emphasis of matter paragraph was added.

The emphasis of matter paragraph draws attention to the going concern of the Centre.

MANAGEMENT REPRESENTATIONS

We have requested certain written representations from Management, which represent a confirmation of certain oral representations given to us during the course of our audit.

This letter, provided by Management, has been included as additional material to this report.

AUDITOR INDEPENDENCE

We confirm to the Board of Directors that we are independent of the Centre. Our letter to the Board of Directors discussing our independence is included under separate cover from this report.

APPENDIX A – MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

Our audit process focused on understanding the controls utilized in Management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessed the accounting principles used and significant estimates made by Management;
- Obtained an understanding of the Centre and its environment, including Management's internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall financial statement presentation;
- Performed a subsequent events review with Management;
- Reviewed and assessed the status of contingencies, commitments and guarantees;
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from Management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the financial statements;
- Not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to Management judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

APPENDIX B – Areas of Audit Emphasis

Property and equipment
MNP examined amortization for the year ended December 31, 2017 to ensure the expense was accurate. MNP also examined repairs and maintenance expense accounts for the year to determine whether there were any material items which should have been capitalized.

We have concluded that property and equipment, accumulated amortization, and amortization have been reasonably stated at December 31, 2017.

Restricted cash, deferred contribution and deferred contributions related to property and equipment
The Centre had received contributions for the development, operations and programming of the Calgary Film Studio and received contributions for the construction of the Centre.

MNP reviewed supporting documents for the restricted cash fund to confirm the amounts were spent in accordance with the terms of the agreements.

We have concluded that the restricted cash and related deferred contribution and deferred contributions related to property and equipment have been reasonably stated as at December 31, 2017.

No issues were noted during testing.

Bank indebtedness
The Centre has debt of $12.3M as at December 31, 2017 (2016 - $12.6M).

MNP confirmed the loan balances with TD Canada Trust and recalculated the financial covenants and agreed with management's assessment that the debt service coverage ratio is in breech. MNP obtained a waiver from TD Canada Trust stating that it has no intention to demand repayment as of the date of this report.

We have concluded that the bank indebtedness has been reasonably stated as at December 31, 2017.

Recognition of revenue
The Centre recognized $1.7M in revenue during the year (2016 - $1.3M). The increase is to an increase in rental revenue and an increase in the amount of deferred capital contributions recognized.

MNP agreed a sample of revenue transactions to supporting documents to ensure amounts had occurred and were accurate.

The Centre follows the deferral method of accounting for contributions. Restricted contribution are recognized as revenue in the year in which the related expense are incurred. Contributions for the purchase of property and equipment are deferred and recognized on the same basis as amortization expense of the related asset. Unrestricted contributions are recognized as revenue when received or receivable.

MNP tested a sample of amounts recorded during the year to signed agreements to ensure the revenue was being appropriately recorded in relation to the Centre's revenue recognition policy. These were also verified to payments received to ensure the Centre is collecting on its agreements.

We have concluded that revenue has been reasonably stated as at December 31, 2017.

APPENDIX B – Areas of Audit Emphasis *(continued from previous page)*

Expenses
The Centre incurred $2.5M in expenses during the year (2016 - $1.8M), The increase related to amortization of the Centre's property and equipment, interest on the bank indebtedness, and grants paid for Project Lab.

MNP agreed a sample of expense transactions to supporting documents to ensure amounts were complete, had occurred, and were accurate.

We have concluded that expenses are reasonably stated for the year ended December 31, 2017.

Going concern
The financial statements of the Centre have been prepared on a going concern basis. The going concern basis of presentation assumes the Centre will continue operations for the foreseeable future and will be able to realize its assets and fulfills its liabilities and commitments in the normal course of business.

The Centre’s continuation as a going concern is dependent upon the continuing support of its related parties, generating excess revenue over expenses through increased occupancy, and the ability to generate sufficient cash from operations.

MNP reviewed Management's plan of action and cash flow projections to ensure that it was reasonable to support the going concern basis. MNP reviewed the financial statement disclosure in detail to ensure that all required disclosures were included.

We have concluded that the going concern assumption is appropriate in the preparation of the financial statements.

Independent Auditors' Report

To the Board of Directors of Calgary Film Centre Ltd.:

We have audited the accompanying financial statements of Calgary Film Centre Ltd., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets 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 Public Sector 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 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 Calgary Film Centre Ltd. as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the future funding for the Calgary Film Centre Ltd. is uncertain. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Calgary Film Centre Ltd.'s ability to continue as a going conern.

Calgary, Alberta

Chartered Professional Accountants

March 16, 2018

MNP LLP
1500, 640 - 5th Avenue SW
Calgary, Alberta T2P 3G4

To Whom It May Concern:

In connection with your audit of the financial statements of Calgary Film Centre Ltd. (the "Centre") as at December 31, 2017 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, noncompliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 13, 2017, for the preparation and fair presentation of the Centre's financial statements in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations. We believe these financial statements are complete and present fairly, in all material respects, the financial position of the Centre as at December 31, 2017 and the results of its operations and its cash flows, in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.

3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Centre's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian Public Sector Accounting Standards for Not-for-Profit Organizations, and are applied consistently throughout the financial statements.

4. We have disclosed to you all significant assumptions used in making accounting estimates and judgments, and believe they are reasonable.

5. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.

6. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

8. All events or transactions that have occurred subsequent to the balance sheet and for which Canadian Public Sector Accounting Standards for Not-for-Profit Organizations require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.

9. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

10. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Canadian Public Sector Accounting Standards for Not-for-Profit Organizations have been adjusted or disclosed as appropriate.

11. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.

12. All assets, wherever located, to which the Centre had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.

13. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.

14. All restricted cash has been appropriately designated and separated from operating funds.

15. Accounts and contributions receivable are correctly described in the records and represent valid claims as at December 31, 2017. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.

16. All charges to property and equipment and intangible assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the Centre. Depreciation of property and equipment and intangible assets has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.

17. All long-term debt has been appropriately recorded in the financial statements. All payments and accrued interest has been accounted for. The current portion of long-term debt is appropriately classified.

18. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Centre is not entitled to the proceeds.

19. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the financial statements in accordance with the requirements of Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

Information provided

1. We have responded fully to all inquiries made to us and have made available to you:

   - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements, related data and minutes of the meetings of members and board of directors held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
   - Additional information that you have requested from us for the purpose of your audit;
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.

3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.

4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.

5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.

6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.

7. We have disclosed to you the identities of all related parties to the Centre and all related party relationships and transactions of which we are aware.

8. The use of the going concern assumption is appropriate and the Centre will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. We have provided you with appropriate and complete information about identified events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern, our plans for future action and the feasibility of these plans.

9. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

10. The previous year's representation letter dated March 20, 2017 is still applicable to the prior year's financial statements and no matters have arisen that require restatement of those financial statements.

11. There are no discussions with your firm's personnel regarding employment with the Centre.

Professional Services

1. We acknowledge the engagement letter dated September 13, 2017, which states the terms of reference regarding your professional services.

2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Centre's audit.

Sincerely,
Calgary Film Centre Ltd.

______________________________ ______________________
Signature Title

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Financial Statements

December 31, 2017

Contents

For the year ended December 31, 2017

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Management's Responsibility

To the Board of Directors of Calgary Film Centre Ltd.:

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 Public Sector 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 Centre. 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 Centre's external auditors.

MNP LLP is appointed by the Board 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.

March 16, 2018

Luke Azevedo
Chief Operating Officer, Calgary Film Centre Ltd.

Sheila Will
Chief Financial Officer, Calgary Economic Development Ltd.

Independent Auditors' Report

To the Board of Directors of Calgary Film Centre Ltd.:

We have audited the accompanying financial statements of Calgary Film Centre Ltd., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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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.

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Emphasis of Matter
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Calgary, Alberta

MNP LLP

March 16, 2018

Chartered Professional Accountants

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Calgary Film Centre Ltd.
Statement of Financial Position
As at December 31, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents	**185,591**	344,819
Amounts receivable *(Note 4)*	**38,429**	60,417
Due from related parties *(Note 15)*	**41,885**	675
	265,905	405,911
Restricted cash *(Note 11)*	**330,593**	646,503
Property and equipment *(Note 5)*	**26,649,272**	27,575,979
Intangible assets *(Note 6)*	**28,342**	33,400
	27,274,112	28,661,793
Liabilities		
Current		
Current portion of bank indebtedness *(Note 7)*	**762,465**	688,938
Accounts payable and accrued liabilities *(Note 10)*	**154,265**	145,047
Due to related party *(Note 15)*	**172,795**	246,854
Note payable to related party *(Note 8 and 15)*	**700,000**	-
Deferred contribution *(Note 11)*	**330,593**	646,503
Tenant deposits	**51,200**	166,000
Deferred rental revenue	-	110,250
	2,171,318	2,003,592
Bank indebtedness *(Note 7)*	**11,576,385**	11,948,941
Deferred contributions related to property and equipment *(Note 12)*	**10,049,868**	10,401,448
	23,797,571	24,353,981
Commitments and contingencies *(Note 16)*		
Net Assets		
Invested in property, equipment and intangible assets	**4,288,896**	4,570,052
Unrestricted	**(812,355)**	(262,240)
	3,476,541	4,307,812
	27,274,112	28,661,793

Approved on Behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

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Calgary Film Centre Ltd.
Statement of Operations
For the year ended December 31, 2017

	2017	*2016*
Revenue		
Rental revenue	**941,809**	830,517
Amortization of deferred contributions related to property and equipment *(Note 12)*	**429,580**	391,036
Amortization of deferred contributions *(Note 11)*	**315,910**	65,519
Related party contributions *(Note 15)*	**14,745**	10,500
Other revenue	**7,211**	84,368
Interest income	-	1,914
	1,709,255	1,383,854
Expenses		
Amortization *(Note 5 and Note 6)*	**1,042,952**	760,268
Operating and utility costs	**565,120**	393,530
Interest expense	**326,192**	211,355
Corporate services *(Note 15)*	**212,461**	321,196
Programming events	**209,835**	-
Employee costs	**134,898**	101,450
Business travel, entertainment and events	**42,706**	53,744
Marketing and promotion	**6,362**	24,006
Sponsorship	-	28,000
	2,540,526	1,893,549
Deficiency of revenue over expenses	**(831,271)**	(509,695)

The accompanying notes are an integral part of these financial statements

Calgary Film Centre Ltd.
Statement of Changes in Net Assets
For the year ended December 31, 2017

	Invested in property, equipment and intangible assets	*Unrestricted*	*2017*	*2016*
Net assets, beginning of year	4,570,052	(262,240)	**4,307,812**	4,817,507
Deficiency of revenue over expenses *(Note 9)*	(613,372)	(217,899)	**(831,271)**	(509,695)
Invested in property and equipment	111,187	(111,187)	-	-
Construction loan repayments	363,196	(363,196)	-	-
Construction loan advances	(64,167)	64,167	-	-
Deferred contributions received	(78,000)	78,000	-	-
Net assets, end of year	**4,288,896**	**(812,355)**	**3,476,541**	4,307,812

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Calgary Film Centre Ltd.
Statement of Cash Flows
For the year ended December 31, 2017

	2017	2016
Cash provided by (used for) the following activities:		
Operating		
Deficiency of revenue over expenses	**(831,271)**	(509,695)
Adjustments for items not involving cash:		
Amortization	**1,042,952**	760,268
Recognition of deferred contributions related to property and equipment	**(429,580)**	(391,036)
Recognition of deferred contributions related to programming funds	**(315,910)**	(65,519)
	(533,810)	(205,982)
Changes in working capital accounts		
Amounts receivable	**21,988**	769,272
Due from related parties	**(41,210)**	(675)
Accounts payable and accrued liabilities	**9,218**	(803,143)
Due to related party	**(74,059)**	35,399
Tenant deposits	**(114,800)**	161,750
Deferred rental revenue	**(110,250)**	106,000
	(842,922)	62,621
Investing		
Purchase of property and equipment *(Note 5)*	**(106,187)**	(4,585,533)
Purchase of intangible assets *(Note 6)*	**(5,000)**	(33,400)
Changes in accounts payable and accrued liabilities related to property	-	(556,658)
	(111,187)	(5,175,591)
Financing		
Repayment of bank indebtedness	**(363,196)**	(119,026)
Increase in bank indebtedness	**64,167**	5,444,356
Cash contributions received for property and equipment	**78,000**	-
Advance of note payable from related party	**700,000**	-
	478,971	5,325,330
(Decrease) increase in cash and cash equivalents	**(475,138)**	212,360
Cash and cash equivalents, beginning of year	**991,322**	778,962
Cash and cash equivalents, end of year	**516,184**	991,322
Cash and cash equivalents are composed of:		
Unrestricted cash	**185,591**	344,819
Restricted cash - external	**330,593**	646,503
	516,184	991,322
Other cash items		
Interest paid:		
Capitalized	-	72,484
Expensed	**310,166**	187,538
	310,166	260,022

The accompanying notes are an integral part of these financial statements

1. Incorporation

Calgary Film Centre Ltd. (the "Centre") was incorporated under the authority of the Alberta Companies Act on December 17, 2009. The Centre is a wholly owned subsidiary of Calgary Economic Development Ltd. the ("Parent Company") and was granted para-municipal status retroactive to the incorporation date.

The Centre was formed with the primary purpose of supporting the growth and development of the film, television, media and other creative industries.

On June 23, 2014, the Centre changed its name from The Alberta Creative Hub to Calgary Film Centre Ltd.

2. Going concern

The accompanying financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes the Center will continue operations for the foreseeable future and will be able to realize its assets and fulfill its liabilities and commitments in the normal course of business.

The Centre's continuation as a going concern is dependent upon the continuing support of its related parties, generating excess revenue over expenses through increased occupancy, and the ability to generate sufficient cash from operations.

Management is currently reviewing its options to increase revenue and reduce the debt carried by the Centre with the support of its related parties and anticipates it will continue operating as a going concern. There can be, however, no assurance that the actions described above will be sufficient for the Centre to continue operating as a going concern.

These financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used that would be necessary if the going concern assumption were not appropriate should the Centre not be able to continue its normal course of business.

3. Significant accounting policies

Basis of accounting

The financial statements are expressed in Canadian dollars. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations, with the optional 4200 series, as established by the Public Sector Accounting Board. The significant policies are described below.

Cash and cash equivalents

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

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions for the purchase of property and equipment are deferred and recognized on the same basis as amortization expense of the related asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized on a monthly basis pursuant to the terms of the lease agreement.

Contributions for program related activities include amounts recovered from events and projects undertaken by the Centre alone or with a number of economic partners.

Interest revenue is recognized on a pro rata basis over the term of the related deposit or investment.

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

Contributed materials and services

The Centre received various contributions in the form of materials or services that it uses to carry out its objectives. Because of the difficulty in determining the fair value of these materials and services, the Centre does not recognize the amounts in the financial statements.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. Amortization is calculated in the month the asset is put into use and ends in the month of disposal.

	Rate
Film studio	25 years
Warehouse	25 years
Paved surfaces	10 years
Fences	10 years
Security	5 years
Art	5 years
Fixtures	5 years
Guard shack	10 years
Technology	2 years

Financial instruments

The Centre recognizes its financial instruments when the Centre becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with PSAS Section 4250 *Disclosure of Related Party Transactions By Not-For-Profit Organizations* (refer to Note 15). At initial recognition, the Centre may irrevocably elect to subsequently measure any financial instrument at fair value. The Centre has not made such an election during the year.

Transaction costs related to financial instruments remeasured at fair value at each reporting date are expensed in the period, whereas they are included in the carrying value of financial instruments for those measured at cost or amortized cost.

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

Derivative financial instruments and hedging activities

Derivative financial instruments are financial contracts whose value changes in response to a change in an underlying variable, such as specified interest rate, financial instrument or commodity price, or foreign exchange rate. The Centre holds derivative financial instruments to hedge its interest rate risk exposure.

Derivative financial instruments may be designated for hedge accounting, provided that the Centre formally documents the hedging relationship at its inception by outlining the risks being hedged along with the details of both the hedged and hedging item. The documentation identifies the specific asset, liability, or anticipated transaction being hedged, the hedging item, the risk that is being hedged, and the intended term of the hedging relationship. The Centre must formally assess, at inception and over the term of the hedging relationship, whether the critical terms of the hedging and hedged item match.

Interest on the hedged item is recognized using the effective interest method. Net amounts receivable/payable on the hedging item adjust the interest on the hedged item in the period accrued.

Financial asset impairment

The Centre assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Centre determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Centre reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector 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 revenue over 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 property and equipment and intangibles.

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

4. Amounts receivable

Amounts receivable relates to the following:

	2017	*2016*
Rent and recovery of expenses receivable	**38,429**	49,917
Recoverable construction costs from the City of Calgary	-	10,500
	38,429	60,417

5. Property and equipment

	Land	*Buildings*	*Furniture, fixtures and equipment*	***Total***
Cost:				
Balance at December 31, 2016	4,815,656	23,462,495	77,367	28,355,518
Additions	-	15,880	90,307	106,187
Balance at December 31, 2017	**4,815,656**	**23,478,375**	**167,674**	**28,461,705**
Accumulated amortization:				
Balance at December 31, 2016	-	766,182	13,357	779,539
Amortization	-	1,009,485	23,409	1,032,894
Balance at December 31, 2017	-	**1,775,667**	**36,766**	**1,812,433**
Net book value at December 31, 2016	4,815,656	22,696,313	64,010	27,575,979
Net book value at December 31, 2017	**4,815,656**	**21,702,708**	**130,908**	**26,649,272**

Amortization on the film studios, paved surfaces and fences began in May 2016. Amortization on the warehouse began in December 2015. Amortization of the artwork, included in furniture, fixtures and equipment will commence in 2018.

6. Intangible assets

	Website Development Costs	***Total***
Cost:		
Balance December 31, 2016	33,400	33,400
Additions	5,000	5,000
Balance at December 31, 2017	**38,400**	**38,400**
Accumulated amortization:		
Balance December 31, 2016	-	-
Additions	10,058	10,058
Balance at December 31, 2017	**10,058**	**10,058**
Net book value, December 31, 2016	33,400	33,400
Net book value December 31, 2017	**28,342**	**28,342**

Amortization of the website commenced in 2017 once the development was completed and the website was put into use.

7. Bank indebtedness

	Interest Rate	***2017***	*2016*
Bank indebtedness:			
Loan – 5-year Swap *(a)*	2.30%	**5,213,459**	5,377,361
Loan – 10-year Swap *(b)*	2.75%	**6,735,482**	6,934,776
Demand Loan *(c)*	Prime	**389,909**	325,742
		12,338,850	12,637,879
Less: current portion of loans payable		**(762,465)**	(688,938)
Non-current portion of loans payable		**11,576,385**	11,948,941

Principal instalments payable within the next five fiscal years and thereafter on bank indebtedness are as follows:

2018	762,465
2019	382,159
2020	392,011
2021	4,920,980
2022	228,634
Thereafter	5,652,601
	12,338,850

In June 2015, the Centre entered into a credit facility for interim construction financing of up to $13,000,000, bearing interest at a rate of prime. On August 2, 2016, the Centre converted the $12,431,163 drawn on the interim construction loan to a term facility, in the form of one 5-year and one 10-year swap.

(a) *Loan – 5-year interest rate swap*

On August 2, 2016, the Centre converted $5,431,163 of its interim construction loan to a term facility with a 5-year interest rate swap which ends on August 1, 2021. The Centre uses hedge accounting for the interest rate swap which is in place to fix the interest rate on the balance of the loan payable at 2.30% in order to reduce its exposure to fluctuation of interest rate on the loan. At December 31, 2017 the Centre has reduced its principal portion of the debt by $163,902 (2016 - $53,802).

On the notional amount of the above described loan, the Centre entered into an interest rate swap agreement with a Canadian Chartered Bank, under which the Centre has swapped its floating bankers' acceptance rate for fixed interest payments at 2.30% per annum. The fair market value of the interest rate swap at December 31, 2017, which has been estimated using year-end market rates, would result in a gain of $180,734 (2016 - $69,905). This gain approximates the amount the Centre would receive if the swap agreement was closed out at December 31, 2017.

(b) *Loan – 10-year interest rate swap*

On August 2, 2016 the Centre converted $7,000,000 of its interim construction loan to a term facility with a 10-year interest rate swap which ends on August 1, 2026. The Centre uses hedge accounting for the interest rate swap which is in place to fix the interest rate on the balance of the loan payable at 2.75% in order to reduce its exposure to fluctuation of interest rate on the loan. At December 31, 2017 the Centre has reduced its principal portion of the debt by $199,294 (2016 - $65,224).

7. Bank indebtedness *(Continued from previous page)*

On the notional amount of the above described loan, the Centre entered into an interest rate swap agreement with Canadian Chartered Bank, under which the Centre has swapped its floating bankers' acceptance rate for fixed interest payments at 2.75% per annum. The fair market value of the interest rate swap at December 31, 2017, which has been estimated using year-end market rates, would result in a gain of $360,392 (2016 - $161,807). This gain approximates the amount the Centre would receive if the swap agreement was closed out at December 31, 2017.

(c) *Demand loan*

On October 19, 2016, the Centre entered into a new credit facility with a Canadian Chartered Bank at an interest rate of prime and with a $550,000 limit, to fund additional capital requirements. Up to a maximum of four draws are permitted under this facility. As of December 31, 2017, $389,909 (December 31, 2016 – $325,742) has been drawn on this loan. The loan facility conversion date has been extended to July 31, 2018, after which this facility can be converted to a 5-year term facility after this debt.

Line of credit

The Centre has access to a $250,000 line of credit through a Canadian Chartered Bank, with an interest rate of prime. No draws were made on the line of credit as of December 31, 2017.

General terms

The facilities, as noted above, are secured by a general security agreement with a Canadian Chartered Bank representing first charge on all the Centre's present and after acquired personal property, and all other property, assets and undertakings and by a continuing collateral mortgage representing a first charge on the Centre's real property in the principal amount of $14,100,000, beneficially owned by and registered in the name of the Centre.

The facilities are subject to certain financial and non-financial covenants including a debt service coverage ratio and a change in ownership provision. As at December 31, 2017, the Centre was in violation of certain covenants, for which the lender has provided a waiver stating that as at December 31, 2017 there is no intention to demand repayment.

8. Note payable with related party

On June 29, 2017 the Centre and its Parent Company entered into an agreement which enabled the Centre to draw on a demand loan of up to $500,000, with an interest rate at prime. On September 29, 2017, the available funds on this loan were increased to $700,000. On December 12, 2017 the available funds were further increased to $900,000. As of December 31, 2017, the Centre has drawn $700,000 against this loan agreement.

9. Net assets invested in property, equipment and intangible assets

	2017	*2016*
Property and equipment	**26,649,272**	27,575,979
Intangible assets	**28,342**	33,400
Invested in property, equipment and intangible assets	**26,677,614**	27,609,379
Amortization of intangible assets	**(10,058)**	-
Amortization of property and equipment	**(1,032,893)**	(760,267)
Amortization of deferred contributions related to property	**29,580**	391,036
Deficiency of revenue over expenses	**(613,371)**	(369,232)

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities relate to the following:

	2017	*2016*
Trade accounts payable	**88,996**	68,853
Accrued liabilities	**63,483**	72,174
Goods and Services Tax payable	**1,786**	4,020
	154,265	145,047

11. Deferred contribution

Deferred contributions consist of funding externally restricted for the development, operations and programming of the Calgary Film Studio. Recognition of this amount as revenue is deferred to periods when the specified expense occurs.

Changes in the deferred contribution balance are as follows:

	2017	*2016*
Balance, beginning of year	**646,503**	712,022
Amounts recognized as revenue during the year	**(315,910)**	(65,519)
Balance, end of year	**330,593**	646,503

12. Deferred contributions related to property, equipment and intangibles

Deferred capital contributions related to property consist of the unamortized amount of contributions received for construction of the Centre. Recognition of these amounts as revenue is deferred to the periods in which the related capital assets are amortized. The Government of Alberta funding was disbursed through the Parent Company.

	City of Calgary	*Government of Alberta*	*Business Community Funder*	***Total***
Balance at January 1, 2016	5,064,090	4,729,360	999,034	10,792,484
Additional contributions	-	-	-	-
Revenue recognized	(154,638)	(205,891)	(30,507)	(391,036)
Balance at December 31, 2016	4,909,452	4,523,469	968,527	10,401,448
Additional contributions	78,000	-	-	78,000
Revenue recognized	(202,759)	(186,821)	(40,000)	(429,580)
Balance at December 31, 2017	**4,784,693**	**4,336,648**	**928,527**	**10,049,868**

13. Income taxes

The Centre is registered as a tax-exempt organization under the *Income Tax Act* (the “Act”) and as such is exempt from income taxes. In order to maintain its tax free status under the Act, the Centre must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

14. Financial instruments

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Centre's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Centre's senior management. The Board of Directors receives quarterly reports from the Centre's senior management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Centre, as part of its operations, carries a number of financial instruments. The nature of these instruments and the Centre's operations expose the Centre to credit, interest rate and liquidity risk. The Centre manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. During 2016, upon direction of the Board of Directors, the Centre entered into interest rate swaps to minimize exposure to interest rate risk.

Interest rate risk

The Centre is exposed to interest rate risk on bank indebtedness. This risk is managed by entering into interest rate swaps with a major Canadian Chartered Bank to exchange the variable interest payments to fixed interest rates on the 5 and 10 year loans, the fixed interest rates are 2.30% and 2.75% respectively. The swaps mature on August 1, 2021 ($4,603,034) and August 1, 2026 ($4,790,726). The swap eliminates most of the interest rate volatility, consistent with the Centre’s interest rate risk management objectives.

Credit risk

Credit risk is the risk that the Centre will incur a financial loss because a lessee, contributor or counterparty has failed to discharge an obligation. The Centre is exposed to credit risk on its amounts receivable. At December 31, 2017, $67,126 (2016 - $59,018) of the receivables were current. This risk is somewhat mitigated due to the fact that the amounts receivable comprises amounts due from various levels of government.

	Current	*0-30 days*	*31-60 days*	*61-90 days*	*91 days and older*	***Total***
2017						
Accounts receivable	17,170	12,456	8,803	-	-	**38,429**
Due from related parties	-	37,500	1,800	2,585	-	**41,885**
Total	**17,170**	**49,956**	**10,603**	**2,585**	-	**80,314**
2016						
Accounts receivable	39,246	19,097	2,074	-	-	60,417
Due from related party	675	-	-	-	-	675
Total	39,921	19,097	2,074	-	-	61,092

The Centre is also exposed to credit risk as a significant portion of the Centre's cash and cash equivalents are held at one Canadian Chartered Bank. As such, the Centre is exposed to all the risks of that financial institution.

14. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its financial obligations as they fall due. The Centre has a forecasting and budgeting process in place to help determine the funds required to support the Centre's normal operating requirements on an ongoing basis. The Centre ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

The following table sets out the contractual maturities of financial liabilities:

2017	*0-90 days*	*91 days and older*	***Total***
Note payable to related party	700,000	-	**700,000**
Due to related party	60,387	112,408	**172,795**
Trade accounts payable	88,508	-	**88,508**
Accrued liabilities	63,483	-	**63,483**
Tenant deposits	51,200	-	**51,200**
Goods and Services Tax payable	1,786	-	**1,786**
Total	**965,364**	**112,408**	**1,077,772**
2016			
Due to related party	246,854	-	246,854
Tenant deposits	-	166,000	166,000
Accrued liabilities	72,174		72,174
Trade accounts payable	68,853	-	68,853
Goods and Services Tax payable	4,020	-	4,020
Total	391,901	166,000	557,901

15. Related party transactions

The Centre is a wholly owned subsidiary of Calgary Economic Development Ltd. ("Parent Company"). The Centre has entered into a Management Services Agreement with the Parent Company and is required to pay $168,612 (2016 - $243,333) for management fees, this is recorded in corporate services. Additional expenses of $8,293 (2016 - $3,522) are expenses incurred by the Parent Company on the Centre's behalf. Management fees for 2017 are outstanding at December 31, 2017. The Centre received $25,245 (2016 - $84,368) from the Parent Company in 2017 to fund website development and other marketing activities, this is recorded in related party contributions. $10,500 of 2016 funding for a public art project was adjusted to deferred revenue in 2017.

In 2015 the Parent Company disbursed $5,000,000 to the Centre that had been received from the Government of Alberta for the construction of the Calgary film studio. $186,821 was recognized as deferred contributions in 2017 (2016 - $205,892).

Calgary Economic Development Ltd.	***2017***	*2016*
Due from related party	**4,385**	675
Due to related party	**172,795**	246,854
Note payable to related party	**700,000**	-
Revenue recognized from Parent Company	**25,245**	84,638
Expenses paid to Parent Company	**176,905**	246,854

City of Calgary ("City") and affiliates	***2017***	*2016*
Due from related party for artwork reimbursement	**37,500**	-
Due to related party	**488**	449
Utilities expense	**6,224**	5,538
Deferred revenue recognized	**202,760**	154,638
Property tax expense	**263,597**	346,622

Related party balances and transactions not otherwise disclosed in these financial statements consist of:

The Centre paid a company related to a director of the Parent Company, for building operation services totaling $nil (2016 - $30,833). A balance owing to the company related to the director of $nil (2016 - $2,484) was included in accounts payable at year-end.

All transactions are in the normal course of operations and have been recorded at the agreed exchange amounts that have been negotiated between the parties.

16. Commitments and contingencies

Commitments

Commitments payable for operations within the next two years are as follows:

2018	102,416
2019	17,268
	119,684

Contingencies

The Centre is party to disputes arising in the ordinary course of operations. While it is not feasible to predict the outcomes of these disputes, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the operations of the Centre.

17. Comparative figures

Certain comparative information has been reclassified to conform to the current year's presentation.

Attachment 5

Audit Committee 2018 Work Plan

Major Deliverable	Actions, Tasks, Activities
Risk Management	• Review and assess the adequacy of the risk management policies and procedures
Review of Quarterly interim internal Financial Statements (unaudited) including financial reports and policies	• Review financial reports for quarter including unaudited financial statements and forecasts • Discuss any anomalies or concerns and suggest changes to financial reports if required • Review new or changed financial projects and proposals • Review system of internal controls and financial system of reliability and integrity • Review financial obligations and undertakings • Recommend acceptance of the interim internal financial reports to CED Board • Recommend all annual and other financial information for public distribution
Review of Audited Financial Statements and the Audit Finding	• Review CED Auditor's report to Audit Committee, and Management • Review CED Audited Financial statements for year ended December 31, 2017 • Review CFCL Auditor's report to Audit Committee, and management • Review CFCL Audited Financial statements for year ended December 31, 2017 • Review business and financial risks and system of internal control with auditors • Review financial reporting to City of Calgary • Disclosure of Related Parties/Transactions • Recommend acceptance of the Financial Statements and Audit by Board of Directors • In Camera with auditors
Insurance	• Review the adequacy of insurance • Review protection of physical assets & corporate data
Review the FA Team Staff	• Assess the FA team staff complement

Attachment 5 - continued

Extract of Audit Committee Terms of Reference (from Board Manual v 4.4A2.3)

5.3 AUDIT COMMITTEE

Date Approved:	May 18, 2005
Date Revised:	June 4, 2008
Date Revised:	Mar 18, 2009
Date Revised:	May 18, 2010
Date Revised:	Sept 27, 2012
Date Revised:	June 9, 2016
Date Revised:	Sept 15, 2016
Date Revised:	June 8, 2017
Date Revised:	May 31, 2018

Purpose

The Audit Committee (“Committee”) shall be a Committee of the Board responsible for stewardship of the Corporation’s finances. The Committee has oversight responsibility and makes recommendations to the Board on:

a) the integrity of CED’s annual audited financial statements, and interim internal (unaudited) financial statements;
b) corporate filings to Registry office and City of Calgary;
c) the external auditors’ qualifications and independence;
d) the performance of audit functions;
e) annual budgets;
f) financing arrangements;
g) the adequacy and effectiveness of internal controls (including Segregation of Duties);
h) risk areas around fraud, including amendments to Corporate Policies;
i) adequacy of financial stewardship by Management;
j) protection of physical assets, whether due to theft or damage;
k) protection of corporate data and technology continuity;
l) business continuity; and
m) monitor CED subsidiaries and programs.

Attachment 5 - continued

Authority and Accountability

The Committee is responsible to the Board and makes recommendations to the Board, as required.

1. The Committee shall report regularly to the Board on its activities.

2. The Committee, in consultation with the Board Chair, shall have the authority to direct and supervise the investigation of any matter brought to its attention within the scope of its duties.

3. The Committee shall review its terms of reference as needed, but at least annually, and recommend changes as necessary.

Meetings

The Committee may require the attendance of CED senior management at meetings as appropriate.

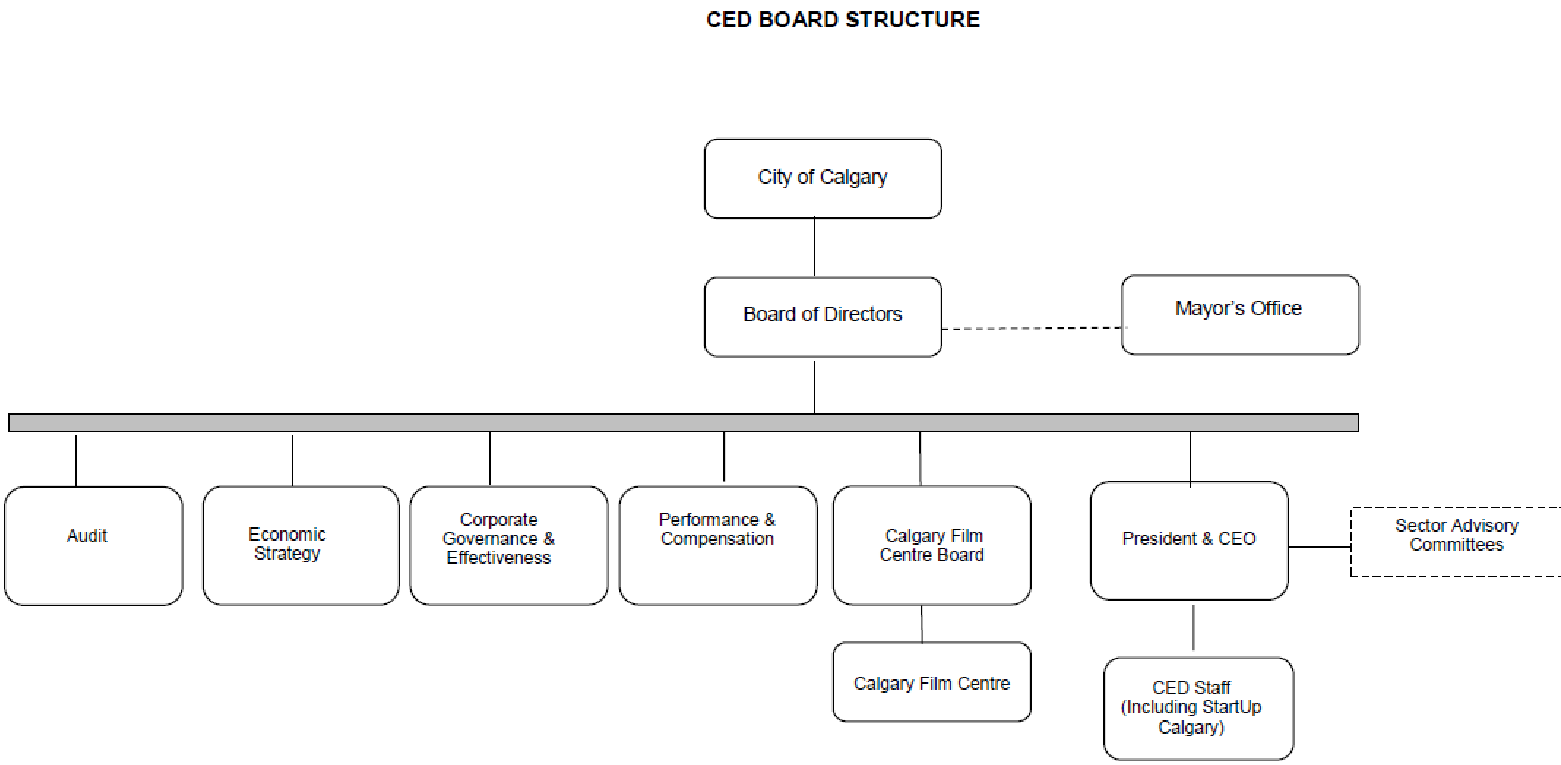
Resources

The Committee shall be provided with the resources necessary to carry out its responsibilities. The Committee may retain such advisors and consultants as it deems necessary to assist the Committee in discharging its responsibilities.

REFERENCE DOCUMENTS

- CED Management Authorities Policy

Attachment 6 – Calgary Economic Development Board Structure



Attachment 7 – Balanced Scorecard and KPIs

CED's strategy includes the following areas of focus:

- Accelerate Sector Development and Diversification
- Inspire Stakeholder Collaboration
- Enhance Calgary's Image
- Build an Authentic Brand for CED
- Build Organizational Excellence

Initiatives in this three-year plan will allow CED to position Calgary as the location of choice for the purpose of attracting business investment, fostering trade and growing Calgary's workforce. Progress and impacts are tracked through the use of a Balanced Scorecard and show increase number of companies and jobs.

Balanced Scorecard	Business Plan Impacts	2016 Actual	Dec 31, 2017 Actual	2018 Budget Business Plan	Updated 3 Year Strategy & Opportunity Calgary Impacts
Accelerate Sector Development & Diversification	Companies engaged/attracted	26	38	55	119
	Companies retained/expanded	11	29	42	82
	Total Companies	37	67	97	201
	Trade & investment deals	1	6	12	19
	# of direct/indirect jobs created/retained	1,561	5,719	4,000	11,280
	Film production	$ 165,500,000	$ 178,000,000	$ 180,000,000	$ 520,500,000
Inspire Stakeholder Collaboration	Commence/Complete of economic strategy tactics	87%	87%	90%	60%
	Startup Calgary - Startup Clients receiving (VC/GoA Voucher) funding	-	16	14	28
	Non-core funding	$ 11,588,000	$ 2,388,102	$ 1,885,000	$ 6,250,000
Enhance Calgary's Image	Canadian business leaders have favourable perception of Calgary	75%	79%	75%	75%
Build an Authentic Brand for CED	Favourability of people who work with CED	74%	83%	83%	83%
	CED clients use research, data and information services	40%	23%	40%	40%
Build Organizational Excellence	Employee engagement	59%	61%	65%	65%
	Board has a policy and strategic focus rather than hands on focus	71%	86%	85%	85%

Attachment 8 – Calgary Economic Development Enterprise Risk Matrix 2018

Category	Risk	Probability	Potential Impact(s)	Management Ownership	Board Ownership	Mitigating Strategies	Status
FINANCIAL	Reduction in Revenue	Medium	High	CEO	Board	- Manage program activity to available funding	Ongoing
						- Identify other revenue sources	Ongoing
						- Educate City Council around value CED brings	Ongoing
						- Importance of Economic Diversity Activity & Measurement	Ongoing
						- Post Activity Analysis of Impact	Ongoing
	Operating Deficit/Retained Earnings	High	Medium	Senior Management	Audit Committee/Board	- Ensure Senior Management takes accountability for their budgets	Ongoing
						- Ensure spending decisions are impactful (post initiative evaluation)	Ongoing
	Fraud	Low	Low-Med	CFO	Audit Committee	- Internal controls including segregation of duties and oversight/review of results	Ongoing
						- Fraud Risk Assessment, including interviews with Audit Committee	Completed
						- Approval processes in place & reviewed regularly	Ongoing
						- Procedures	Ongoing
						Reconciliations	Ongoing
	Calgary Film Centre	High	High	CEO/Film Commissioner	Audit Committee/Board	- Term Loan Funds of CFCL by CED	Ongoing
						- Create a long-term strategic plan for funding the Film Center from City and GoA Incentives	Ongoing
	EDIF - service agreement is not sufficient to cover costs incurred to manage program and WOS	Low-Med	Medium	CEO/EDIF Team Lead/CFO	Audit Committee/Board	- Prepare accurate budget for WOS and program	In Progress
						- Review WOS and program budget on a monthly basis	In Progress
						- Coordinate with stakeholders to detail processes and plans for delivery	In Progress

Attachment 8 – continued

Category	Risk	Probability	Potential Impact(s)	Management Ownership	Board Ownership	Mitigating Strategies	Status
REPUTATIONAL & RELEVANCE	Negative media coverage/tarnished reputation	Low	High	CEO/VP Marketing & Communications	CGE/Board	- Ensure consistency in messaging	Ongoing
						- Ensure official spokesperson have media training	Ongoing
						- Respond to all queries in timely and respectful manner	Ongoing
						- Crisis communication plan	Ongoing
	Strategic Alignment	Low	Medium	CEO/VP Research & Strategy	Board	- Maintain strong municipal government and private sector relationships to ensure strategic alignment to Market and Shareholder needs	Ongoing
						- KPI calibration and alignment to achieve organizational objectives and Economic Strategy	Ongoing
						-Communicate accomplishments against strategic plan	Ongoing
	Staff Conduct & Effectiveness	Low	Medium-High	CEO/Senior Management	P&C	- Annual staff and board acknowledgement of Policies and Procedures	In Progress
						- Staff adherence to Policies and Procedures	Ongoing
						- Staff training and development	Ongoing
						- Staff acknowledgement of signed confidentiality clause in agreement pertaining to CED and third parties	Completed
	Board Composition & Effectiveness	Low	Medium	CEO	CGE	- Board Effectiveness Survey conducted annually	Completed
						- Use of evaluation matrix to compose diverse and skilled Board	Ongoing
						- Board Member discipline on determining conflict of interest	Completed
	Calgary Film Centre and Creative Industry	High	High	CEO/Film Commissioner	CGE/Board	- Create Risk Assessment for CFCL	Completed
						- Create strong ties with gov't for film incentives to enhance film attraction and incentives	In Progress
						- Enhance film incentives	In Progress
						- Create a long-term strategic plan for the Film Center	Ongoing
	EDIF - Investments selected do not provide benefit or does not meet the expectations of public, WOS and City	Medium	High	CEO/VP Client Services	Board/Audit Committee	- Develop and implement strong and consistent due diligence process	In Progress
						- Develop and implement regular performance reporting requirements	In Progress
						- Outline the criteria in the application which was developed by all key stakeholders	In Progress
						- Evaluation of application follows established criteria and is "audited"	In Progress
						- Strong contractual agreements and obligations to project funds	In Progress
						- Select investments that provide very high ROI and facilitates replenishment of the fund. Consider risk and reward, a range of metrics and qualitative attributes.	In Progress
	EDIF - Delivery of services does not meet needs of WOS and public	Medium	Medium	VP Client Services	CGE/Board/Audit Committee	- Enhance CRM to allow automatic application	In Progress
						- Business case is robust and evaluation includes ROI	In Progress
						- Close monitoring of the stages of the EDIF application with established timelines and goals	In Progress
						- utilization of expertise at City, external consultants and volunteers	In Progress
	EDIF - Fund is not perceived as independent of CED and is perceived as controlled by CED or a political fund	High	High	CEO	Board/CGE	- Establish and communicate roles and responsiblities	In Progress
						- Implement governance best practices with WOS	In Progress
						- 3rd party due diligence to audit intake process and review the business case	In Progress
						- Accept the risk for the first year once the program is established and evaluate each year.	In Progress

Attachment 8 – continued

Category	Risk	Probability	Potential Impact(s)	Management Ownership	Board Ownership	Mitigating Strategies	Status
SAFETY & SECURITY	Death or injury to staff, volunteer or guest	Low	High	CFO/Senior Management	P&C	- Health & Safety Practices, including emergency procedures	Completed
						- Sufficient insurance coverage (liability & recovery cost)	Completed
	Theft	Low	Medium	CFO	Audit Committee	- Property insurance	Completed
						- Physical asset tracking within Bamboo	Completed
						- Security access cards	Completed
						- Cameras in Convention Centre	Completed
	Damage to Assets	Medium	Medium	Senior Management	Audit Committee	- Reparation conditions in GBC Facility Agreement	Completed

Category	Risk	Probability	Potential Impact(s)	Management Ownership	Board Ownership	Mitigating Strategies	Status
SUSTAINABILITY & OPERATIONAL	Technology - loss of data	Low	High	CFO	Audit Committee/Board	- Disaster recovery plan and Emergency Response Solution	Completed
						- Data backed up regularly (hourly or daily based on server type)	Ongoing
						- Automated data integrity check for back-up	Ongoing
						- Off-site Data back-up	Completed
						- Climate controlled server rooms	Completed
						- Hosted Environment	Completed
						- Data loss and business interruption insurance	Completed
	Disrupted or significantly diminished operations	Low	Med-High	Senior Management	Audit Committee/Board	- Business Continuity Plan	Completed
						- Contingency for GBC & Film Centre	Completed
						- Cloud based IT environment	Completed
	Shareholder Relationship	Low	Medium	CEO	Board	- Regular meetings with Mayor, Council and Administration	Ongoing
						- Board and Committees include members from City Administration and/or Council	Completed
						- Create and communicate meaningful KPIs	Completed
	Government regulations/legislation changes	Low	Medium	Senior Management	CGE/Board	- Adhere to all regulatory requirements	Ongoing
						- Monitor changes in legislation that have a potential impact on operations/policies	Ongoing
						- Strengthen government relations	Ongoing
	Non-compliance with Human Rights or Employment Standards	Low	Medium	HR/CFO	Board/P&C	- Ensure policies comply with legislation with attention to employer's duty to accommodate and communicate policies to staff	Ongoing
						- Build an inclusive, diverse and respectful workforce	Ongoing
						- Provide ongoing support and counsel to all levels of management	Ongoing
						- Keep abreast of current legislative changes and requirements	Ongoing
	IP	Low	High	CFO	CGE/Board	- Be cognizant of issues of infringement and respond to them	Ongoing
						- Create inventory of Intellectual Property	In Progress
	Staff Retention/Capacity	Medium	High	HR/CFO/CEO	P&C/Board	- Competitive Salary and Benefits	Ongoing
						- Reorganization to maximize impacts and manage staff capacities	Ongoing
						- Create robust succession and retention plan and development plan	Ongoing
	EDIF - Staff Capacity to meet the changing needs of the program and the WOS	Medium	High	CEO/VP Client Services/CFO	P&C/Board	- Conduct regular reviews of resource capacity and volume of inquiries	Ongoing
						- Daily and Weekly Scrums to review the application process	Ongoing
						- Project team with strong skills	Ongoing
						- Utilization of expertise from City, external consultants and volunteers	Ongoing
						- Project plan with resource requirements	Ongoing
						- Clear but flexible evaluation criteria and process	Ongoing

Attachment 9 – Calgary Film Centre Enterprise Risk Matrix 2018

Category	Risk	Probability	Potential Impact(s)	Management Ownership	Board Ownership	Mitigating Strategies	Status
FINANCIAL	Reduction in Revenue/Operating Deficit	High	High	COO/GM	Board	- Manage rent charged per square foot to ensure maximum profitabilty & occupancy	Ongoing
						- Identify and manage all operating costs and utility costs	Ongoing
						- Create pipeline of tenants and manage to assure maximum capacity	Ongoing
						- Management responsible for spending decisions consider impact to operating cash flow, debt payments and debt covenants	Ongoing
						- Continue communication with the City and TD Bank to ensure funds available and long term debt strategy	Ongoing
						- Temporary short term fund set up with CED	Ongoing
	Bank Debt Service ratio	High	High	COO/GM/CED CFO	Board	- Ensure cash flow is managed and reports/forecasts are closely monitored	Ongoing
						- Communicate revenue and cashflow position to the bank	Ongoing
						- Ensure revenue and spending decisions do not cause violation of debt covenant	Ongoing
	Fraud	Low	Low-Med	CED CFO	Board	- Internal controls including segregation of duties and oversight/review of results	Ongoing
						- Fraud Risk Assessment, including interviews with Board members	Ongoing
						- Approval processes in place & reviewed regularly	Ongoing
						- Procedures	Ongoing
						- Reconciliations	Ongoing
	Calgary Economic Development (CED) MSA Cost Increase	Medium	High	COO/GM	Board	- Organize processes and create standard schedule for recurring requirements such as reporting, invoicing and payments	Ongoing
						- Avoid last minute urgent requests '	Ongoing
						- Focus on risks in decision making and communication of this	Ongoing
Category	**Risk**	**Probability**	**Potential Impact(s)**	**Management Ownership**	**Board Ownership**	**Mitigating Strategies**	**Status**
REPUTATIONAL & RELEVANCE	Negative media coverage/tarnished reputation	Medium	High	COO/VP Marketing & Communications / GM	Board	- Ensure consistency in messaging	Ongoing
						- Pipeline of tenants	Ongoing
						- Ensure official spokesperson have media training	Ongoing
						- Respond to all queries in timely and respectful manner	Ongoing
						- Crisis communication plan	Ongoing
	Strategic Alignment	Low	Medium	COO/GM	Board	- Communicate accomplishments against strategic plan	Planned
	Staff Conduct & Effectiveness	Low	Medium-High	COO/GM	Board	- Annual staff acknowledgement of Policies and Procedures	Planned
						- Staff adherence to Policies and Procedures	Ongoing
						- Staff training and development	Ongoing
	Board Composition & Effectiveness	Low	Medium	COO/GM	Board	- Board Effectiveness Survey conducted annually	Planned
						- Use of evaluation matrix to compose diverse and skilled Board	Ongoing
						- Board Member disclipine on determining conflict of interest	Ongoing
	Service Delivery	Medium	Medium	COO/GM	Board	-Ensure tenant satisfaction and brand awareness	Planned
						- Current Labor Market Availability	Planned
	Facility Revitalization and Maintenance	High	High	COO/GM	Board	- Consistent resources and ability to maintain and upgrade the facility	Planned

Attachment 9 continued

Category	Risk	Probability	Potential Impact(s)	Management Ownership	Board Ownership	Mitigating Strategies	Status
SAFETY & SECURITY	Death or injury to staff, volunteer or guest	Low	High	GM	Board	- Ensure appropriate Health & Safety Practices, including emergency procedures and evacuation drills	Completed
						- Sufficient insurance coverage (liability & recovery cost)	Completed
	Theft	Low	Medium	GM	Board	- Property insurance	Completed
						- Physical asset tracking and audit	Completed
						- Security access cards	Completed
	Damage to Assets	Medium	High	GM	Board	- Conditions in tenant Agreements and continued security arrangements.	Completed
						- Significant deposits are part of all rental agreements.	Completed
						- Security guard and arrangements are closely managed and issues followed up.	Completed

Category	Risk	Probability	Potential Impact(s)	Management Ownership	Board Ownership	Mitigating Strategies	Status
SUSTAINABILITY & OPERATIONAL	Defects, Deficiencies and claims significantly affect operations	High	High	COO/GM	Board	- Written communication of all deficiencies and follow-up needed.	Ongoing
						- Retain all documents required for warranty purposes	Ongoing
						- Claims are resolved on a timely basis	Ongoing
						- Develop a plan for addresses issues	Ongoing
	Disrupted or significantly diminished operations	Medium	Med-High	GM/CED CFO	Board	- Business Continuity Plan and Disaster Recovery Plan	Ongoing
						- Access controlled offices and facility	Ongoing
	Shareholder Relationship	Medium	Medium	GM	Board	- Regular meetings with CEO of CED, CFC Board Chair, GM and COO	Ongoing
						- Board and Committees include members from CED	Ongoing
						- Create and communicate KPIs on a monthly basis and more often as needed	Planned
	Government regulations/legislation changes	Low	High	Senior Management	Board	- Adhere to all regulatory requirements	Ongoing
						- Monitor changes in legislation that have a potential impact on operations/policies	Ongoing
						- Work with current gov't on long term issues	Ongoing
						- Strengthen government relations	Ongoing
	Non-compliance with Human Rights or Employment Standards	Low	Medium	HR/CED CFO	Board	- Ensure policies comply with legislation with attention to employer's duty to accommodate and communicate policies to staff	Ongoing
						- Build an inclusive diverse and respectful workforce	Ongoing
						- Provide ongoing support and counsel to all levels of management	Ongoing
						- Keep abreast of current legislative changes and requirements	Ongoing
	Loss of key staff	Medium	High	Management	Board	- Competitive Salary and Benefits	Ongoing
						- Create robust succession and development plan	Ongoing
	Project Lab Grants - Not awarded to viable projects	Medium	Low	GM	Board	- Perform audit of deliverables	Ongoing
						- Utilize strong grant agreements	Ongoing
						- Communicate status and outcomes of projects	Ongoing

Attachment 10 – CED Audit Committee Bios and Financial Experience

Leontine Atkins, Committee Chair – CED Board Director

Leontine Atkins holds the Institute of Corporate Directors Education Program Designation (ICD.D) and regularly facilitates sessions for the ICD Director Education Program and ICD Audit Committee Effectiveness seminars.

Leontine was recently appointed a Board member of KPMG Canada's Board of Directors. Leontine is currently a member of the Board of Calgary Economic Development and Chair of their Audit Committee. Leontine is also a Board and Audit Committee member of the Heritage Park Society. She is a former Board member and Chair of the Glenbow Museum's Audit Committee. She previously served on the UNICEF Calgary Patron's Council for the annual Water for Life Gala.

Leontine has been with KPMG since 1987, an audit partner since 1998, and also worked in KPMG's European (Amsterdam, London) practice for 15 years. Leontine has financial experience in industrial and energy sectors, including international and North American oil and gas (upstream and downstream), oil sands, utilities, pipelines, gas storage, power (gas, coal, nuclear and renewables), and (petro- and agri-) chemicals.

Leontine is a Business Administration - Finance graduate of Acadia University, and earned her Master of Business Administration degree at Dalhousie University. Leontine also holds the Canadian Institute of Chartered Professional Accountants and Netherlands Institute of Chartered Accountants professional designations.

Lori Caltagirone – CED Board Director

Lori Caltagirone is President & CEO of Sunesis Consulting, a leading governance and compliance firm, specializing in adherence to Bill 198 and the Sarbanes-Oxley Act, evaluations of internal controls, and enterprise risk management.

Lori is Chartered Accountant, a Certified Internal Auditor and an acclaimed business professional, having spent more than 20 years developing innovative and reliable ways to create value for her clients. She spent almost a decade with several multi-national companies, including Mobil Oil Canada, Imperial Oil and Enbridge Pipelines prior to starting Sunesis. Although her expertise in internal controls and governance is extensive, Lori is still driven to develop new and ground-breaking tools and services for her clients, some of which include Crescent Point Energy, Tourmaline Oil, and Enerplus.

Through Sunesis, she has led and implemented Sarbanes-Oxley / Bill 198 compliance projects, governance evaluations, enterprise risk management programs, and internal audit functions.

Her mentoring spirit and philanthropic ways keep her involved in a variety of activities, including serving on the board of directors of the Calgary Philharmonic Orchestra, where she chairs the Audit & Finance Committee, as well as on the board of the New West Symphony and Chorus.

Tom Hodson – CED Board Director

Tom Hodson is a global chief executive who has worked across multiple sectors - consumer packaged goods, technology, consulting, construction, and mining. He has been the CEO of public (Nasdaq/TSX), private equity, and privately owned companies and is currently the Chief

Executive Officer of Alberta based Tiger Calcium Corporation, the largest calcium chloride mining and manufacturing company in North America.

In his previous role as CEO of the Calgary based Skyline Group, Tom completed a significant turn-around of one of North America’s largest commercial construction companies specializing in commercial building envelope construction. He led the development of a comprehensive business plan that resulted in the complete reorganization, restructuring, and refinancing of the company. This business renewal led to the successful divestiture of Skyline in July of 2015.

Prior to joining Skyline, Tom was President of SMART Technologies. Over more than six years, he and his team built a privately held mid-sized Alberta-based technology company into a publicly traded global powerhouse doing business in 70+ countries with an enterprise value of over $2 billion dollars and over 4,000 employees and agents worldwide. Tom and his team pioneered the use of interactive whiteboards (SMART Boards) as a disruptive technology replacing blackboards in classrooms around the world. He personally travelled the globe to over 40 countries championing the use of SMART products as a transformative technology for classroom education. He is a thought-leader on the subject of global strategy and expansion.

Before joining SMART Technologies, Tom and two partners built Optime International, a management consulting practice focused on building customer-centric organizations. Over six years they developed an enviable client list including Pepsi, The Toronto Maple Leafs, Nestle, TELUS, Molson, and General Motors. The company remains a key player in the North American consulting industry.

The first 16 years of Tom’s career were spent at global consumer packaged goods leader Procter & Gamble where he rose to be one of P&G’s top executives in Canada.

Tom presently serves on the board of Calgary Economic Development. Tom is also on the board of trustees with the Alberta Cancer Foundation, and is the co-author of the internationally acclaimed business book 'A Blueprint for Winning with Today's Customer' published by John Wiley and Sons New York and Toronto, 2005. Tom holds a Master of Business Administration (MBA) degree from Queen's University in Kingston, Ontario.

Mary Moran – President & CEO Calgary Economic Development

Mary became President and CEO of Calgary Economic Development in June 2015 and under her leadership there has been a focus on the broader sense of prosperity for businesses and individuals to build a more economically diverse and vibrant community.

Mary initially joined Calgary Economic Development as the Vice President, Marketing, Communications & Research in 2010. She brought extensive leadership experience in the development of strategy, marketing, stakeholder relations, and fund development with leading companies including TELUS, Delta Hotels, Canadian Airlines and WARDAIR.

At Calgary Economic Development, Mary led teams that created the Calgary. Be Part of the Energy promotional brand that has been adopted by all civic agencies, the award-winning local flood recovery *YYCisOPEN* campaign, oversaw a refocusing of the 10-*year Economic Strategy for Calgary: Building on our Energy,* and they *Hey Amazon* campaign that earned global attention for Calgary.

Mary earned an MBA from Royal Roads University and is active in the Calgary community. She is a director on several non-profit boards, including Sport Calgary, Calgary Sport Tourism Authority, Calgary Police Foundation, Beakerhead and Van Horne Institute. She is also a past president of Ronald McDonald House Southern Alberta.

Attachment 11 – CFCL Audit Committee Bios and Financial Experience

Patricia McLeod, QC, Board Chair – Former CED Board Director

Patricia McLeod, Q.C., is a lawyer and corporate director with over 23 years of legal, regulatory, governance and compliance experience in-house with regulated and deregulated companies, and private practice law firms. Patricia is proficient in the areas of corporate/commercial, regulatory and securities law, strategic planning, compliance, corporate governance, privacy, ethics and corporate responsibility.

Patricia has been a general counsel and Vice President of Corporate Responsibility, and a Compliance and Privacy Officer for utilities, real estate development, insurance and financial services companies in Alberta. Patricia has an MBA from Queen's University, is a Certified Compliance & Ethics Professional, and is a graduate of the Institute of Corporate Directors' accredited directors program. She was appointed as Queen's Counsel in January 2014 and was a member of the Alberta Order of Excellence Council from 2015 - 2018.

Patricia is the current Chair of the Board of Directors of Calgary Co-op as well as Chair of the Boards of cSPACE Projects and Calgary Film Centre. She is a board director of the Beverage Container Management Board, First Air and Alberta Innovates. She is a former Chair and board director of YWCA Calgary, as well as former Vice Chair and board director for Calgary Economic Development. Patricia was chosen as one of the 2016 Diversity 50 board candidates cohort by the Canadian Board Diversity Council and was the recipient of the Community Advocate Award for the Calgary Awards in 2015.

Patricia, her husband Dan and their two daughters enjoy a busy active life in Calgary, including participating in various sports, arts and community activities and travel.

Victoria Bradbury

Victoria Bradbury is a Chartered Professional Accountant in Canada, a Fellow Chartered Accountant of England & Wales and a Certified Management Consultant with over 10 years international experience with PwC and over 15 years of broad industry experience.

Fluently bilingual, Victoria has worked and lived in Europe as well as in several cities across Canada, giving her a unique perspective and experience in innovative financial and management strategies.

Victoria has extensive industry experience as CFO or Controller of privately held groups of companies with multi-billion dollar portfolios of assets, real estate and investments as well as experience within the educational field, having been a lecturer at the University of Alberta and a community college lecturer in Ottawa. A member of the Institute of Corporate Directors, she understands the key issues of governance, audit and risk and is committed to life-long learning.

Victoria's belief in giving back to the community is demonstrated by her extensive volunteer Board experience, having been Treasurer, Vice-President and President of numerous not for profit organizations, such as school councils, churches, pre-schools, Scouts, Guides, youth sports teams, French community associations and the Institute of Management Consultants. She served as finalist judge at the annual CPA Corporate Governance / Business Case competition for the past three years. Currently, she sits on the Boards of the Calgary Film Centre, CanLearn and McGill Alumni Association of Calgary and most recently has been nominated to sit on the Board of the Alliance Française.

Debra Deane – CED Board Director

Debra Deane is a successful business woman with a strong background in strategy, business development, marketing & communications, and operations. Currently Debra is a member of the executive team at Zedi, an oil and gas servicing company that designs advanced well monitoring and production operation solutions that deliver meaningful information directly from the wellhead to the desktop. Since joining Zedi in 2004, Debra has served the executive leadership team as Vice President for a number of portfolios and is currently Vice President, People. Debra's skill and approach to business along with her positive character contributes to the high respect her employees, coworkers, peers and members of the community at large hold for her. She is a true leader, whose opinions and values people often seek out before they make important business decisions.

Away from the office, Debra gives back to the community with her numerous volunteer commitments. Debra is the past president and director of the Board of Directors of Ronald McDonald House Southern Alberta. She began volunteering with the House in 2003 and joined the board as a Director, Co-chairing the Fund Development Leadership Committee in 2004. As President, Debra sat on the Capital Campaign Cabinet and the New House Committee which led the build of the Calgary Ronald McDonald House that is situated near the Children's Hospital. Debra also chaired the New House Committee for the build of the Ronald McDonald House in Red Deer and was the co-chair of the organization's inaugural Rock the House Run event.

Debra's other volunteer work in the Calgary community includes being a member of the Global Advisory Committee for Ronald McDonald House Charities in Chicago and Director on the Salvation Army Board of Governors for Community Services (Calgary). She has served on the Advisory Board for the SAIT Applied Degree programs and was President of the Calgary Chapter of the Canadian Information Processing Society (CIPS). She is a current member of the CED Board. She volunteers her time speaking at the University of Calgary's Haskayne School of Business MBA, EMBA and BCOMM classes.

Debra was a member of the inaugural class of the Alberta/Haskayne Executive MBA. Her no nonsense style and respect for individuals are trademarks of her success that exemplified her contribution to the graduating class of 2007. After graduation Debra volunteered for the Haskayne School Alumni Association. Seeing the value of the programs offer at the school and a need to keep Alumni informed and involved, Deb took on the role as President of the HSB Alumni Association in 2004. Debra was the recipient of the 2007 University of Calgary Women's Resource Centre Distinguished Alumna award.

Having completed several marathons and two full Ironman events, Debra continues to stay active through running, cycling and competing in agility trials.

Douglas Macleod

Doug MacLeod has been actively involved in the Canadian film and television industry for over thirty-five years, executive producing and producing feature films, television movies and prime time dramatic television series for domestic and international markets.

Doug is a graduate of both the CTSR program at SAIT (1974) and the Communication Arts Program at Concordia University in Montreal (1976). Doug makes his home in Canmore, Alberta, where he has lived with his family for the past fifteen years.

Mary Moran – CED President & CEO and Director

Mary became President and CEO of Calgary Economic Development in June 2015 and under her leadership there has been a focus on the broader sense of prosperity for businesses and individuals to build a more economically diverse and vibrant community.

Mary initially joined Calgary Economic Development as the Vice President, Marketing, Communications & Research in 2010. She brought extensive leadership experience in the development of strategy, marketing, stakeholder relations, and fund development with leading companies including TELUS, Delta Hotels, Canadian Airlines and WARDAIR.

At Calgary Economic Development, Mary led teams that created the Calgary. Be Part of the Energy promotional brand that has been adopted by all civic agencies, the award-winning local flood recovery *YYCisOPEN* campaign, oversaw a refocusing of the 10-*year Economic Strategy for Calgary: Building on our Energy,* and they *Hey Amazon* campaign that earned global attention for Calgary.

Mary earned an MBA from Royal Roads University and is active in the Calgary community. She is a director on several non-profit boards, including Sport Calgary, Calgary Sport Tourism Authority, Calgary Police Foundation, Beakerhead and Van Horne Institute. She is also a past president of Ronald McDonald House Southern Alberta.

Murray Sigler – Former CED Board Director

Murray Sigler is the Executive Director and CEO of Sport Calgary, and Principal of Calgary-based Altius Corporation. Until 2015 Murray served as President of Axia North America and Executive Vice President of Axia NetMedia Corporation. Before joining Axia in 2009, Murray was Managing Director of the Government of Alberta's UK Office. Prior to that, he was President and CEO of the Calgary Chamber of Commerce and had an extensive career in the aviation industry, including as President and COO of Canadian Airlines International, and CEO of Canadian Regional Airlines. Murray's corporate Board experience includes major publicly-traded domestic and international airlines, energy and utility companies, and asset-based infrastructure ventures.

Murray holds degrees in Arts and Law from the University of Alberta. He is a member of the Law Society of Alberta and is also a graduate of Harvard University's Graduate School of Business in the Advanced Management Program.

A life-long Calgarian, Murray currently sits as a community volunteer on the Calgary Film Centre Ltd, Comrie's Sports Equipment Bank, and Alberta's History and Heroes Foundation Boards of Directors and has been active throughout his career as a Board member and Chair of numerous other community, industry and professional organizations in Alberta, nationally and beyond.

**Attainable Home Calgary Corporation Report to Audit Committee
2018 September 18**

ATTAINABLE HOME CALGARY CORPORATION AUDIT AND ACCOUNTABILITY COMMITTEE ANNUAL REPORT

EXECUTIVE SUMMARY

This report is the annual audit report to the City of Calgary Audit Committee from the Attainable Homes Calgary Corporation (AHCC) Audit and Accountability Committee.

ADMINISTRATION RECOMMENDATION(S)

That Audit Committee receives this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

The Audit Committee Bylaw states that the Audit Committee is responsible for:

"overseeing its governance responsibility with audit committees of The City's major autonomous civic entities."

Section 4(1)(i)

BACKGROUND

This report responds to the request and mandate of the City's Audit Committee. It provides the valuable opportunity to have a dialogue between the two audit committees. It also provides AHCC the chance to discuss 2017 financial and operational highlights: key 2018 initiatives; review the key risks and mitigation plan. Further, there is the opportunity to discuss issues arising out of the external auditor report including managements' response.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The Audit and Accountability Committee of Attainable Homes Calgary Corporation has a number of roles and responsibilities (attached) while its primary purposes include the integrity of AHCC financial statements and the adequacy and effectiveness of internal controls.

In support of the Committee's oversight role, this report includes in the attachments: AHCC Audit and Accountability Committee Terms of Reference; AHCC 2018 Board and Committee Work Plan; AHCC Financial Statements of December 31, 2017; Collins Barrow – AHCC 2017 Report to the Audit and Accountability Committee; AHCC 2018 Risk Register; AHCC 2018 Business Plan; AHCC Presentation to the City of Calgary's Audit Committee.

Stakeholder Engagement, Research and Communication

The Audit and Accountability committee created this report with input from Management and the Board of Directors.

Strategic Alignment

No implications for this report.

Social, Environmental, Economic (External)

No implications for this report.

ATTAINABLE HOME CALGARY CORPORATION AUDIT AND ACCOUNTABILITY COMMITTEE ANNUAL REPORT

Financial Capacity
Current and Future Operating Budget:
No implications for this report.

Current and Future Capital Budget:
No implications for this report.

Risk Assessment
This report has been completed in accordance with The City of Calgary's Integrated Risk Management (IRM) Policy and Framework. There are no implications for this report.

REASON(S) FOR RECOMMENDATION:
This report responds to the City Audit Committee reporting requirements and is intended for information only.

ATTACHMENT(S)

1. AHCC 2018 Audit and Accountability Report
2. AHCC Audit and Accountability Committee Terms of Reference
3. AHCC 2018 Board and Committee Work Plan
4. AHCC Financial Statements of December 31, 2017
5. Collins Barrow – AHCC 2017 Report to the Audit and Accountability Committee
6. AHCC 2018 Risk Register
7. AHCC 2018 Business Plan
8. AHCC Presentation to the City of Calgary Audit Committee

ANNUAL REPORT AND RISK MANAGEMENT PROCESSES

FOR: CITY OF CALGARY'S AUDIT COMMITTEE
FROM: ATTAINABLE HOMES CALGARY CORPORATION
September 18, 2018

We are pleased to present the Annual Report, Governance and Risk Management Processes. This document includes responses to the five items requested for the annual report as well as the six questions posed in Councillor Woolley's letter dated May 2nd, 2018.

1.0 OVERVIEW

Attainable Homes Calgary Corporation (AHC) is a public not-for-profit corporation incorporated in 2009 under the Business Corporations Act. At inception, AHC was granted seed funding of one million dollars from The City of Calgary and matching one million dollars from the Government of Alberta. In addition, The City of Calgary sold AHC eight parcels of land at The City's book value, to be paid at the time the land was developed. Since the original infusion of funding, AHC is proudly financially self-sustaining.

Since 2009, Attainable Homes has helped almost 900 families purchase their own homes. Of those, 187 families have moved through the program, either by selling their home, or by paying out AHC to remove us from title. The funds received from the re-sales of these units supports future development.

Our small shop of twelve people continually receives calls from cities and towns across Canada and the United States inquiring about our program with the aim of offering a similar program in their communities. Most recently, a suburb of Toronto with two pieces of land is requesting that we walk them through the process of building an AHC-type program. We are motivated to maintain this flagship program for the citizens of Calgary.

2.0 SUMMARY OF GOVERNANCE STRUCTURE & SUCCESSION PLANNING

Attainable Homes Calgary Corporation is directed by an active, skills-based, volunteer board. We have eleven potential board positions, nine of which are filled. Of the nine positions, two are council members appointed by The City of Calgary, Honourable Mayor Nenshi and Councillor George Chahal.

The board has three committees: Audit and Accountability Committee (3 members), Corporate Governance & Performance Committee (3 members) and Development Committee (4 members).

In 2016, AHC went through a rigorous series of strategic planning sessions. With the new, expanded strategic direction identified, the board recognized the need for additional skills on the board in the areas of real estate law and land development. To allow the board to expand into these areas of expertise, AHC requested permission from The City of Calgary as the

Shareholder to increase the maximum size of the board from nine to 11. The request was approved in March 2017.

Each board member can serve a maximum of two, three-year terms. Our Board Chair, Sano Stante's term will be ending June 28, 2019.

Robin Lokhorst and Brian Pincott were appointed to the board in 2017 (see profile below). There has been a reallocation of duties in 2017, with Robin Lokhorst assuming the position of Chair of Corporate Performance & Governance from Lisa Oldridge and Brian Pincott having replaced Elizabeth Huculak as Chair of Audit and Accountability Committee. The Development Committee was introduced in 2018 and Roger Andrews holds the Chair position.

2.1 CURRENT BOARD OF DIRECTORS

Sano Stante, Board Chair

Sano contributes over 31 years of direct experience in real estate sales/development and nine years prior experience in development and construction. He has expertise consulting to governments, businesses and institutions regarding residential and commercial real estate markets, as well as assisting builders in developing and marketing real estate in Calgary. A passion for sustainable housing and communities remains a common theme in Sano's endeavours throughout his career.

Mayor Naheed Nenshi, Director

Naheed Nenshi is currently serving his third term as Calgary's Mayor. He is a passionate Calgarian, an accomplished business professional and a community leader. Mayor Nenshi's leadership continues to inspire a culture of citizen-focused growth in the city of Calgary. Prior to becoming Mayor, he ran a large nonprofit, was a trusted advisor to corporate leaders in Canada and the US, and authored the book *Building Up: Making Canada's Cities Magnets for Talent and Engines of Development*.

<u>Corporate Performance & Governance Committee Members</u>

Robin Lokhorst, Committee Chair

Robin is Managing Partner of McLeod Law and is the Chair of the firm's Executive Committee. With over 25 years of legal experience, Robin is focused exclusively in commercial and residential real estate. Working with home builders, property developers and lenders, through to buyers and sellers, Robin has a highly transactional practice involving land development and construction projects, real estate transactions, corporate finance and lease agreements. He is also involved in condominium development work in Alberta and out of province. Robin has been a Calgarian since 1977, joining McLeod Law over 25 years ago. Robin is on the Executive Committee of the CBA Managing Partner Subsection and serves as legal counsel to the Canadian Luge Association since 2007.

Gerry Wagner, Director

Gerry Wagner is a corporate director and advisor. He has over 30 years' experience as a Chartered Accountant and holds the Institute of Corporate Directors designation ICD.D. He serves on the board of directors of both public and private companies. He is also a consultant to companies in the financial services industry. Gerry has held founding director and executive positions at several financial institutions focused on residential mortgage lending including CFF Bank, MonCana Bank of Canada, ResMor Trust Company and the predecessor of Bridgewater Bank.

Sano Stante, Board Chair

Audit and Accountability Committee Members

Brian Pincott, Committee Chair

Brian served 10 years as a Calgary City Councillor, from 2007 to 2017. In his time on city council he focused much of his energy on affordable housing across the spectrum and across the city. A broad interest in inclusivity and sustainability drove a great deal of his work on city council and beyond. He served on the Board of Directors of the Federation of Canadian Municipalities for seven years and led the engagement with the federal government around affordable housing issues for municipalities coast to coast to coast. Prior to being elected, Brian worked in theatre across Canada, and was a social and environmental activist in Calgary.

Roger Andrews, Director

Roger joined the board in October 2016. Roger is a senior executive with a diverse background in real estate operations and finance. He now works as a consultant to real estate organizations. Roger held the CFO position at Jayman MasterBuilt Inc. between 2006 and 2009. Prior to this, Roger was Vice President of Portfolio Management for Bentall Kennedy specializing in multifamily and industrial property.

Gerry Wagner, Director

Development Committee Members

Roger Andrews, Committee Chair

Ken Toews, Director

Ken has over 25 years of experience in land, multifamily, shopping centre, office and hotel development. He played a key role in the development of the Garrison Woods and Currie Barrack's Communities and helped shape the redevelopment of the Edmonton Griesbach Armed Forces Base.

Currently, Ken is Vice President of Development for Strategic Group with a focus on repurposing office building into apartments, new townhouse developments and low and high-rise residential mixed-use projects. He is an active member of both the University of Calgary's Dean's Circle in the Environmental Design School and the City of Calgary's Development Advisory Committee. Ken also teaches Mixed-Use Development at the U of C and has a passion for affordable, attainable housing.

Melanie Ross, Director

Leading the sustainable building team at Integral Group, Melanie supports a wide range of projects ranging from LEED, WELL, FitWel and other third-party certifications to energy management and existing building performance, while managing a growing portfolio in sustainability planning and policy development.

Melanie's 10+ years of experience with recognized architecture, planning and engineering firms has brought her a deeper understanding of the industry and a respect for various stakeholder viewpoints. Her work as a CaGBC Review Team and Materials TAG member and Education Faculty member gives her further insight into the strategic and technical nuances of LEED projects. With applied experience in marketing and communications, Melanie drives her teams to embrace and integrated design process to deliver for the clients' needs.

Melanie was appointed to the WELL Building Standard teaching faculty and has delivered several workshops and presentations on the topic of health and wellness in buildings. She was also appointed to the CaGBC WELL Taskforce, working to identify the challenges for Canadian market adoption of the standard. Lastly, she serves as Chair of the CaGBC Alberta Chapter Leadership Board.

New Board Members

AHC welcomed Ken Toews, Gerry Wagner and Melanie Ross as new citizen members in 2018. As well, AHC welcomed a new City appointed member to the Board:

Councillor George Chahal, Director

George Chahal, City Councillor Ward 5, was born and raised in Calgary and lived his formative childhood years in the community of Saddleridge in the Northeast. He has a Bachelors in Economics and a Masters Degree from the Faculty of Environmental Design (Planning) from the University of Calgary. Prior to becoming City Councillor, he owned a small business in the construction and development industry. George is married with three young daughters, is actively involved in coaching and community activities, is a sports enthusiast and is a proud Calgarian.

2.2 Board Recruitment Process

The Corporate Performance & Governance (CP&G) Committee manages the AHC Director Recruitment process. With their guidance, AHC has built a well-balanced and broadly skilled board.

A Board/CEO succession and Board term review is performed by the committee in the first quarter of every year. At that time, the current board is measured against the skills matrix and gaps are identified. The Committee then goes to the board with the recommendation to begin the recruitment process.

Applicants are solicited through a variety of routes including the Institute of Corporate Directors. Candidates are screened with the aid of the skills matrix and short listed for interviews.

Interviews are performed by the CP&G Committee and a short list of candidates are taken to the board for discussion based on those interviews.

After that discussion, a second interview can be performed or the CP&G Committee can recommend the nomination of a candidate to join the board. The Board of Directors must approve the candidate(s) to be brought forward to the Shareholder for election.

2.3 Board Committee Terms of Reference

Each committee reviews its terms of reference on an annual basis. After being reviewed and approved at the committee level they are presented to the entire Board of Directors for approval**.** This gives the board the opportunity to review how the terms of reference for each committee intersect.

2.4 Management Changes

At an organizational level, AHC welcomed a new Interim President & CEO in 2018, Elizabeth Huculak. Elizabeth had been serving on the AHC Board of Directors since 2015.

Elizabeth Huculak, Interim President & CEO

Elizabeth is an Economist and brings 15 years in senior leadership and executive management positions in both public and private organizations with proven results and outcomes in housing finance, development and operations. Throughout her career she has developed expertise in: strategic and operational business management; risk management; competitive analysis; technology commercialization and, labour market analysis.

In the recent past, Elizabeth has held the position of General Manager at both Canada Mortgage and Housing Corporation and Homes by AVI as well as VP of Strategy and Resource Development with Jayman MasterBuilt.

Terra Davidson, Interim Director, Sales

In addition, AHC has also introduced an interim Director of Sales to the organization, Terra Davidson. Terra is a veteran in the home building industry. After graduating with a major in marketing, Terra joined the Consumer Strategies Group where she cut her teeth in new home marketing planning. Most recently Terra held the position of Director of Sales and Marketing at Avalon MasterBuilder. Terra is passionate about helping Calgarians move into homeownership.

Marianne Wade, Director, Project Development

AHC has also welcomes a new Director of Project Development. Marianne Wade is an experienced professional planner with a diverse career spanning both the private and public sectors in western Canada for over two decades. Career highlights include delivering over 1,700 affordable housing units in Greater Vancouver; developing and implementing ski and golf resort master plans in Whistler and Golden; serving as the Manager of Development Services for the City of Campbell River; serving as a city councillor in Whistler; participating in senior management teams for land development companies in Calgary; and serving as a commissioner on The City of Calgary's Planning Commission for four years. Marianne has completed graduate studies at UBC with an undergraduate degree came from the University of Winnipeg where a research grant led to the Institute of Urban Studies publishing her paper on cooperative housing.

3.0 RECENT FINANCIAL HIGHLIGHTS

Attainable Homes Calgary Corporation presents its financial statements in accordance with Canadian public-sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs")

<u>2017 Audit Highlights:</u>

- Collins Barrow performed the 2017 audit and issued an unqualified opinion
- No significant internal control weaknesses were identified
- Final overall materiality was $589,000 based on 2% of cash expenditures.
- Posting threshold for errors was 5% of this amount, or $29,450
- Auditors agreed with management's assessment of the valuation of inventory and land; and valuation of equity receivables

<u>2016 Financial Highlights:</u>

Revenue:

There were 108-unit possessions in 2017 resulting in $30M revenue. Margins on home sales were above target at 8.07% against a budget of 7.6%. Continued downward pressure on multi-family home prices is reducing margins in 2018; margins are 7.3% YTD June 2018.

Expenses:

Operational expenses were cut where possible, resulting in many line items coming in well below budget (salaries, administration, communications, legal).

Slower than anticipated sales resulted in extra inventory and carrying costs coming in over budget.

A deposit was written off in December of 2016 for $121,050. Those funds were returned to AHC in April 2017.

Restricted cash:

Reserve fund of $1M (50% funded in cash) was approved in 2016. Funds are to be used for shortfalls in future operating revenue but can only be accessed with the approval of the Audit and Accountability Committee.

Inventory:

AHC held 47 homes in inventory at December 31, 2017. As per PSAB (Public Sector Accounting Board), inventory needs to be carried at the lower of cost or net realizable value. Upon analysis of the inventory held, the organization wrote down approximately $416,000. This write down can be seen on the Statement of Operations and Accumulated Operating Surplus as Impairment of Inventory. It is a non-cash item and does not impact the debt covenant calculations.

Equity Receivables:

As financial instruments, equity receivables need to be measured at fair value. For this reason, the equity receivables portfolio is evaluated every quarter. Developments are looked at individually for indicators that an allowance may be required. There were three allowances booked at the end of 2017: a) discount for the time value of money b) allowances for two developments, and c) foreclosure allowance.

Financing and Financial Covenants:

As at December 31, 2017 Attainable Homes Calgary Corporation had access to a $10 million dollar credit facility. This credit facility includes financial covenants based on the interest coverage ratio and the total debt ratio. The organization met both covenants on December 31, 2017.

The purpose of this facility is for day-to-day operation and is available by way of prime-based loans, guaranteed notes and letters of credit. <u>This credit facility is secured by The City of Calgary.</u>

At December 31, 2017, $3,091,214 was outstanding on this revolving line of credit.

In April of 2017, AHC entered into an agreement for an additional $10 million dollar term loan for the purpose of purchasing assets. This facility is NOT secured by The City of Calgary but is backed by the assets purchased with the loan.

At December 31, 2017, $780,326.01 was outstanding on this term loan.

As at September 6, 2018 the balances on both facilities are as follows:

Facility	Outstanding Balance	Total borrowing allowed
A (secured by City of Calgary)	$7,515,275	$10,000,000
B (NOT secured by City of Calgary)	$ 564,597	$10,000,000
Total	$8,079,872	$20,000,000

Available Balance: $11,920,128

4.0 KEY 2018 INITIATIVES / STRATEGY :

The board completed an in-depth strategic plan review in 2016 and approved an updated five-year strategic plan in March of 2017. Through a series of strategic planning sessions, the board, with insights from staff, revisited each aspect of our program. Two main issues came to light:

1. With all our success, we are still unable to meet the needs of many individuals who aspire to be homeowners.
2. We need to further insulate ourselves from market and regulatory factors that are outside of our control.

With these problems identified, the organization moved away from a standard mission statement to a WHY / HOW / WHAT format.

WHY: **We improve life trajectories for Calgarians striving to attain quality homeownership.**

HOW: **People** – We operate from a culture of trust, teamwork, purpose and achievement.

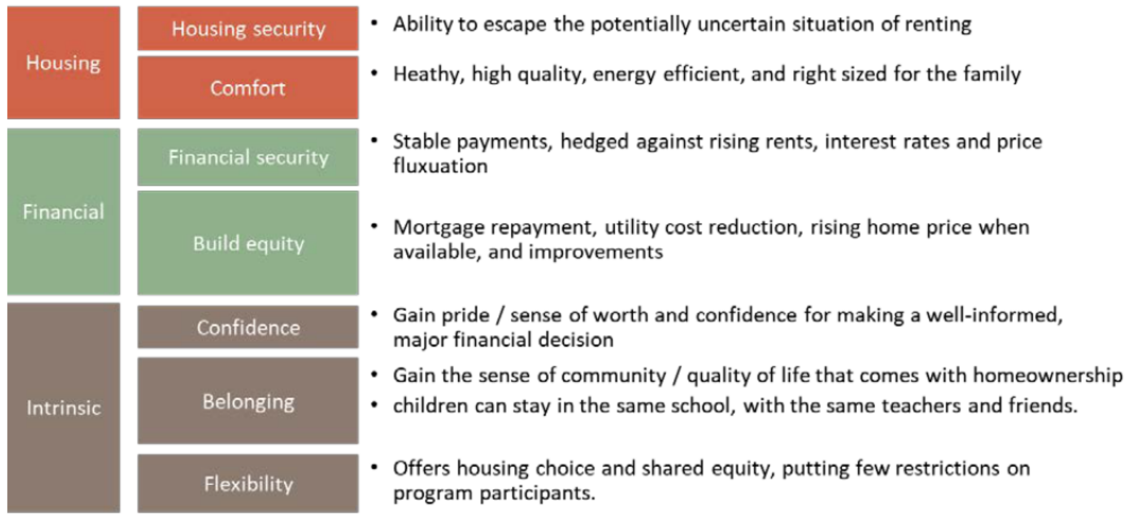
Sustainability – Our projects reduce the overall environmental impact in such a way that operating efficiency and long-term value are maximized over the building's lifecycle.

Innovation – We demonstrate leadership by adopting new approaches and best practices to achieve housing quality that meets the needs of communities and Calgarians now and in the future.

Diversification – We recognize the diverse needs of clients and seek alternative housing forms, tenures, and financial models.

WHAT: We focus our work around three strategic pillars: resilient clients, quality housing models, and operational excellence.

Benefits to Homeownership from Attainable Homes Calgary



5.0 ORGANIZATIONS KEY OPERATING AND STRATEGIC RISKS

Attainable Homes Calgary adopted The City of Calgary's risk register in 2017 and continues to use the same format.

5.1 Top Three Risks

AHC has identified the following top three risks we currently face:

<u>Leadership</u>

A high-risk item since a change in leadership in 2018. We have mitigated the risk by hiring a highly qualified interim President & CEO. Elizabeth Huculak was a prior board member and has in-depth knowledge about the organization and the housing sector. A recruitment process is currently underway, and a permanent President & CEO will be announced in the near future.

In addition, extremely qualified industry leaders have been engaged for the positions of Director of Project Development and Director of Sales (temporary contracts).

<u>Market Risk</u>

Attainable Homes Calgary is exposed to market risk due to fluctuations in the Calgary area housing market. This affects future land and inventory sale prices. In 2016, we saw this risk as trending upward. In 2017, we saw signs of stabilization and noted the trend as such. In 2018, we once again see the market risk trending upward.

In 2016 and 2017, we saw downward market price pressure impacting our apartment-style condos sales velocity and valuation; we are now seeing our townhome product with sales velocity struggle and downward pricing pressures, as well.

Families with higher mortgage pre-approval amounts continue to gravitate towards townhomes that can accommodate their growth plans over the next five or more years, but at times they cannot be accommodated.

The stress test that was introduced by Canada's federal financial regulator on January 1, 2018 has significantly impacted the buying power of middle income Calgarians. Though there are no firm numbers on how many people have decided against buying due to this change, pre-qualifications are being rejected at the rate of one every seven to 14 days based on a client's inability to pass the stress test.

Carrying an excess of inventory at year-end resulted in an inventory write down (aforementioned). To mitigate this risk, contracts are now being designed with more flexibility to give both AHC and our builder partners the ability to better control when product becomes available. AHC has also introduced an inventory procurement hedging strategy to reduce market risk by purchasing a limited amount of product at any one time and then layering on future purchases. This will give AHC blended margins in future months.

AHC has diversified inventory acquisition methods to include development and option agreements and continues to expand our program model. Firstly, by piloting a Rent-to-Own program in Calgary.

Board and management continue to make decisions based on current market and future value proposition for the clients paying careful attention to ensuring a diverse portfolio of product price, built form, location and financing models. The new AHC strategic plan will also focus on a variety of additional criteria in the decision-making process including: opportunity for community development; development partnerships and risk sharing; sustainable and energy efficient construction; built form variety; and client resilience.

<u>Regulatory Risk (NEW)</u>

Attainable Homes Calgary's clients were impacted by changes to mortgage rules in October 2016 when Minister of Finance Bill Morneau introduced a mortgage rate stress test for high-ratio insured mortgages. This resulted in all clients having to prove they could manage a mortgage at the five-year posted rate.

The organization fully supports the Department of Finance Canada's commitment to strengthening the housing market and financial system in Canada, and we acknowledge that this stress test will strengthen our clients' ability to absorb interest rate fluctuations.

Regulatory changes at the municipal, provincial, or federal level that continue to impact AHC and our clients can reduce the demand for affordable homeownership in Calgary, and further reduce the purchasing power of moderate-income Calgarians.

We continue to pay particular attention to: federal interest rate policy, CMHC fees and regulations, municipal development policies, building codes, and risk appetite of banks. Adding board members with skill sets in these areas, increases our ability to adapt to regulatory changes.

Changes to our product offering will allow us to continue to provide quality homeownership outcomes and will allow us to reach a broader client base.

6.0 INTERNAL CONTROLS

Attainable Homes Calgary has 18 active internal controls that are reviewed by all staff annually. Staff members are encouraged to ask clarifying questions and make suggestions where controls are cumbersome.

All staff sign annual confirmation documents evidencing their review and understanding of the internal controls.

Internal Controls include:

IC-01 Accounts Reconciliation Process
IC-02 Employee expense authorization process
IC-03 Payment authorization process
IC-04 Credit card expense authorization process
IC-05 Customer pricing process
IC-06 Insurance policy review process
IC-07 Audit process
IC-08 Land and inventory valuation process
IC-09 Protection, Retention and Destruction of Records
IC-10 Cash flow monitoring process
IC-11 Sales process
IC-12 Key performance indicator review process
IC-13 Journal Entry process
IC-14 Contract and Commitment process

IC-15 Cash and Deposit Handling Process
IC-16 Protection of Physical Assets
IC-17 Payroll process
IC-18 Resale process

Internal controls are encouraged to be used as checklists and are often included in documentation.

In addition, AHC is undergoing a Cyber Security review by Collins Barrows. They will help to identify system and process weaknesses. Additional Internal Control procedures could potentially be drawn from this review.

Key performance indicators continue to be calculated and monitored monthly. A monthly dashboard that included early market indicators as well as non-financial indicators is being introduced in the next four to six weeks.

1. Purpose

The Audit & Accountability Committee ("Committee") shall be a Committee of the Attainable Homes Calgary Corporation (AHCC) Board, responsible for enterprise risk management and the stewardship of AHCC's finances and assets. The Committee has oversight responsibility and makes recommendations to the Board on:

A. The integrity of AHCC's financial statements;
B. Annual budgets;
C. Risk register;
D. Financing arrangements; and
E. The adequacy and effectiveness of internal controls.

2. Committee Composition

A. The Committee shall be comprised of one Committee Chair, and a minimum of two (2) other members elected by the Board, none of whom will have any interest in, or business or other relationship with the Corporation that may, or may reasonably be perceived to, interfere with the exercise of their independence from management and the Corporation.
B. The Committee members shall be financially literate with a working familiarity with basic finance and accounting practise; risk measurement and mitigation; and, at least one member shall have accounting or related financial management expertise.
C. Committee members will serve for two consecutive years. This may be extended with the Board's approval. It is a requirement that Committee Members are Board Members and the Chair is confirmed by the Board annually. The Chair of the AHCC Board may attend any meeting at their discretion as an ex-officio. The President and CEO is a non-voting ex-officio member of the Committee.
D. If the Chair of the Committee cannot be present at any meeting, the Committee Chair will be chosen from among the members present.

2. Committee Secretary

A. The Corporation's Secretary, or designate, will attend and be the secretary of all Committee meetings.

3. Responsibilities

Management, together with the Board and the Committee, is responsible for setting the proper tone, creating and maintaining a culture of honesty and high ethical standards and establishing appropriate measurement and controls to ensure sound financial and operational decision-making; accurate financial reporting; and, to prevent and detect fraud.

A. FINANCIAL AND OPERATIONAL REPORTING PROCESS

a. Review the Corporation's quarterly and annual financial statements, accounting practices and financial control policies. This review will include a discussion with management and if required the external auditors of significant issues regarding the financial results, accounting principles, practices and management estimates and judgments.
b. Recommend for approval by the Board quarterly and annual financial statements and reports of AHCC;
c. Review and recommend for approval by the Board, AHCC's financial and accounting policies;
d. Review and recommend for approval by the Board, the annual budget of AHCC and any revisions thereto, including:
    - Reviewing the financial impact of new or changed projects and proposals subsequent to the Board's approval of annual budgets;
    - Reviewing and recommending to the Board in respect of those financial obligations and undertakings above;
e. Review and recommend for approval by the Board, all financial information prepared for public distribution;
f. Review compliance with all applicable finance and audit legal and regulatory requirements;
g. Review and make recommendation to the Board regards AHCC's risk management procedures and controls, including:
    - Regular review of the operating context including economic, market, and regulatory influences
    - The maintenance of appropriate insurance;
    - Discussing significant business and operational risks with external professionals and auditors, including their assessment of management's related mitigation plans, processes and programs;

- Paying particular attention to significant stakeholders, large, complex and/or unusual transactions, including joint ventures, partnerships and other contractual arrangements, and the hedging strategies, associated accounting treatment and financial statement disclosures;
- Review all material related-party transactions; and
- Recommending policy and business model changes as conditions change.

h. Review AHCC's performance measures and key performance indicators for alignment to the AHCC mandate and the desired outcomes of the AHOP or other programs as they are developed.

i. Oversee the implementation of Reporting Procedures in accordance with this document;

B. EXTERNAL AUDITOR

a. Review annual and other reports of the External Auditor, including;
   I. The results of their review/audit of the Corporation's financial statements
   II. Any significant risk areas or issues reviewed by the External Auditor;
   III. Any corrected or uncorrected misstatements and disclosure deficiencies;
   IV. Any problems or difficulties and management's response; and
   V. Confirm the External Auditor independence of the Corporation

b. Inquire as to the External Auditor's assessment of the Corporation's internal control over financial reporting and review management's response to any internal control recommendations of the External Auditors;

c. To make recommendations to the Board and Shareholder regarding the appointment of an Auditor, review and approve the Audit Plan, process, results and performance of the independent external auditors;

d. Evaluate the results of external audits and related matters, review and approve auditor fees, including advance approval of any non-audit services performed;

e. Meet at minimum twice a year with the external auditors; once to review the audit plan and once to receive it and report to the Board on such meetings.

f. Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed in camera, including fraud, illegal acts, deficiencies in internal control and similar issues;

g. Review the audit plan of the external auditor of AHCC and inquire as to the extent the planned audit scope;
h. Review all material written communications between the external auditors and management, including the annual management representation letter and summary of unrecorded differences;

C. INTERNAL CONTROLS

a. Oversee financial and operational risk management, monitor the integrity of the financial and business reporting process and the system of internal controls that management and the Board have established;
b. Review financial results and have the right to inspect all of the accounts and records of AHCC and to discuss those accounts and records with AHCC's management, the Board and the Auditors;
c. Communicate the Committee's expectations regarding the external auditor's performance and evaluate the auditor's past performance;
d. Review as required the adequacy and effectiveness of internal controls over the business, accounting and financial reporting systems within the Corporation including management's response to the internal control recommendations of the external auditor;
e. Review any changes in operating and accounting policies and financial impact thereof and review any major areas of management judgement and estimates that have a significant effect upon the financial and mandate results;
f. Review annually with management material covenants in credit and loan agreements.
g. Review and respond to any complaints received by the Corporation regarding accounting, internal controls, or auditing matters including all anonymous submissions by employees; and
h. Monitor the 'reporting misconduct' process and report all complaints and their disposition to the Board at least annually.

D. INTERNAL AUDIT AND ENTERPRISE RISK ASSESSMENT

a. Review and assess the need for internal audits on an annual basis;
b. Review and assess the probability and severity of enterprise risk measures in the Risk Register quarterly

c. Consider contracting outside assistance to audit internal controls and market and economic assessment;
d. Perform in depth sensitivity analysis of emerging risks as deemed appropriate; and,
e. Perform adhoc internal audits as deemed appropriate.

4. Authority and Accountability

The Committee is responsible to the Board and makes recommendations to the Board, as required:

A. The Committee shall report regularly to the Board on its activities.
B. The Committee, in consultation with the Board Chair, shall have the authority to direct and supervise the investigation of any matter brought to its attention within the scope of its duties.
C. The Committee shall review its terms of reference as needed and at least annually and recommend changes as necessary.
D. The Committee shall review its effectiveness annually.

5. Meetings

A. The Committee shall meet a minimum of quarterly. Any two members of the Committee may request a special meeting at any time;
B. The Committee may require the attendance of the AHCC President & CEO, other AHCC staff or accountant engaged by AHCC (non-voting) at meetings as appropriate;
C. A simple majority of Committee members constitutes quorum for the Committee;
D. Each member of the Committee has one vote;

6. Committee Powers

The Committee shall have the authority to conduct any work appropriate to fulfilling its responsibilities and it has direct access to anyone in the organization and to the external auditors who will report directly to the Committee. The Chair of the Committee shall have the authority to approve the engagement of, and compensation to be paid to, independent counsel and other advisors in order to carry out their duties.

Approval, Review, Revisions

Approval Date	Approved By	Originated By	Review / Revision Details
October 14, 2010	Board of Directors	Sharon McCormick	Terms of Reference
September 13, 2012	Board of Directors	Board of Directors	New Position/Title–President & CEO
May 9, 2013	Board of Directors	Marion Shill	Change the frequency of external auditor meetings from once to at least twice/year.
May 9, 2013	Board of Directors	Marion Shill	Change the frequency of the committee meetings from annually to at least quarterly
July 12,2013	David Watson	David Watson	Formatting Changes
June 26, 2015	Board of Directors	Wendy Hennel	Increase number of committee members; add clauses regarding independence and internal audits
June 20, 2017	Board of Directors	Audit and Accountability Committee	Enhanced enterprise risk measurement and mitigation activities

2018 Board and Committee Work Plan

Item	Q1	Q2	Q3	Q4
Annual Business Plan	B, **S**			
Budget – Planning & Approval	**S**		A	A, B
Annual Report (previous year)	B, **S**			
Year End Financial Statements	A, B, **S**			
Quarterly Financial Statements	A, B	A, B	A, B	A, B
Auditor's Report (previous year)	A, B, **S**			
Financial Auditor - Recommend/Approve	A, B, **S**			
KPIs - Review & Revise Measurement Categories				**A, B**
Risk Register - Review (& Recommend)	A	A, B	A (City)	A
Risk Management (procedures & controls) - Review		A		
Outgoing bank transactions over $100,000 (signed)	A	A	A	A
Strategic Plan - Review		C		
Board Charter - Review			C	C
Board/Committees Performance - Review (alternating years)				C, B
Board/CEO Succession & Board Term Review	C			
1/3 Policy - Review (amend)			C	*A,*D, B
CP&G TOR - Review (amend as required)			C	C
Audit & Accountability TOR - Review (amend as required)			A	
Development Committee TOR – Review (amend as required)			D	
Internal Controls Environment - Review		A		
Disaster Recovery Plan - Review				**A**
Records Management Policy & Procedures - Review				A
CEO Performance Review	B			C
Annual Compensation - Recommend				C, B
Annual Performance & Incentive	C, B			
Unit Inventory Management	D	D	D	D
Board & Committee Schedule for 2018-19			C, B	

C - CP &G Committee
A - Audit & Accountability Committee
D – Development Committee
B - Board
S – Shareholder (could be Q1 or Q2 in 2019)
City - City Audit Committee

(* Policies as assigned to the Committee)

ATTAINABLE HOMES
CALGARY CORPORATION

Financial Statements

For the year ended December 31, 2017

COLLINS BARROW

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Independent Auditors' Report

To the Shareholder of
Attainable Homes Calgary Corporation

We have audited the accompanying financial statements of Attainable Homes Calgary Corporation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated operating surplus, changes in net financial assets 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 public sector accounting standards, 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 Attainable Homes Calgary Corporation as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Collins Barrow Calgary LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
April 19, 2018

Attainable Homes Calgary Corporation
Statement of Financial Position

As at December 31,		2017		2016
FINANCIAL ASSETS				
Cash	$	**50,839**	$	57,706
Restricted cash (Notes 3 and 17)		**500,000**		500,000
Accounts receivable		**272,917**		196,227
Inventory (Note 4)		**10,933,008**		10,309,034
Deposits on units (Notes 5 and 16)		**485,708**		938,231
Other deposits (Note 6 and 8)		**1,548,110**		97,500
Equity receivables (Note 7)		**5,214,212**		6,419,246
Land and site development costs (Note 8)		**4,952,065**		4,782,675
Vendor take-back mortgages (Note 9)		**-**		4,984,053
		23,956,859		28,284,672
LIABILITIES				
Accounts payable and accrued liabilities		**273,147**		152,532
Credit facilities (Note 10)		**3,850,974**		5,775,000
Mortgages payable (Note 11)		**3,278,804**		3,963,413
Customer deposits		**13,730**		60,497
		7,416,655		9,951,442
NET FINANCIAL ASSETS		**16,540,204**		18,333,230
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 13)		**31,062**		27,268
Prepaid expenses		**12,774**		29,875
Total non-financial assets		**43,836**		57,143
ACCUMULATED OPERATING SURPLUS (Note 15)	$	**16,584,040**	$	18,390,373

Obligations (Note 16)
Subsequent events (Notes 6, 8, 10 and 16)
See accompanying notes to the financial statements.

On behalf of the Board

__________ Director   __________ Director

Attainable Homes Calgary Corporation

Statements of Operations and Accumulated Operating Surplus

Year ended December 31	2017	2016
REVENUE		
Sales	$ 29,922,589	$ 26,929,523
Sales – land (Note 8)	-	2,646,148
Other revenue	114,215	83,467
	30,036,804	29,659,138
EXPENSES		
Cost of goods sold	27,508,236	24,661,427
Cost of goods sold – land (Note 8)	63,198	2,432,800
Salaries and benefits (Note 12)	916,677	845,981
Professional fees	257,879	267,592
Marketing and sales	242,455	169,562
Occupancy expenses	53,216	54,179
General and administrative	103,953	122,485
Inventory carrying costs	286,164	228,981
Realized loss on equity receivables (Note 7)	215,341	87,964
Bad debt expense	61	55,042
Write off (recovery) of deposits on units (Note 5)	(121,050)	121,050
Interest expense	140,047	78,871
	29,666,177	29,125,934
SURPLUS BEFORE THE FOLLOWING:	370,627	533,204
Amortization of tangible capital assets (Note 13)	11,089	13,682
Impairment of inventory (Note 4)	416,100	358,593
Impairment reversal of land and site development costs (Note 8)	(94,150)	-
Unrealized loss on equity receivables (Note 7)	1,843,921	710,408
	2,176,960	1,082,683
OPERATING DEFICIENCY	$ (1,806,333)	$ (549,479)

Accumulated operating surplus, beginning of year	$ 18,390,373	$ 18,939,852
Operating deficiency	(1,806,333)	(549,479)
Accumulated operating surplus, end of year	$ 16,584,040	$ 18,390,373

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Statement of Changes in Net Financial Assets

Year ended December 31	**2017**	2016
OPERATING DEFICIENCY	**$ (1,806,333)**	$ (549,479)
TANGIBLE CAPITAL ASSETS		
Purchases of tangible capital assets	**(14,883)**	(16,665)
Amortization of tangible capital assets	**11,089**	13,682
	(1,810,127)	(552,462)
OTHERS		
Decrease (increase) in prepaid expenses	**17,101**	(26,430)
DECREASE IN NET FINANCIAL ASSETS	**(1,793,026)**	(578,892)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**18,333,230**	18,912,122
NET FINANCIAL ASSETS, ENDING OF YEAR	**$ 16,540,204**	$ 18,333,230

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Statement of Cash Flows

Year ended December 31	2017	2016
CASH PROVIDED BY (USED IN):		
OPERATING		
Operating (deficiency)	$ **(1,806,333)**	$ (549,479)
Non-cash and non-operating items:		
Amortization of tangible capital assets	**11,089**	13,682
Vendor take-back mortgages	**(29,986)**	(2,664,053)
Amortization of deferred financing costs	**12,020**	-
Realized loss on equity receivables	**215,341**	87,964
Unrealized loss on equity receivables	**1,843,921**	710,408
Impairment of inventory	**416,100**	358,593
Impairment reversal of land and site development costs	**(94,150)**	-
	568,002	(2,042,885)
Non-cash working capital		
Accounts receivable	**(76,690)**	(92,709)
Prepaid expenses and deposits	**(980,986)**	1,730,134
Inventory	**(1,040,074)**	(8,283,757)
Equity receivables	**(854,228)**	(625,632)
Land and site development costs	**(75,240)**	2,431,429
Vendor take-back mortgages	**5,014,039**	1,130,000
Accounts payable and accrued liabilities	**120,615**	(372,694)
Customer deposits	**(46,767)**	(2,358)
	2,060,669	(4,085,587)
Cash provided by (used in) operating activities	**2,628,671**	(6,128,472)
CAPITAL TRANSACTIONS		
Purchases of tangible capital assets	**(14,883)**	(16,665)
Cash used in capital activities	**(14,883)**	(16,665)
FINANCING TRANSACTIONS		
Proceeds from credit facilities	**14,693,251**	14,400,000
Repayment of credit facilities	**(16,596,710)**	(8,625,000)
Mortgage repayment	**(684,609)**	(30,500)
Financing costs paid	**(32,587)**	-
Cash (used in) provided by financing activities	**(2,620,655)**	5,744,500
Increase (decrease) in cash, during the year	**(6,867)**	(400,637)
Cash and restricted cash, beginning of year	**557,706**	958,343
Cash and restricted cash, end of year	$ **550,839**	$ 557,706

See accompanying notes to the financial statements.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

1. Nature of the business

Attainable Homes Calgary Corporation (the "Corporation"), a public not-for-profit corporation, is wholly-owned by The City of Calgary (the "City") and was incorporated November 27, 2009 under the Business Corporations Act of the Province of Alberta. The Corporation provides working, moderate-income Calgarians, an opportunity for home ownership through private and public sector development of entry-level housing.

2. Significant accounting policies

a. Basis of presentation

The financial statements are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

b. Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and is measurable. Expenses are recognized as they are incurred and are measurable based upon receipt of goods and services and/or the legal obligation to pay.

c. Revenue recognition

Revenue from the sale of housing units and land is recognized upon the transfer of title and when collectability is reasonably assured. Amounts received from customers that have not met the revenue recognition criteria are included in customer deposits.

Other revenues include application fees, customer deposits retained from rescinded purchase transactions and rental income earned from the rental of completed inventory units. Revenue from application fees is recognized upon the customer paying a non-refundable fee in order to hold the unit selected. Customer deposits retained from rescinded purchase transactions are recognized when a client cancels the transaction after the 10-day rescission period has passed and the waivers have been signed by the client and the Corporation. Rental income is recognized monthly, as the rental occurs.

Interest revenue is recognized on an accrual basis, using the effective interest method.

d. Inventory

The cost of inventory consists of purchase costs and other costs incurred in preparing the units to be ready for sale. Inventories are measured at the lower of cost and net realizable value, with cost being determined using specific identification. Net realizable value is the estimated selling price in the ordinary course of business less any estimated costs needed to sell the units.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

2. Significant accounting policies (continued)

e. Land and site development costs

Land and site development costs are carried at the lower of cost and net realizable value, with cost being determined using specific identification. Net realizable value is the estimated selling price in the ordinary course of business less any costs necessary to sell the land.

Land will be used for the construction and development of housing units and is recorded at the fair market value of the land at time of acquisition.

Site development costs consist of the capitalized expenditures related to the construction and development of land. Any incidental revenues related to the land inventory have been netted against the site development costs.

f. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the information presented in the Statement of Changes in Net Financial Assets for the year.

g. Tangible capital assets

Tangible capital assets are recorded at historical cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Computers	5
Office equipment and furniture	5
Leasehold improvements	3

One-half of the annual amortization is charged in the year of acquisition and one-half in the year of disposal.

h. Accumulated operating surplus

Accumulated operating surplus represents the Corporation's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Corporation has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

2. Significant accounting policies (continued)

i. Impairment of assets

When conditions indicate that a tangible capital asset, inventory, site development costs or land no longer contributes to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset, inventory, site development costs or land are less than its net book value, the cost of the tangible capital asset, site development costs or land is reduced to reflect the decline in the asset's net realizable value. When the opposite occurs on an asset that has previously been impaired, an impairment reversal is recorded, up to the assets original cost before any impairments. Any write-down, or reversal of write down, is included in the statement of operations.

j. Financial instruments and fair values

All the Corporation's financial instruments have been measured at cost or amortized cost.

k. Use of estimates

The financial statements are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the year. Significant estimates include valuation of inventory, land and site development costs, valuation of allowance for doubtful equity receivables and the period and rate used to discount equity receivables. Actual results could differ from those estimates.

3. Restricted cash

The Corporation is required to maintain a $1,000,000 operating reserve (Notes 2(h) and 15) which has been funded, in part, by a one-time contribution of $500,000 in 2016.

4. Inventory

Inventory consists entirely of housing units held for re-sale. During the year ended December 31, 2017 inventory was written down by $416,100 (2016 - $358,593) to its net realizable value, which has been included in impairment of inventory on the statement of operations.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

5. Deposits on units

As at December 31, 2017, the Corporation has paid $485,708 (2016 - $938,231) in non-refundable deposits for 35 (2016 – 71) housing units.

During the year ended December 31, 2016, $121,050 of non-refundable deposits were written off relating to the expiration of the deposit on 9 units where the option to purchase was not exercised. This amount was recovered April 7, 2017 and is included on the statement of operations.

6. Other deposits

During the year ended December 31, 2015, the Corporation signed a memorandum of understanding with The City of Calgary to negotiate on the purchase of a parcel of land. The $97,500 deposit continued to be outstanding at December 31, 2017. During the year ended December 31, 2017, an additional deposit of $1,450,510 was made for the purchase of the parcel of land.

Subsequent to December 31, 2017, the Corporation purchased the parcel of land. Title transferred on January 10, 2018 (Note 8), at which time the total deposit transferred to land inventory.

7. Equity receivables

Equity receivables comprise amounts that customers owe the Corporation for the purchase of housing units through participation in the Corporation's housing programs. The amount recorded is approximately 5% of the value of each unit and is stipulated in each equity loan contract signed by the Corporation and the customer.

At such time that the customer sells or refinances their unit, they are obligated to pay the greater of a predetermined minimum repayment amount or a shared participation amount.

The shared participation amount is calculated as a percentage of the appraised current market value less the customer's deposit and secured first mortgage.

The length of ownership of the unit by the customer is calculated as the period between the possession date and the disposition date. The number of years the customer owns the property dictates the percentage used in the shared participation calculation; as follows:

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

7. **Equity receivables** (continued)

Length of ownership of the unit by the customer	% of the shared participation due to the Corporation
From the closing date to the first anniversary of the closing date	100%
From the first anniversary to the second anniversary of the closing date	75%
From the second anniversary to the third anniversary of the closing date	50%
From the third anniversary until the disposition of the unit	25%

The equity receivables were discounted to incorporate the time value of money. This was calculated based on the estimated interest rate applicable to similar financing arrangements of 2.45% (2016 – 1.95%). The discount recorded at December 31, 2017 was $676,521 (2016 - $997,254).

Due to the decline in market conditions, an allowance for doubtful equity receivables of $2,947,917 was recorded to December 31, 2017 (2016 - $862,210).

Equity receivables consist of the following:

	December 31, 2017	December 31, 2016
Equity receivables – gross	**$ 8,838,650**	$ 8,278,710
Allowance	**(2,947,917)**	(862,210)
Discount	**(676,521)**	(997,254)
Equity receivables – net	**$ 5,214,212**	$ 6,419,246

During the year ended December 31, 2017, $752,051 (2016 - $756,785) of equity receivables were settled for $457,762 (2016 - $575,255), offset by the reversal of allowances previously recorded of $78,948 (2016 - $93,566) resulting in a realized loss of $215,341 (2016 – $87,964).

8. Land and site development costs

During the year ended December 31, 2017, the Corporation did not sell any land.

During the year ended December 31, 2016, the Corporation sold one parcel of land to a homebuilder for proceeds of $2,646,148, secured by a vendor take-back mortgage (Note 9), resulting in a net gain of $213,348. During the year ended December 31, 2017, a $63,198 treatment plant levie was assessed on this land.

During the year ended December 31, 2017, the Corporation reversed an impairment of $94,150 that was recorded in the year ended December 31, 2015, on two parcels of land, based on an

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

appraisal that was completed during the year. There were no write downs, or reversal of write downs of land during the year ended December 31, 2016.

Subsequent to December 31, 2017, the Corporation purchased a parcel of land from The City of Calgary for $1,474,200. Title transferred on January 10, 2018, at which time the deposits previously paid (Note 6) were recognized.

9. Vendor take-back mortgages

	December 31, 2017	December 31, 2016
A vendor-take-back mortgage, bearing no interest, payable the earlier of three months after the closing of the 39th unit sale by the Corporation, or July 31, 2017	-	$2,664,053
A vendor-take-back mortgage, bearing no interest, payable the earlier of six months after substantial completion of the project, or December 30, 2016	-	1,320,000
A mortgage, bearing no interest, payable the earlier of six months after substantial completion of the project, or December 31, 2016	-	1,000,000
TOTAL	-	$4,984,053

As at December 31, 2016 the vendor-take-back mortgages due December 30, 2016 and December 31, 2016 were unpaid and therefore in default. These mortgages were paid in full April 7, 2017.

10. Credit facilities

a. On February 24, 2015, the Corporation entered into an agreement for a $10 million revolving operating credit facility with a financial institution, that was due February 28, 2018 with an option to extend for an additional 364 days, at the discretion of the lender. Subsequent to December 31, 2017, the facility's term was extended to February 28, 2020, with an additional one year extension. The credit facility is available by way of prime-based loans, guaranteed notes and letters of credit (to an aggregate maximum of $3,000,000) in Canadian dollars.

   Interest is payable monthly on an annual rate of prime less 0.75%. As at December 31, 2017 the Corporation had $3,399,060 (2016 - $6,082,845) outstanding on the credit

10. Credit facilities (continued)

facility, comprised of $3,091,215 outstanding on the revolving credit facility and a $307,845 letter of credit in favour of The City of Calgary that expires on May 20, 2018.

Borrowings under this credit facility are secured by a general security agreement. In addition, The City of Calgary has provided a continuing $10 million guarantee in exchange for first ranking fixed charge on all the Corporation's present and after acquired personal property.

b. On February 21, 2017, and as renewed subsequent to December 31, 2017, the Corporation entered into an agreement for a $10 million evergreen loan facility with a financial institution, that is payable in full on demand by the Lender. It is to be used for purchase of completed units from various housing projects and developments in the City of Calgary.

The balance of all amounts owing under each advance are payable by the end of twelve months from the date of such advance, except the advance relating to Orchard Sky units, which is due by the end of twenty-four months from the date advance.

Interest is payable monthly on an annual rate of prime plus 0.35% and a mandatory repayment of 100% of net sale proceeds of each unit is to be applied as a principal repayment under the facility. As at December 31, 2017 the Corporation had $780,326 outstanding on the loan, which is due on April 20, 2019.

Borrowings under this credit facility are secured by a $10 million first fixed charge over the Orchard Sky units and any other eligible units financed under this facility. The City of Calgary subordinates and postpones security interest (see Note 10(a)) as it relates to any eligible units financed under this facility.

Financing costs of $32,587 were incurred during the year ended December 31, 2017 are netted against the outstanding loan balance and are being amortized over the term of the loan. Financing costs remaining at December 31, 2017 were $20,567.

Both credit facilities include financial covenants based on the interest coverage ratio and the total debt ratio. The Corporation met both financial covenants as at December 31, 2017 and 2016.

11. Mortgages payable

The Corporation and the City entered into a Mortgage and a purchase and sale agreement on April 7, 2011, whereby the Corporation received the deemed principal sum of $5,188,312 by advancement of the transfer of four parcels of land (the "Lands") by the City to the Corporation. The maturity date of the Mortgage is the earlier of (i) August 3, 2021, (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. The balance owing on the mortgage is $3,278,804 as at December 31, 2017 (2016 - $3,278,804). There is no interest on the principal sum provided the Corporation is not in default of any

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

11. Mortgages payable (continued)

obligations under the Mortgage. Should the Corporation be in an event of default, the interest rate on the Mortgage is the floating annual prime rate as established by the Royal Bank of Canada and is payable on the outstanding principal sum from the date of event of default to the maturity date. The Corporation was not in default at December 31, 2017 or 2016.

The Corporation and the City also entered into a Mortgage and a purchase and sale agreement on August 30, 2012, whereby the Corporation received the deemed principal sum of $950,658 by advancement of the transfer of four parcels of land (the "Lands") by the City to the Corporation. A site development loan of $323,150 advanced by the City to the Corporation on December 29, 2011 was included in this Mortgage agreement. The maturity date of the Mortgage is the earlier of (i) September 27, 2022 (ii) in the event the Corporation sells any parcel of land, then a portion of the principal sum allocated to the sold parcel as outlined in the Mortgage agreement or (iii) in the event the Corporation sells the Lands in a single transaction, then on the date the Corporation receives the net proceeds of the sale. The balance owing on the Mortgage is $nil at December 31, 2017 (2016 - $684,609). The Corporation was not in default at December 31, 2016.

During the year ended December 31, 2017, the Corporation used the proceeds from the repayment of the vendor-take-back mortgages to pay mortgages with the City of $684,609 (2016 - $30,500).

12. Pension plan

The Corporation provides a contributory pension plan for qualifying employees through participation in the Local Authorities Pension Plan ("LAPP"). LAPP is a multi-employer defined benefit pension plan offered to various unrelated employers throughout Alberta. The responsibility for high level strategic guidance of the pension plan is held by the LAPP Board of Directors. The pension plan is administered by the Board of Trustees who sets contribution rates and investment policy. The plan provides a defined benefit pension based on the employee's earnings and length of service.

The most recent actuarial report of the plan discloses an unfunded liability. LAPP is not able to provide information which reflects AHCC's specific share of the defined benefit obligation or plan assets that would enable the Corporation to account for the plan as a defined benefit plan. Therefore, the Corporation has accounted for its participation in the plan using defined contribution accounting.

During the year ended December 31, 2017, the expense funded and recognized by the Corporation was $89,085 (2016 - $67,574), which has been included in salaries and benefits on the statement of operations.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

13. Tangible capital assets

	December 31, 2017		
	Cost $	Accumulated Amortization $	**Net Book Value** **$**
Computers	55,498	41,468	**14,030**
Office equipment and furniture	58,610	48,561	**10,049**
Leasehold improvements	94,534	87,551	**6,983**
Total tangible capital assets	208,642	177,580	**31,062**

	December 31, 2016		
	Cost $	Accumulated Amortization $	Net Book Value $
Computers	51,421	36,055	15,366
Office equipment and furniture	53,054	45,962	7,092
Leasehold improvements	89,284	84,474	4,810
Total tangible capital assets	193,759	166,491	27,268

14. Share capital

The Corporation is authorized to issue an unlimited number of common shares. The shares can be issued only to the City, its agent or successor and are not otherwise transferable. As at December 31, 2017 and December 31, 2016 one share was issued and outstanding.

15. Accumulated Operating Surplus

Accumulated operating surplus consists of restricted and unrestricted amounts as follows:

	2017	2016
Restricted operating reserve	**$ 1,000,000**	1,000,000
Unrestricted surplus	**15,584,040**	17,390,373
	$ 16,584,040	$ 18,390,373

During the year ended December 31, 2016, the Board of Directors of the Corporation approved a transfer of $1,000,000 to the restricted operating reserve (Note 3). The Corporation funded 50% of the reserve (Note 3). The remaining reserve will be funded through future operating surpluses.

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

16. Obligations

The Corporation has entered into contracts with builders that require the Corporation to buy inventory units from the builders if the units are not sold within specific time limits.

At December 31, 2017, the contractual obligations related to these contracts are as follows:

a. Up to $2,816,180 for up to 11 inventory units that have not been sold within thirty days after Occupancy Permit is issued by the City of Calgary and the Condominium Plan has been registered at the Alberta Land Titles Office. The Corporation has the option to reimburse the builder for the carrying costs of the units rather than closing.

   Subsequent to December 31, 2017, the Corporation purchased 4 units relating to this obligation, for a total of $1,077,600, less deposits previously paid of $53,880.

b. Up to $2,312,210 for up to 9 inventory units that have not been sold.

   Subsequent to December 31, 2017, the Corporation sold two of these units, which relieved the Corporation of $503,009 in obligations, and purchased the additional 7 units relating to this obligation, for a total of $1,904,422, less deposits previously paid at $95,221.

c. Up to $2,244,938 for up to 8 inventory units that have not been sold by the occupancy date, which the Corporation will be notified of at least 60 days in advance by the seller.

d. Up to $1,123,642 for up to 4 inventory units that have not been sold by January 25, 2018.

   Subsequent to December 31, 2017, the Corporation purchased these 4 units for a total of $1,182,781, less deposits previously paid at $59,139.

17. Financial instruments

Financial instruments consist of cash, cash held in trust, restricted cash, accounts receivable, equity receivables, other deposits, vendor take-back mortgages, accounts payable and accrued liabilities, credit facilities, mortgages payable and customer deposits. The carrying value of the cash, cash held in trust, restricted cash, accounts receivable, other deposits, accounts payable, accrued liabilities and customer deposits approximates their fair value due to the short term nature of these financial instruments. The carrying value of equity receivables approximates their estimated fair value given they have been discounted at the market rate of interest. The estimated fair value of the mortgages payable is $2,968,158 (2016 – $3,536,448). Calculation of the estimated fair value of the mortgages payable is based on lending rates obtainable at December 31, 2017 for loans with comparable maturities from the City's primary lender, the Alberta Capital Finance Authority ("ACFA").

Attainable Homes Calgary Corporation
Notes to the Financial Statements
Year ended December 31, 2017

17. Financial instruments (continued)

a) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate cash flow risk to the extent that credit facilities bear interest at floating interest rates. Interest rate risk is limited for mortgages payable as interest is only payable in the event of default.

b) **Credit risk**

Credit risk is the risk that one party's financial instruments will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Corporation to a significant concentration of credit risk consist primarily of cash, cash held in trust, restricted cash, accounts receivable, equity receivables, other deposits, and vendor take-back mortgages.

The Corporation mitigates its exposure to credit loss by placing its cash and restricted cash with major financial institutions. Cash held in trust and accounts receivable are amounts that are held in trust with lawyers and due from reputable home builders, respectively. Other deposits are refundable deposits with The City of Calgary. Credit risk associated with equity receivables and vendor take-back mortgages is mitigated by encumbrances and security over the property to which they relate.

c) **Liquidity risk**

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation's financial liabilities consist of accounts payable and accrued liabilities, credit facilities, mortgages payable and customer deposits. As at December 31, 2017, the Corporation has available $6,293,095 relating to its revolving credit facility, and $9,219,674 relating to its evergreen loan facility and in addition to its revolving operating credit facility extended to February 28, 2020 (Note 10), the Corporation anticipates that it will be able to repay all financial liabilities as they come due.

The Corporation is required to maintain a $1,000,000 operating reserve; funded to 50% with a one-time contribution (Note 3). The operating reserve fund may be used to pay operating and maintenance expenses, if required.

d) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation is exposed to market risk due to fluctuations in the Calgary area housing market affecting future land and housing inventory sale prices.

Attainable Homes Calgary Corporation

Audit Findings Report

For the Year Ended December 31, 2017

February 22, 2018

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Purpose

This report summarizes certain key audit findings and responses to assessed audit risks which we believe to be of interest to assist the Audit and Accountability Committee in discharging their responsibilities in connection with the audited financial statements of Attainable Homes Calgary Corporation (the "Corporation") for the year ended December 31, 2017.

We would like to express our appreciation for the cooperation we received from the officers and employees of the Corporation with whom we worked during our audit. We look forward to meeting with the Audit and Accountability Committee to discuss the content of this report and answering any questions you may have.

Status of the Audit

We have substantially completed our audit of the financial statements of the Corporation for the year ended December 31, 2017.

Outstanding Items

The following items require completion prior to issuing our auditors' report:

- receipt of City of Calgary mortgages confirmation;
- receipt of management representation letter (Appendix C);
- subsequent events review to audit report date;
- receipt of legal enquiry response; and
- approval of the financial statements by the Board of Directors.

Independent Auditors' Report

Our draft independent auditors' report is attached (Appendix B).

Significant Audit Findings

Materiality

Final overall materiality was $589,000 based on 2% of cash expenditures. This was changed from overall planning materiality of $456,000, as communicated in our Audit Services Plan upon receipt of final numbers.

Accounting Policies

Management is responsible for selecting and applying appropriate accounting policies. The Audit and Accountability Committee is responsible to review accounting policies adopted by the Corporation and where alternative policies are available, determine the most appropriate policies to be adopted in the circumstances. If the Audit and Accountability Committee believes that the adoption of or change in accounting policies may produce inappropriate or misleading financial reporting, this concern must be discussed with management and us.

Our views on the qualitative aspects of accounting practices used in the Corporation's financial reporting are intended to assist the Audit and Accountability Committee in its review of the financial statements. Policies affecting the understandability, relevance, reliability and comparability of the financial statements are:

Changes in significant accounting policies, including adoption of new standards.	There were no new accounting policies adopted or changes to the application of accounting policies of the Corporation during the year.
Accounting policies unique to the industry, or relate to controversial or emerging areas.	No significant items to report.
Existence of alternative policies and methods.	No significant items to report.
Effect of timing of occurrence and recognition of transactions relating to when accounting policies are adopted.	No significant items to report.

Conclusion:

We reviewed the significant accounting policies selected and applied by management and in our judgment, we believe that the accounting policies are, in all material respects, acceptable under Canadian public sector accounting standards and are appropriate to the particular circumstances of the Corporation.

Accounting Estimates, Unusual Transactions and Financial Statement Disclosures

Our risk-based audit approach focused on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriate level.

The following is a summary of key issues and significant risks of material misstatement, whether due to fraud or error, encompassing areas of estimates and related judgments and assumptions, significant or unusual transactions and sensitive financial statement disclosures, identified during the audit:

Issue/risk area	***Valuation of inventory*** *Valuation of inventory, specifically homes (units), due to the nature of units held, the length of time units have been held, and current economic conditions.*
Management's approach	The Corporation tested impairment of units held at December 31, 2017 and concluded that, based on management's estimates of net realizable value, an impairment charge of $416,100, mostly related to Sunalta and Skymills 2000 units, was required at December 31, 2017.
Our response	We have reviewed the inputs, techniques and assumptions used by management, including comparing to recent appraisals, recent sales of comparable units in the developments, and property tax assessments, and are in agreement with management's assessment of the valuation of inventory units held at December 31, 2017.
Issue/risk area	***Valuation of land and site development costs*** *Valuation of land inventory, due to current economic conditions and the fact that the downtown sites had not being appraised since 2015.*
Management's approach	The Corporation reviewed land and site development costs at December 31, 2017 for indicators of impairment and concluded that the 2015 impairment of $94,150 should be reversed due to the Avison Young Valuation & Advisory Services' ("Avison Young") Appraisal Report of the downtown sites totalling $8,300,000.
Our response	We have reviewed the December 4, 2017 Avison Young Appraisal Report and obtained reliance letters from Avison Young regarding our reliance on their December 4, 2017 Appraisal Report for our December 31, 2017 financial statement audit. We agree with management's assessment of the valuation of land and site development costs at December 31, 2017.

Issue/risk area	***Equity Receivables - Allowance*** *Valuation of equity receivables, due to the significant assumptions used in the calculations to assess fair value, as well as current economic conditions.*
Management's approach	In previous years, management assessed indicators of impairment on equity receivables relating to the Beacon Heights, Skyview 4000 and Skyview 5000 developments, as the expected appreciation of the properties was not sufficient to recover the full amount of outstanding equity receivables. Given current market conditions which contributed to losses on equity receivables settled in 2017, there continues to be indicators that equity receivables in these and all other developments may not be fully recoverable. In addition, over the past few years, the Corporation has realized a few losses on equity receivables as a result of foreclosures. Therefore, it was determined by management that an allowance should be recorded on outstanding equity receivables relating specifically to estimated foreclosures of units in the future. Based on the above factors, management has recorded an allowance totalling $2,947,917 on equity receivables to December 31, 2017. Significant assumptions used in these allowance calculations include expected future market pricing and appreciation of units to be resold, expected timing of unit sales and estimated foreclosure rates. Changes to these assumptions can have significant impact on the calculation of the valuation on equity receivables.
Our response	We have reviewed management's assessment of the collectability of equity receivables, their estimation processes and calculations and conclude that they are reasonable and the allowance recorded to December 31, 2017 is appropriate.
Issue/risk area	***Equity Receivables - Discount*** *Valuation of equity receivables, due to discounting of estimated future repayments.*
Management's approach	Management has discounted equity receivables to account for the repayment of the receivables over an extended time frame using a discount rate of 2.45%. Significant assumptions in the discounting calculation include the estimated year of sale of units, expected future market prices, and the interest rate used in the present value calculations. Changes to these assumptions can have significant impact on the calculation of the discount on equity receivables.
Our response	We have reviewed management's estimate processes and assumptions used in the present value calculations and conclude that they are reasonable.

Issue/risk area	***Occurrence of Revenue*** *Occurrence of revenue, due to the nature and timing of the recording of revenue.*
Management's approach	Revenue is recorded on possession of units.
Our response	We agreed a sample of amounts recorded in revenue to purchase and sale agreements, final statements of adjustments, and certificates of title and agree that the criteria for the recognition of revenue has been met.
Issue/risk area	***Management Override of Controls*** *Management override of controls is, by definition, a significant risk.*
Our response	During the course of our audit, we designed and performed audit procedures to respond to the risks of management override of controls. Our procedures included assessing appropriateness of general journal entries and other adjustments on a test basis, reviewing accounting estimates for biases and evaluating business rationale for transactions outside the normal course of business. These procedures did not reveal any evidence of management override of controls and, as such, no additional audit procedures were performed

Conclusion:

We reviewed all significant accounting estimates and agree that they are, in all material respects, free of possible management bias and of material misstatement. The audit procedures performed in the areas noted above were consistent with those set out in our Audit Services Plan. The accounting treatment of the items noted above and related disclosures are appropriate and in accordance with Canadian public sector accounting standards. We were able to obtain sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriate low level.

Misstatements and Adjustments

Adjustments

During our audit, we identified accounting differences that required adjustment. These differences were adjusted by management after discussion with us (Appendix C). In addition, management incorporated various changes to the financial statement disclosure and presentation as recommended by us.

Misstatements

During our audit, we did not identify any uncorrected financial statement misstatements.

APPENDICES

Appendix A

Other Required Communication

Illegal Acts, Fraud, Intentional Misstatements and Errors	Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of financial information.
Related Party Transactions	We conducted tests and procedures to identify related parties and transactions. Our audit did not reveal any related parties or significant related party transactions that were not disclosed to us by management, nor did it reveal any significant related party transactions which give rise to suspected fraud. There has been no disagreement between management and ourselves regarding the accounting for and disclosure of related party transactions.
Disagreements with Management	During our audit, we did not have any significant disagreements with management.
Consultations with Other Accountants	We are not aware of any consultations that have taken place with other accountants.
Cooperation of Management	We received full cooperation of management and other personnel during our audit and we had full and unrestricted access to all records and personnel required to complete our audit. We encountered no significant difficulties during our audit that should be brought to the attention of the Audit and Accountability Committee.

Appendix B

Draft Independent Auditors' Report

Independent Auditors' Report

To the Shareholder of
Attainable Homes Calgary Corporation

We have audited the accompanying financial statements of Attainable Homes Calgary Corporation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated operating surplus, changes in net financial assets 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 public sector accounting standards, 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 Attainable Homes Calgary Corporation as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED PROFESSIONAL ACCOUNTANTS

Appendix C

Draft Management Representation Letter

ATTAINABLE HOMES CALGARY CORPORATION

(•)

Collins Barrow Calgary LLP
Chartered Professional Accountants
#1400, 777 - 8 Avenue S.W.
Calgary, Alberta
T2P 3R5

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Attainable Homes Calgary Corporation as at December 31, 2017 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Attainable Homes Calgary Corporation in accordance with Canadian accounting standards for not-for-profit organizations.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for the design and implementation of internal control to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of (•), the following representations were made to you during your audit.

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 16, 2017, for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations; in particular, the financial statements are fairly presented in accordance therewith.

2. The Corporation's significant accounting policies are disclosed in the financial statements and:

   (a) there have been no changes in the Corporation's accounting policies.

   (b) the accounting policies selected and applied are appropriate in the circumstances.

   (c) significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

3. Significant matters have not arisen that would require a restatement of the comparative financial statements.

Completeness of information

4. We have provided you with:
   - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from us for the purpose of this audit;
   - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
   - all minutes of the meetings of shareholders, directors and committees of directors, or summaries of recent meetings for which minutes have not yet been prepared.
5. The minute books of the Corporation are a complete record of all meetings and resolutions of the Corporation throughout the year and to the present date.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory agencies, applicable securities commissions or governmental authorities, including their financial reporting requirements.
8. We are unaware of any instances of non-compliance or suspected non-compliance with laws or regulations the effects of which should be considered when preparing financial statements.
9. We have identified to you all known related parties and all known related party relationships and transactions, including guarantees, non-monetary transactions and transactions for no consideration.
10. We have communicated to you all deficiencies in internal control of which management is aware.

Fraud and error

11. We have no knowledge of fraud or suspected fraud affecting the Corporation involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, analysts, regulators or others.

ATTAINABLE HOMES CALGARY CORPORATION

13. We believe there were no non-trivial uncorrected financial statement misstatements aggregated by you during the year, both individually and in the aggregate, to the financial statements taken as a whole.

Recognition, measurement and disclosure

14. We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

15. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

16. All related party relationships and transactions have been appropriately measured and disclosed in the financial statements.

17. We are aware of the environmental laws and regulations that impact on our Corporation and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the financial statements.

18. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

19. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel. Any such items have been accounted for and disclosed in accordance with Canadian accounting standards for not-for-profit organizations.

20. We confirm that there are no derivative or off-balance sheet financial instruments held at the year ended December 31, 2017.

21. We confirm that we have made the appropriate determination, accounting and disclosure in the financial statements of the costs, assets and obligations associated with employee future benefits.

22. All liabilities, both actual and contingent, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

23. The Corporation has satisfactory title to, or control over, all assets, and there are no liens or encumbrances on the Corporation's assets or assets pledged as collateral that are not disclosed in the notes to the financial statements.

24. We have disclosed to you, and the Corporation has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Appendix C
Draft Management Representation Letter

ATTAINABLE HOMES CALGARY CORPORATION

25. We confirm the appropriateness of accounting policies and the application thereof for complex areas of accounting and areas involving management's judgment and estimates, for example:

    - valuation of inventory;
    - valuation of land and site development costs; and
    - valuation of equity receivables.

26. There have been no events subsequent to the statement of financial position date up to the date hereof that would require recognition or disclosure in the financial statements other than that disclosed in the notes to the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.

27. The terms of your engagement, as set out in your letter to us dated October 16, 2017, are still in effect and we agree with the terms as set out.

Yours very truly,

____
Wendy Hennel, CPA, CGA, Director of Finance

____
John Harrop, President and CEO

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Attainable Homes Calgary Corporation
Year End: December 31, 2017
Journal Entries
Date: 1/12/1999 To 12/31/2017

Prepared by	Detailed Rev	General Review	Senior Rev
KIL 2/8/2018	CDM 2/9/2018	JAT 2/11/2018	

APPENDIX D

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
CB01	12/31/2017	Cash Held in Trust	1012	L2-2		1,450,410.00		
CB01	12/31/2017	Other Deposits	1486	L2-2	1,450,410.00			
		To reclass second deposit for Martindale Land purchase to deposits, not cash held in trust.						
CB02	12/31/2017	G/L - Equity Loan Receivable BH	8681	H90-19		33,306.16		
CB02	12/31/2017	Equity Loan - BH	1699-1702	H90-19	33,306.16			
		To adjust BH equity loan account for prior year allowance reversal.						
					1,483,716.16	**1,483,716.16**		

IMPACT				
	HIGH	Asset protection (13)	Shared Equity (2) Cost management (12) Customer base (16) Operating cash management – (< 12 months) (19) Regulatory (23)	Market (22)
	MEDIUM	Legal liability (8) Builder partnerships (9) Development cash management – (1-9 years) (20)	Business model (1) Client expectations (6) Accountability alignment (10) Employee retention and compensation (11) Inventory Pipeline (17) Inventory (18) Brand (21)	Leadership (4)
	LOW	Shareholder alignment (5) Performance monitoring (7) Financial reporting & planning (14) Records management – privacy / legal docs (15)	Governance (3)	
		LOW	**MEDIUM**	**HIGH**
		LIKELIHOOD		

ATTAINABLE HOMES CALGARY CORPORATION

	Risk Title	Risk Description	Existing Controls or Treatment Techniques in place	Likelihood	Impact	Risk Rating	Trend	Summary of Risk Rating	Significant Improvement required? (Y / N)	Summary of Improvement Activities	Improve-ment Status	Owner	Notes
	Risk title	Risk Description:	List the 5 most important controls which are currently in place, add a succinct description where necessary			High Medium Low	Indicate whether risk is: Increasing ↑ Decreasing ↓ Stable ↔	(If Risk Rating is increasing or decreasing, indicate top 3 reasons)	**Yes:** improvement is required. **No:** Improvement NOT required **NA:** Risk has not been assessed	List key control activities to be implemented; or If risk level is to be increased, what key controls can be removed? **Indicate the projected completion date for each activity (ie. 2016 Q3 or 2018)**	Completed In Progress Overdue NA	List risk owner	Additional notes as required
1	Business Model	AHCC has the appropriate business model (being the roles, responsibilities and accountabilities of individuals to optimize the achievements of its Mission, Mandate and Corporate Goals and Objectives).	1. Business plan reviewed and approved by board each year 2. Budget approved by the board each year 3. Governing documents and agreements with the shareholder are reviewed to ensure ongoing alignment with AHCC business model. 4. Strategic plan is created every 5 years 5. Improvements have been made to the current program and new programs are being designed	Medium	Medium		↓	1. New strategic plan developed in 2016 that includes expansion of the model 2. Additional models are being discussed with CMHC with pilot possible in 2018 / 2019 3. Model has now been tested in a down market and we have adjusted our strategy accordingly	Yes	Addition of new program offerings to serve more Calgarians	In Progress	President & CEO	
2	Shared Equity Model	AHCC's long term sustainability is partially dependent on the success of the shared equity model. In concert with access to debt, sufficient future long-term cash streams must be generated to fund the acquisition of land and the construction and/or acquisition of program inventory. The 5-year program aligns the participation calendar with refinancing and adjusts the shared participation calculation to be done after the equity loan is repaid.	1. Improvements have been made to strengthen the model 2. Loans receivable are evaluated each quarter using home pricing index 3. Write downs will be diminished as loan will be paid back before shared appreciation calculation 4. Clients that need a portion of the loan forgiven will still be offered that flexibility 5. Fewer opportunities for a client to exploit the program	Medium	High		↓	1. Improvements to the model mitigate losses for future transactions. 2. Focus on quality of life targets when procuring homes increases resale value 3. Program expansion will reduce dependancy on shared equity	No	Improvements to the model are complete, expansion of the model is being tested	Complete	President & CEO	
3	Governance	The Board has the appropriate governance process in place supporting the corporation's ability to effectively achieve its mission, mandate and strategic plan.	1. All committees require that policies be reviewed every three years 2. Board composed of two City council members and eight qualified and experienced business leaders. 3. Skill based board that periodically evaluates knowledge gaps. Recently added legal and development expertise. 4. Added a third committee, Development Committee in 2017. 5. Limited tenure	Medium	Low		↓	1. Experienced Chair 2. Expanded, more diverse board 3. Addition of a Development Committee	No		NA	Board Chair	
4	Leadership	AHCC staff are effectively led or empowered to fulfill the Corporation's mission and mandate and strategic plan.	1. Corporate Performance and Governance committee of the board considers succession planning issues as part of mandate 2. Recent leadership change with fulsome search to be done in September 2018	High	Medium		↑	1. Highly qualified interim President & CEO in place. 2. Risk will go down once a permanent CEO is in place	No		In Progress	Board Chair	
5	Shareholder alignment	AHCC acts and is perceived to act in accordance with the letter and spirit of the shareholder agreement and satisfies the needs and expectations of its sole shareholder.	1. Report annual to shareholder 2. Annual reports to the City of Calgary Audit and Accountability Committee 3. New Corp strategy aligns with City strategy	Low	Low		↔		No		NA	Board Chair	
6	Client expectations	AHCC understands, assesses, and manages clients' housing needs and expectations supporting the corporation's ability to effectively meet its mission, mandate and corporate goals and objectives.	1. Market research underway to ensure understanding of client needs; and needs of general moderate income segment 2. Reporting completed that confirms affordable home ownership is still an issue in Calgary	Medium	Medium		↑	1. Research showing that clients don't fully understand program offering. 2. Interest in program continues to increase, but the conversion rate on those leads is low. The disconnect is what indicates that clients expectations are not being met by program	No	1. Market research being completed will provide further information on client values and requirements 2. Leveraging stakeholder relationships to better understand client and be better equipped to satify needs.	In Progress	Director, Planning & Marketing	
7	Performance monitoring	Appropriate performance measures exist to monitor and enhance the corporation's performance	1. Key performance indicators are calculated and distributed monthly to assist with decision making 2. Forecasts are updated during the year 3. Commitment schedules are completed monthly and distributed to board 4. New Dashboard being created with early market indicators	Low	Low		↔		No		NA	Director of Finance	

	Risk Title	Risk Description	Existing Controls or Treatment Techniques in place	Likelihood	Impact	Risk Rating	Trend	Summary of Risk Rating	Significant Improvement required? (Y / N)	Summary of Improvement Activities	Improve-ment Status	Owner	Notes
8	Legal liability	Exposure to risk of litigation or other events which may result in financial loss to the corporation or damage to its reputation is mitigated.	1. Appropriate insurance coverage in place 2. Appropriate internal controls exist to ensure process risk is mitigated with all transactions and commitments are adequately reviewed for potential liabilities and loss to the corporation 3. Oversight of systems of internal control is included in annual work plan 4. Procurement policy was documented in 2016, making process easier to communicate to new partners 5. Cybersecurity audit done in 2018	Low	Medium		↔		No		NA	President & CEO	
9	Builder Partnerships	Relationships with key builders which may result in unacceptable business interruptions or unacceptable costs if the existing builders cease to exist or are unable to provide a satisfactory level of service, are appropriately managed.	1. Risk is minimized by working with many builders and by cultivating long term relationships with reliable and proven partners 2. Transparent procurement process with mid-term and post-mortem reporting promotes open communication with vendors 3. Memorandum of Understanding being entered with all builder partners to streamline process 4. Organization developing first project as the lead in 2018	Low	Medium		↓	1. Developing our own projects reduces reliance on builder partners 2. MOU's with builders increases access to well appointed inventory with less financial commitment 3. Increase leveraging of partnerships with other agencies, reduces dependencies on builders	No		Complete	President & CEO	
10	Accountability alignment	Individual employee responsibilities and accountabilities are adequately defined and aligned with the corporation's business model to support the effective achievement of its strategic and operational goals.	1. Job descriptions exist for all positions 2. Job descriptions align with performance management process 3. Annual goal setting is completed for all employees 4. Corporate Performance and Governance committee has oversight in this area	Medium	Medium		↔		No		NA	Director of Finance	
11	Employee retention and compensation	The right people are effectively attracted, developed and retained, influencing the corporation's ability to achieve its mission and AHCC establishes and administers proper compensation, benefits and rewards for its employees, impacting the corporation's ability to attract and retain a suitably skilled workforce	1. Recruitment is conducted in targeted and appropriate industry specific settings 2. Annual performance compensation reviews are completed for each member of staff. 3. Corporate performance and Governance Committee oversees performance management and approves compensation levels for each fiscal year 4. Compensation offered is benchmarked against nonprofit salaries for Calgary 5. AHCC offers a highly competitive benefits package	Medium	Medium		↑	1. As market improves, there may be increased risk of losing key people.	No		NA	President & CEO	
12	Cost management (Operating overheads)	Effective budgetary and cost management processes are in place resulting in the Corporation's ability to meet its existing financial liabilities and commitments.	1. The annual budget is approved by the Board and City Council 2. Each development project is approved on its own merits by the Board 3. Costs are monitored monthly as part of the KPI dashboard 4. The budget is recast mid year and spending decisions are made accordingly. 5. Expansion of model will diversify revenue model	Medium	High		↔		No		NA	Director of Finance	
13	Asset protection	Physical and financial assets are protected and the risk of fraudulent activities or unauthorized use of these assets by employees or others is minimized.	1. Internal controls are in place and periodically audited and reviewed. 2. Whistle blower policy is in place 3. Few assets of value are kept on site 4. Cyber security audit being done in 2018	Low	High		↔		No		NA	Director of Finance	
14	Financial planning & reporting	Appropriate financial planning and related reporting supports the Corporation in making informed decisions and reporting credible financial and management information our Board and Shareholder.	1. The Board reviews and approves financial statements quarterly 2. External audits are conducted annually of the financial statements and the related financial reporting controls	Low	Low		↔		No		NA	Director of Finance	
15	Records Management (Privacy and Legal Docs)	Personal information pertaining to customers is collected, used only for appropriate business reasons and protected from disclosure.	1. Personal financial information is collected and used only by AHCC banking partners and lawyers 2. Records management internal controls have been developed. 3. Electronic copies of key legal documents are made. All hard copy customer files will be archived in long term storage once the settlement is received and recorded. 4. FOIP training is up to date 5. Keep updated on privacy rules and legislation.	Low	Low		↔		No		NA	Director of Finance	
16	Customer base	Customer base and demand may be affected by changes in the market and in legislation.	1. Market, social and environments are monitored so the proactive steps can be taken to address both positive and negative changes in demand. 2. Additional models will increase client base	Medium	High		↔		No		NA	Director, Planning & Marketing	
17	Inventory pipeline	Access to appropriate inventory will fluctuate depending on what is available in the market.	1. Increase to available debt has allowed more flexibility to obtain inventory. 2. Internal resources continue to be applied to sourcing well appointed homes. 3. Low absorption in Calgary has increased availability of inventory	Medium	Medium		↔		No		NA	Director, Project Development	

	Risk Title	Risk Description	Existing Controls or Treatment Techniques in place	Likelihood	Impact	Risk Rating	Trend	Summary of Risk Rating	Significant Improvement required? (Y / N)	Summary of Improvement Activities	Improve-ment Status	Owner	Notes
18	Inventory	Over supply of inventory which we are committed to purchase and therefore incur carrying costs.	1. Monthly KPIs monitor number of months of inventory being held. 2. Purchase strategy has been adjusted with a more phased approach 3. Market research being done to identify needs of clients	Medium	Medium		↔		No		NA	Director, Project Development	
19	Operating cash management - short term (< 12 months)	Operating cash is significantly affected by the timing of project and unit completions and customer possessions which can be quite irregular.	1. Revolving credit facility of $10M is available without notice; an additional $10M of debt is available for asset purchases when appropriate. 2. A daily cash-flow schedule is maintained as well as a rolling 18 month cash-flow forecast in order to monitor future cash flow obligations. 3. Monthly KPIs serve as a indicator of cash-flow health.	Medium	High		↓	1. Better recognition of long term risks around cash flow resulting in better planning 2) Diversified sources of revenue reduce the need to purchase inventory	No		NA	Director of Finance	
20	Development cash management (1-9 years)	Until consistent cash streams are generated from the release of shared equity on sale or settlement of properties, there may be insufficient cash to fund the acquisition of land and the construction or acquisition of program inventory necessary to maintain the program indefinitely.	1. Revolving credit facility of $10M is available without notice; an additional 10M of debt is available for asset purchases when appropriate. 2. AHCC is researching partnerships with complementary organizations that have land 3. Improvements to current model will make returns from program exits more consistent	Low	Medium		↔		No		NA	Director of Finance	
21	Brand	As a direct subsidiary of the City, AHCC has a strong brand and higher public exposure than most nonprofits of a similar size. AHCC's profile and relationships with the general public, communities, City Council, homebuyers, and the building and development industry are particularly important to our ability to continue delivering homes at attainable prices in Calgary.	1. AHCC engages key stakeholders and proactively positions the organization through traditional and new media 2. AHCC monitors and manages any potential issues that could impact AHCC's profile 3. Standing with the building and development community is protected by working with partners who demonstrate integrity, financial stability and community support. 4, AHCC's relationships with clients are paramount; great efforts are put in to educating customers to ensure they enter the program with all available information and realistic expectations 5. Risk of brand erosion due to social media events is mitigated through an internal control that establishes the process for dealing with issues as well as an internal social media policy that applies to employee's business and personal social media usage.	Medium	Medium		↓	1. New website makes information more accessible to clients 2. Introduction of CRM software will improve communication	No		NA	Director, Planning & Marketing	
22	Market	AHCC is exposed to market risk due to fluctuations in the Calgary area housing market affects future land and housing inventory sale prices	1. Reduced real estate values erode margins and increase the risk of write down of inventory and land. Write downs were taken on inventory in 2016 & 2017.	High	High		↔		No		NA	President & CEO	
23	Regulatory	AHCC is exposed to regulatory risk that impacts our strategy. This includes federal interest rate policy, CMHC fees and regulations, municipal development policies, bank risk appetite	1. Communicate quarterly with CMHC on upcoming changes 2. Market analysis 3. Skills based board across various sectors	Medium	High		↑	1. Local application of CMHC changes is increasing risk	No		NA	President & CEO	

AHCC 2016 RISK REGISTER

IMPACT	LOW	MEDIUM	HIGH
HIGH	Legal liability (8) Builder partnerships (9) Operating cash management – (< 12 months) (19)	Customer base (17) Regulatory (23)	Shared equity model (2) Market (22)
MEDIUM	Asset protection (14) Development cash management – (1-9 years) (20)	Business model (1) Shareholder alignment (5) Client expectations (6) Accountability alignment (10) Recruitment & retention (11) Compensation & benefits (12) Cost management (13) Brand (21)	Inventory Scarcity (18a) Inventory Surplus (18b)
LOW	Performance monitoring (7) Financial reporting & planning (15) Records management – privacy / legal docs (16)	Governance (3) Leadership (4)	
	LIKELIHOOD		

ATTAINABLE HOMES
CALGARY CORPORATION

BUSINESS PLAN

2018

WHY	We improve life trajectories for Calgarians striving to achieve quality homeownership.
HOW	**People** -- We operate from a culture of trust, teamwork, purpose, and achievement. **Sustainability** -- We provide value to our stakeholders by operating efficiently and managing risk to maintain financial stability. Our projects reduce the overall environmental impact in such a way that operating efficiency and long-term value are maximized over the building's lifecycle. **Innovation** – We demonstrate leadership by adopting new approaches and best practices to achieve housing quality that meets the needs of communities and Calgarians now and in the future. **Diversification** – We recognize the diverse needs of clients and seek alternative housing forms, tenures, and financial models.
WHAT	We focus our work around three strategic pillars: resilient clients, quality housing models and operational excellence.

WHAT IS ATTAINABLE HOMES?

We are an independent, non-profit organization owned by The City of Calgary. We work to remove the barriers preventing hard-working, moderate-income Calgarians from owning a home.

Benefits to Homeownership from Attainable Homes Calgary

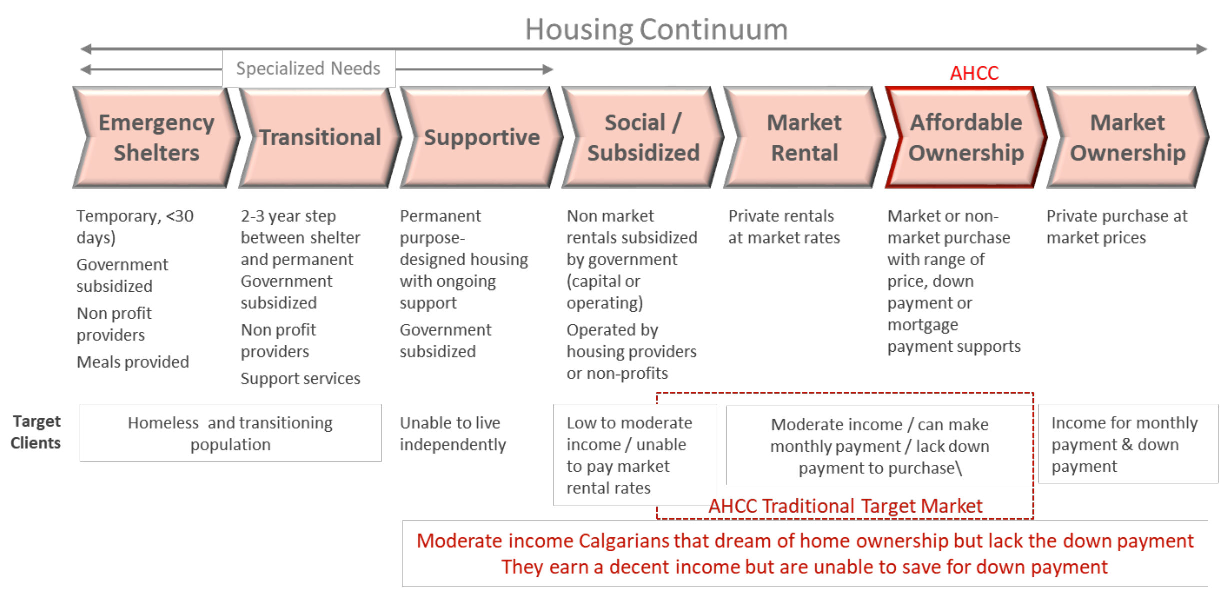
Housing	Housing security	• Ability to escape the potentially uncertain situation of renting
	Comfort	• Heathy, high quality, energy efficient, and right sized for the family
Financial	Financial security	• Stable payments, hedged against rising rents, interest rates and price fluxuation
	Build equity	• Mortgage repayment, utility cost reduction, rising home price when available, and improvements
Intrinsic	Confidence	• Gain pride / sense of worth and confidence for making a well-informed, major financial decision
	Belonging	• Gain the sense of community / quality of life that comes with homeownership • children can stay in the same school, with the same teachers and friends.
	Flexibility	• Offers housing choice and shared equity, putting few restrictions on program participants.

PROGRAM OVERVIEW

One significant barrier to homeownership for many moderate-income Calgarians is the down payment. Since program inception, Attainable Homes has worked to remove this barrier through an investment partnership. A home buyer provides $2,000 and Attainable Homes Calgary Corporation (AHCC) provides the balance to achieve the required five percent down payment. When the homeowner sells their home, they pay a portion of the home's appreciation back into the program to pay it forward to future participants. The longer the homeowner lives in their home, the larger their share of the equity gain.

This model has performed well for Calgarians until the recent economic downturn. Flat or declining home prices and more stringent mortgage qualifying requirements, have added risk to the existing shared equity model. However, the Board has recognized the success of the program is dependent on external forces in the real estate market that are largely outside the control of the organization. To mitigate this risk, the Board is looking to diversify beyond the single financial model such that the program offers a portfolio of models as options to both the organization and/or the purchaser. Furthermore, AHCC has yet to advance the Perpetually Affordable Homeownership model that was part of the organization's original mandate.

Regardless of economic model, the program requires units to sell with sufficient margin to support the public policy mandate. We acquire housing stock through one of two means. We approach builder partners to purchase units from within their existing inventory or Attainable Homes leads the development of an AHCC Project often in conjunction with other partners.



Providing clients with adequate knowledge is a key component of the program. Purchasers must complete an education session prior to purchasing a home. This helps to explain the responsibilities of homeownership, provide them with the tools to be successful in managing their mortgage debt and to ensure clients understand the program requirements. When clients are not able to satisfy the home buying readiness or meet the minimum credit worthiness to qualify for a mortgage, AHCC will leverage relationships with other stakeholders in the Calgary housing market to support these clients to prepare them as homebuyers in the future.

REGULATORY CONTEXT

Interest Rates

In an effort to cool demand for debt, particularly mortgage debt in Toronto and Vancouver, and to address emerging inflation now that National economic growth seems to have normalized, forecasters are expecting a gradual but steady increase in interest rates. The rate of increase will depend on the pace of US interest rate adjustments, the exchange rates and the wage and price inflation. A forecast increase of up to .75 % is anticipated this year.

Debt Reduction/Lending Guidelines

There have been changes to the lending market designed to improve the long-term financial instability of the housing market that has occurred over the past several years. The impact of the changes is often dependent on the current market conditions and the extent of the changes.

In October 2017, the Office of the Superintendent of Financial Institutions extended the stress test to all loans that had been previously applied to only high ratio loans. Effective January 1, 2018, the stress test requires that all buyers qualify at the greater of the Bank of Canada five-year benchmark rate or the contracted rate plus 200 basis points.

The higher interest rates along with this stress test will tend to cool demand resulting in sustained downward pressure on prices in the Calgary market. The effect is overall more affordable housing of all types with more than 63% of the Calgary market below $500,000.

Alberta Carbon Tax and National Energy Code for Buildings

At the beginning of 2017, Alberta's NDP government, in an effort to address climate change and protect the environment, implemented a $20 per tonne tax on carbon dioxide emissions from burning fossil fuels used for transportation and heating. On Jan. 1, that tax will rise to $30 a tonne. The increase in the cost of carbon in terms of transportation and heating will have an impact on homeowners. The program is intended to provide both a deterrent to high emission purchases as well as incentive for emission reduction. More than half of the money will go back into the economy through household rebates and a small-business tax cut. The rest will be invested in programs designed to reduce emissions and diversify the economy, such as green energy projects and public transit.

Since buildings represent 25-35% of energy consumption, the Government of Canada adopted the National Energy Code for Buildings in 2014. Alberta adopted the code as part of the Alberta Building Code in the fall of 2016, adding energy performance standards for new buildings. The code has challenged builders to ensure that the minimum energy efficiency level of homes should be comparable to the EnerGuide 80 standard. Many Albertans are familiar with the Built Green program and EnerGuide 80 is comparable to the Gold level under that program. Establishing the minimum energy efficiency standard for a home does not prevent homebuilders or owners from striving for even greater energy efficiency levels (e.g. a 'net zero' home).

Complying with the energy codes will add to the initial construction cost of most buildings that will be offset by the amount saved on the monthly heating bill through reduced consumption.

National Housing Strategy

The strategy is largely focused on the rental supply and the maintenance of the existing affordable housing stock. The key target audiences for the strategy are: seniors, indigenous, women and immigrants. Affordable home-ownership will continue to be supported by CMHC by maintaining access to homeownership opportunities, conducting in-depth research, and implementing new measures to protect the long-term financial security of borrower and all Canadians.

MARKET OUTLOOK

Consensus forecast indicates that while the worst of the economic downturn is behind us, the outlook for 2018 will be constrained by rising interest rates and a structural change in oil and gas. Despite some improvement in the petroleum industry with oil prices stabilizing above $60/bbl USD, forecasters predict the Calgary economy will enjoy a modest economic growth even as compared to last year. Lower unemployment has resulted from job growth with limited competition from in migration. City of Calgary Corporate Economics is forecasting GDP of 2.4% for 2018 and 3.0% for 2019, mainly as a result of consumer spending, business investment and government spending.

Source	Date	2016a	2017f	2018f	2019f
TD	Mar 15, 2018	-3.7	4.3	2.4	2.0
BMO	Mar 23, 2018	-3.7	4.1	2.2	2.1
CIBC	Mar 22, 2018	-3.7	3.8	1.9	1.9
RBC	Mar 12, 2018	-3.7	4.2	2.2	2.0
ATB	Feb 2018	-3.7	3.9	2.8	2.2
Conference Board	Feb 28, 2018	-	6.7	2.8	-

Figure 1 Consensus of GDP forecasts

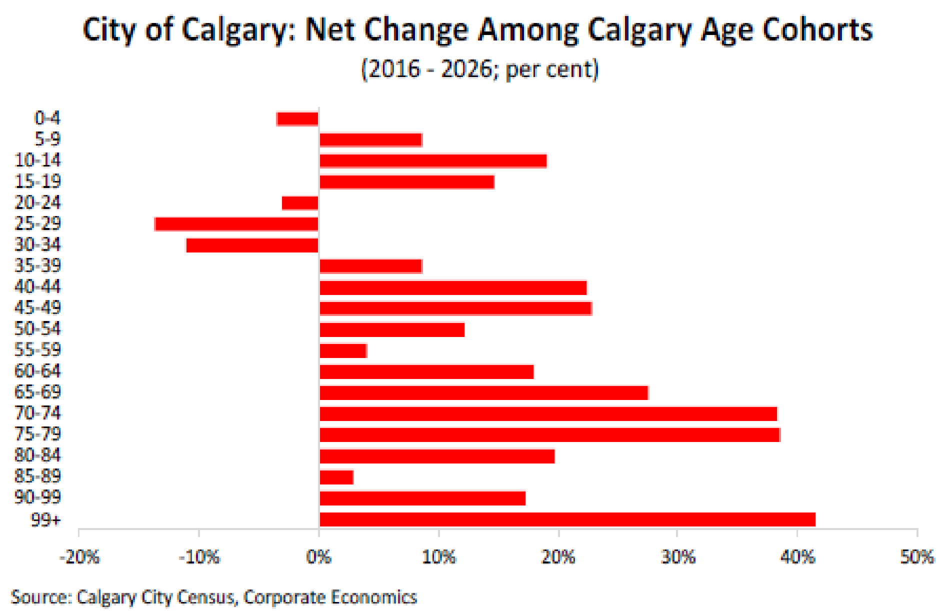
Investment in construction projects is expected to remain low in both residential and non-residential construction due to high office vacancy rates and a continued inventory surplus, especially in the apartment sector. Consequently construction prices, that have dropped 3.5% since 2015, are to remain low.

Source	2016a	2017f	2018f	2019f
Employment Growth (%)	-1.6	1.0	1.0 - 1.7	1.0 – 2.0
Unemployment Rate (%)	8.2	7.8 – 7.9	6.0 - 6.9	6.4 - 6.7
Consumer Price Index	1.1	1.5 – 1.6	1.8 - 2.0	1.8 - 2.1
Housing Starts (000's)	24.6	29.3 - 29.5	27.0 - 28.3	26.9 - 30.0

Figure 2 Alberta Economic Indicators (Consensus Forecast Feb/Mar 2018)

Demographics

Population growth is forecast to average 13,500 people for the next 5 years – about 1%. The more significant factor for AHCC in this population trend, is the expected shift in demographics. The population of seniors in Calgary is expected to grow by 4% per year for the next 10 years, reflecting few new young in-migrants and a general aging of the population. The 20-34 year old age group is also expected to decline by 9% over the forecast period.



Higher growth in the "move-up" age range of 40-54 will ensure that demand for larger single family homes remains solid to offset the downsizing trends of seniors.

Qualifying income is a significant consideration for assessing the scope of the AHCC target market. Alberta continues to enjoy the highest average hourly wage of any province and Calgary remains higher than other major centres at $30.12. However, as is typical with an economic downturn, high unemployment and slow wage growth has resulted in lower incomes, particularly for those in the lower income ranges. The shift from higher paying construction and oil and gas based employment (average $35.94) to service sector (average $28.13) has meant more Calgarians are feeling the pinch. The confidence in the homebuying marketplace is impacted by this employment and income uncertainty.

AHCC target market is defined by the qualifying income permitted by CMHC and Genworth as the mortgage insurers.

Housing Demand

Demand for apartments and rentals will continue to be affected by demographics and an oversupply of product in most areas of the City. In particular, the apartment/high rise condo market has faltered recently. The City reports that the new energy efficiency building regulations that took effect over the past 2 years resulted in a construction rush as builders advanced groundbreaking plans to finish projects under the older and cheaper building regulations. Under the new energy efficiency regulations designs will need to change, particularly with regard to the size of windows. The oil-price drop in 2015 came at a bad time for this market segment, which was in the process of a planned overbuild. Prices have dropped by an average 2.5% per year since 2014.

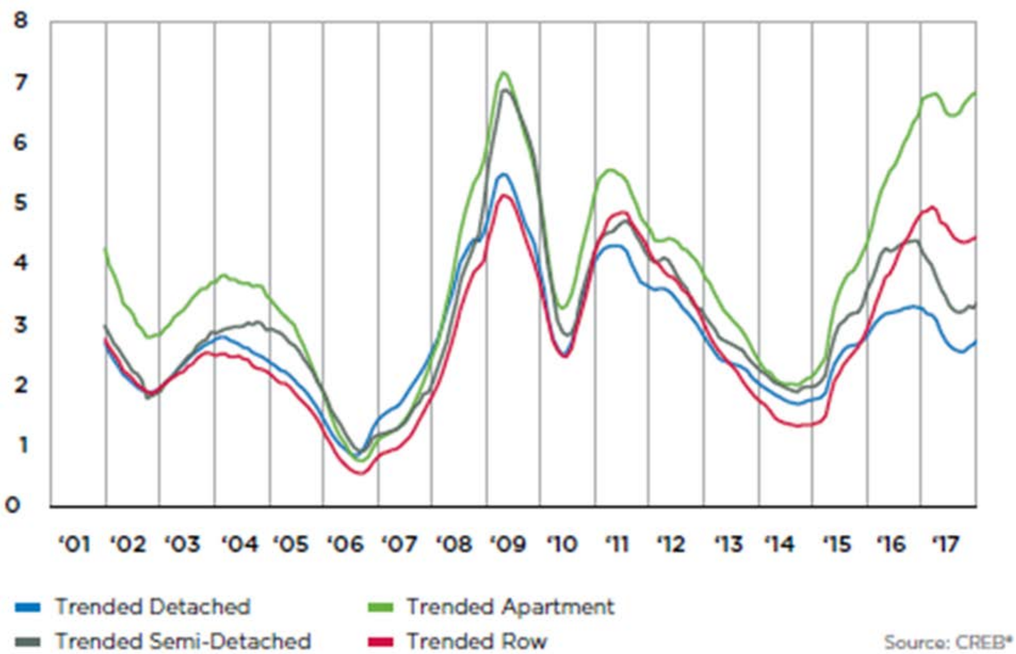
Table 26: Calgary Metropolitan Area
Inventory of Completed and Unabsorbed Multiple Units by Month Since Completion: February 2018

	<1	1	2	3	4	5	6	7	8	9	10	11	12+	Total
By Zone														
Downtown	0	0	30	49	0	0	0	0	7	0	0	48	78	212
Beltline	0	0	0	11	5	0	32	0	0	3	0	0	41	92
North Hill	49	5	102	3	3	10	0	0	0	0	0	0	112	284
Southwest	48	10	17	71	5	2	2	1	4	2	1	12	33	208
Southeast	3	2	153	7	0	34	0	1	0	0	2	0	56	258
Northwest	49	10	50	98	62	36	9	5	0	0	23	34	33	409
Northeast	5	4	8	3	3	5	0	0	1	4	0	138	32	203
Chinook	2	2	1	1	0	0	0	12	0	0	3	0	0	21
Fish Creek	19	4	23	3	2	0	0	0	0	0	3	3	111	168
Other Centres	0	13	3	106	0	2	2	6	8	2	5	2	27	176
Calgary	**175**	**50**	**387**	**352**	**80**	**89**	**45**	**25**	**20**	**11**	**37**	**237**	**523**	**2,031**

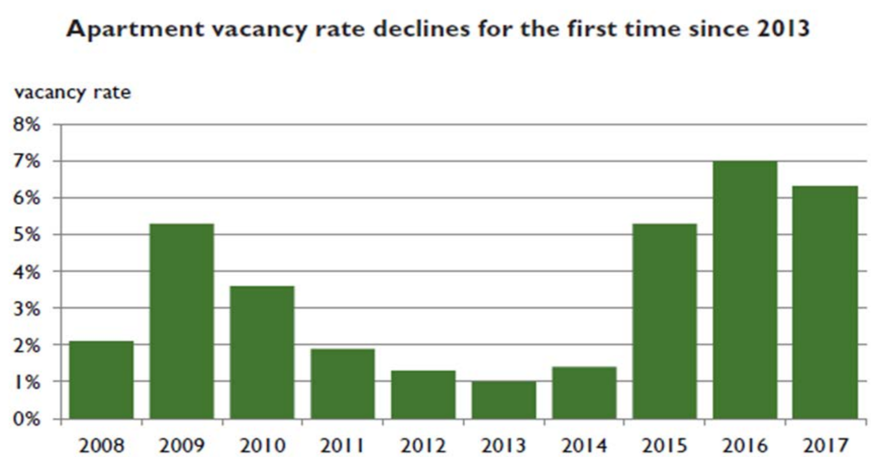
Source: CMHC

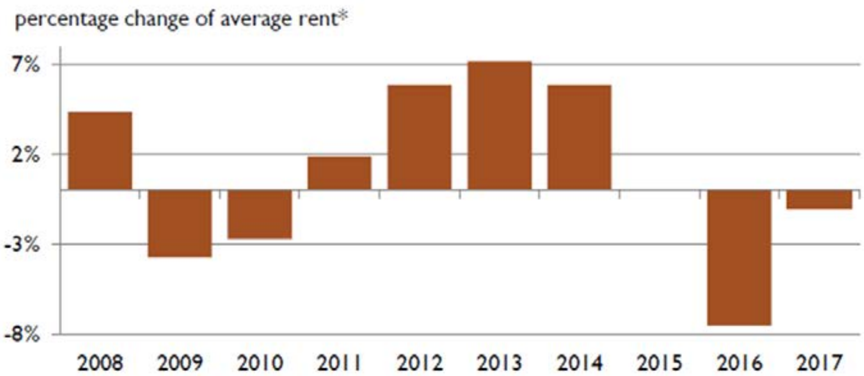
This oversupply of new units has impacted the resale market as well, with a glut of apartments still increasing.

Months of Supply Trends
Townhouse and Apartment - Resale



The oversupply of ownership units in the apartment sector is reflected in the rental sector as well. While there has been some improvement in 2017, the oversupply has stayed high with the vacancy rates for apartments above the 2009 levels. Downward pressure on rents remains.





Type	Vacancy Rate	Average Rent
Bachelor	5.6%	$825
One Bedroom	5.8%	$1,025
Two Bedroom	6.9%	$1,247
Three+ Bedrooms	7.1%	$1,254

Demand for single-family and semi-detached homes is viewed to be more robust going forward as the affordability has improved. When the impact of condo fees is also considered, buyers are able to get more home for their shelter dollar in the freehold segment. In particular, attached dwellings typically offer a yard and some parking options as well as reasonable square footage at a price that is typically 25 per cent lower than a single-family home. Prices for attached dwellings dropped by 3 per cent per year from 2014 to 2016. Construction in this segment has slowed and prices are stabilizing as a result. The outlook for this segment is positive as greater numbers of Calgarians consider freehold housing options as interest rates continue to rise in the future.

Opportunities for homebuyers will vary across the city as inventories of new and resale homes will impact price. The chart below shows areas where high duration of supply will have continued downward pressure on prices, adding risk to the market.

Months of Supply by Type and Area of the City

Housing type	Northwest	North	Northeast	West	City Centre	East	South	Southeast
Detached	2.13	3.05	3.60	2.72	3.52	2.63	2.53	2.50
Apartment	5.38	6.50	10.27	5.82	7.12	8.01	6.66	5.31
Semi-detached	2.91	2.27	3.84	3.43	4.34	5.01	2.54	2.43
Row	3.72	3.87	5.81	4.36	5.02	4.82	4.10	4.18

***Lowest** levels of resale inventory in the city, likely resulting in upward price pressure*

***Highest** levels of resale inventory in the city, likely resulting in the greatest downward pressure on resale prices*

Operational Context

Approval of the Strategic Plan in 2017 by the City of Calgary, as the shareholder, enabled transition to a new business focus for the organization. A combination of the continued weak market and a repositioning of business focus resulting in lower levels of sales and margins than in previous periods.

The eroding market prices also triggered mortgage arrears and foreclosures (6); resales; and, early repayment that contributed to a loss on our equity receivables. Consequently, there is renewed interest in revisiting the shared equity model and a focus on cost-effective operations.

AHCC has made notable progress with additional analysis of the key performance indicators enhanced risk management process with the following risks identified for mitigation:

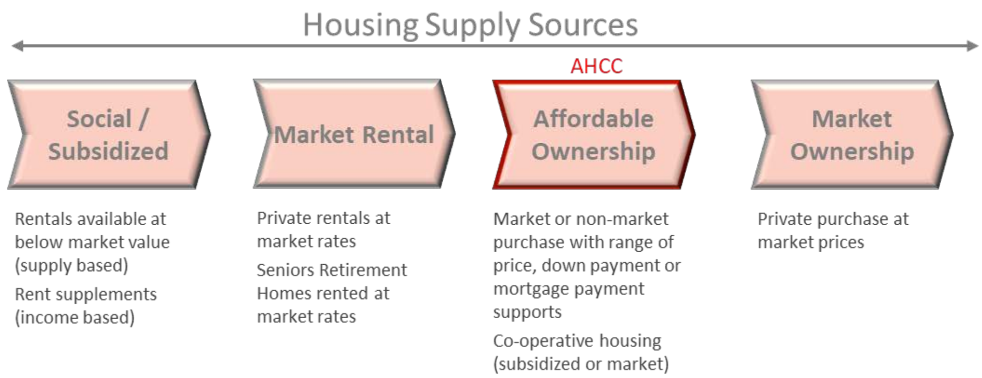
Risk Area	Magnitude	Trend	Mitigation
Business Model	Medium	↓	Diversification
Shared Equity	High	→	Program revision
Customer Base	High	→	Marketing strategy
Inventory Scarcity	High	→	Builder partners/Land strategy
Market	High	→	Program options
Regulatory	High	→	Education

This risk assessment will drive the focus for 2018 activities with the expectation to improve. The organization however, invested time in laying the groundwork for new opportunities that will be realized in 2018.

1. Better alignment in the inventory acquisition to the customer needs
2. Improve financial operating position to sustain the operation independently from gains in equity receivables
3. Investigation into alternative models like the Perpetually Affordable Homeownership
4. Strategic analysis of built form and financial options within a dynamic supply/demand and price environment.

Summary of 2018 Opportunities

Analysis of our market conditions and recent investigation in supply and demand balance has focused AHCC's target market. The opportunity for homeownership begins with the positioning of AHCC with respect to the housing continuum. As illustrated below the homeownership housing supply supports are currently quite limited.



# of units (% of total)	Below market rentals: 16,702 (3.6%) Rent Supplements: 3,981 (0.9%)	Private rentals: 120,061 (25.8%) Retirement Home Rentals: 3,645 (0.8%)	Ownership Programs: 1,074 (0.2%) Co-operatives: (subsidized): 250 (0.1%) (market): 1,044 (0.2%)	Private home purchases: 318,719 (68.5%)
Total # of units (% of 465,476 total)	20,683 (4.5%)	123,706 (26.6%)	2,368 (0.5%)	318,719 (68.5%)

Analysis of the potential housing demand in terms of age, qualifying income and shelter costs has shown the following potential market and related challenges.

- AHCC's **value proposition** in a flat or declining home price market is weaker for individuals / financial-focused clients and possibly strengthened or unchanged for families where they may be able to buy more house than in previous years
- There are **163,000 households in Calgary CMA** with incomes that qualify for the AHCC program
- Filtering the income qualified households to remove existing homeowners, households aged 45+ and <20, households spending >30% and up to 50% on shelter, and adjusting for population growth, results in **10,070 target households for AHCC**.
- Approximately 4,800 of these households are a good match for AHCC's current offerings, although some at higher income levels may go beyond "those most in need for affordable housing"
- With higher vacancy rates, reduced rental rates and higher inventories of resale housing product, the market to provide **affordable homeownership is more 'competitive'** than it was previously; AHCC is now competing against two "product oriented" suppliers that have more appealing offers (lower DP and higher equity)
- **Increasing down payment assistance** would significantly expand the number of qualifying households for AHCC's offerings

STRATEGIC GOALS

The Attainable Homes operating activities will be guided through 2022 by a 2017 approved five-year strategic plan.

Resilient Clients

Goal 1: Empower clients to **responsibly enter homeownership**.

Goal 2: Provide **client care and support** throughout their participation in the program.

Quality Housing Models

Goal 3: Operate under a **diversity of financial models** that enable clients to achieve financial well-being while achieving organizational sustainability.

Goal 4: **Diversify housing forms** to capitalize on market gaps and opportunities.

Goal 5: Develop projects that facilitate a **high quality of life with an emphasis on community**.

Goal 6: Embed **sustainable design and energy efficiency** in all projects where it reduces operating and life-cycle costs.

Operational Excellence

Goal 7: Ensure **organizational financial stability**, sustainability, and diversification.

Goal 8: **Advocate** for affordable homeownership.

Goal 9: Build **strong partnerships** to ensure we are an exemplar of best practices.

2018 INITIATIVES

The Economic and Market Outlook and along with the Strategic Plan provide the context for a shift in focus for 2018. The efforts will be focused on diversifying and broadening the program offerings to better meeting the needs of moderate income Calgarians. More specifically, we are looking to a new business model that will provide more focus:

2018 Strategic Focus

Core Business

- Buy/Build and Sell
  - Generate revenue to support program
  - Understand supply and demand alignment
  - Generate positive net income regardless of market dynamics

- Manage Operating Costs Carefully
- Look for partners to support innovation and risk share
- Advocate for healthy housing market and "smart communities"

Program Funds to Support Public Policy Mandate

- Improved down payment assistance program to be resilient in all market conditions
- Diversify the support options to address range of homeownership barriers
- Shift focus as needed to respond to market risk

Measurable outcomes will include:

- Increase sales to 150 with 130 possessions
- Positive net income from operations moving to 1:1 coverage of by year end
- Improve profile of inventory that better meets the strategic objective and margin targets
- Reverse losses on Deferred Equity Fund
- Increase brand awareness
- Launch 3 new programs to remove barriers to homeownership

To achieve the goals identified in the Strategic Plan, Attainable Homes has identified the following priorities for the coming year:

1.0 Permitting, construction and launch of Martindale [Goals 4, 5, 6,7]

In March 2018, Attainable Homes submitted a Development Permit application to The City as part of our proposed development on a parcel of land immediately south of the Genesis Centre in Martindale. Once approved, we will actively begin working with Avalon Homes as a builder partner to develop the site. The following critical path has been established:

1. Design Build Contract April
2. Development Permit May
3. Launch sales campaign May

4. Building permit June
5. Site preparation July
6. Construction start July
7. Phase 1 completion October
8. 2018 Occupancies November

The Martindale site will provide AHCC with an opportunity to introduce a number of innovative housing form, tenure and financing structures over the course of the full development.

2.0 Undertake a strategic re-branding and marketing plan for AHCC [Goals, 1, 2, 8, 9]

In 2017 and early 2018, Attainable Homes launched new tools to enable us to communicate our message more succinctly and clearly and to reach a wider audience. The efforts included: a redeveloped website, a digital media strategy and video promotion. The website will be the platform to promote our brand identity, show what we offer to Calgarians, provide the platform to connect to partners, and encourage potential clients to sign up to receive future communication from us and re-build our pipeline.

In 2018, a Marketing Strategy will be developed and implemented to:

- More clearly position AHCC in the marketplace and increase awareness
- Leverage key stakeholders and partners to reach potential qualified homebuyers who need a boost into homeownership
- Leverage our builder partners in co-marketing of their most affordable product. We will explore shared sales teams.
- Relaunch AHCC's variety of new programs

Our primary focus on giving Calgarians a "boost" into homeownership will include development of a range of products and services to address the myriad of barriers.

- With an aim to develop resilient clients, we are also working with key stakeholders with expertise in financial literacy to ensure that those with credit impairment challenges are ready for homeownership.
- We'll develop enhanced credit and budgeting resources on our website that will include options for available product, prices and financial structures to best meet their needs.
- We'll leverage our relationships with mortgage brokers and lenders to ensure that qualified Calgarians are ready to buy.

As a consequence of this re-positioning, there remains some infrastructure development (updates to website, signage, print collateral, etc) where new messaging is required. The messaging will also need to differentiate by stakeholder group, and by project and program as the "new AHCC" is relaunched. A modest budget for 2018 and an aggressive co-marketing campaign will ensure good value for dollar in the marketing budget (See Appendix iv)

3.0 Recalibrate existing program model and explore a new financing models [Goals 1, 3, 5,7]

The existing model has performed well in meeting the original mandate and has operated effectively under market conditions that prevailed from conception until recently. Attainable Homes recognizes the need to adjust our financial strategy so it does not depend as much on a return over and above the down payment assistance. To that end, there are a variety of adjustments to the existing model that can be experimented with to detach from the reliance on an up-market. This year, we will investigate such "tweaks" and begin to implement. The specific outcome of this work is to reduce the equity receivables loss exposure.

Other financial models also exist beyond strictly down payment assistance. This past year, we investigated models used by homeownership non-profits located in other jurisdictions. In 2017, we tested these options through economic modelling with the aim of selecting those most appropriate programs for piloting in 2018.

4.0 Measure "Quality of Life" objectives in every project and acquisition (Goals 1,4, 5, 6,)

To ensure quality homeownership opportunities for our clients, we will objectively and thoroughly evaluate all potential unit acquisitions and developments against quantitative and qualitative measures identified to reflect Quality of Life for our purchasers. These will include calculations like walk and transit scores as well as organizational ideals such as energy efficiency, accessibility, and innovation in design. The Quality of Life criteria will form part of our project selection and validated with clients during the purchasing process.

5.0 Launch a minimum energy efficiency standard for all AHCC purchases and builds [Goals 4, 5, 6, 8, 9]

We recognize that costs to operate our homes and the materials that go into them contribute to the quality of life for our clients. With the adoption of a National Energy Code for Buildings and the implementation of the Alberta Carbon Levy, the need for improved energy performance is more important than ever. As we adapt to this changing landscape and we positon ourselves as advocates for quality affordable housing, we will focus first on energy efficiency and subsequently factor in building life-cycle costs. By establishing a minimum standard for performance, our builder partners and other stakeholders will have clear expectations on what is required to collaborate with AHCC. Our current minimum EnerGuide 80 or BuiltGreen Gold qualifies borrowers for a CMHC rebate on the mortgage insurance premium.

AHCC will also look to advocate for innovation in sustainable building performance and sustainable communities by leveraging our own land and unique AHCC driven joint venture projects. Where high upfront capital costs are associated with energy innovation, AHCC will look to attract grant funds and capital funding strategies, as appropriate, to ensure capex and opex are optimized.

6.0 Develop, implement and deliver perpetually affordable homeownership [Goal 3, 4, 8, 9]

We will work with organizations like us in other jurisdictions and within Alberta and Calgary to share ideas, influence policy, and advocate for affordable homeownership options. While a national collective of homeownership organizations is, and will remain informal, its "members" are at the ready to collaborate through one collective voice when necessary. We will continue to liaise with this group to strengthen this voice.

More locally, AHCC will strengthen our relationships with the Calgary Housing Company; Home Space; and others to provide a more reliable pipeline of homeownership ready clients. Once this information has been collected, AHCC will determine if and what type of model could work in the Calgary market.

7.0 Leverage current assets and source a continuous and reliable supply of land [Goal 3, 4, 8, 9]

Since the inception of AHCC, we have been able to capitalize on City of Calgary land, in partnership with builders to create the affordable projects. While our land assets have become more limited, we still have the ability to attract land to deliver affordable housing supply that meets the needs of Calgarians.

AHCC will continue to negotiate with the City of Calgary for surplus land at book value; acquire surplus school sites; and, undertake joint ventures with builder/developers on their land for purpose-built projects.

AHCC will also look to leverage the existing office site for lease income. A detailed plan will be presented for Board approval once the opportunity is fully evaluated.

8.0 Buy or build suitable, appropriately priced homes that meet our clients' needs [Goal 1, 2, 4, 6, 7, 8, 9]

AHCC will build on the current inventory of affordable homes with an emphasis on diversification of built form that meets the strategic positioning of AHCC within the housing continuum. Criteria has been developed with which to evaluate opportunities against financial and performance goals. Within the current development procurement policy, new relationships will be developed to ensure a stable supply of homes that provide mutual benefit to both AHCC and the builder partner. These relationships will include pre-purchase; re-qualified non-inventory supply access; and collaboration on builder owned or AHCC owned land. This inventory strategy will create more nimbleness to adapt to shifting demand but also secure longer term reliable supply.

With surplus supply of apartments and improved price affordability of semi-detached and single-family homes, AHCC will explore options for freehold to be added to our inventory. Initial dialogue with builder partners indicates that this is a potentially attractive option. (See Development Summary)

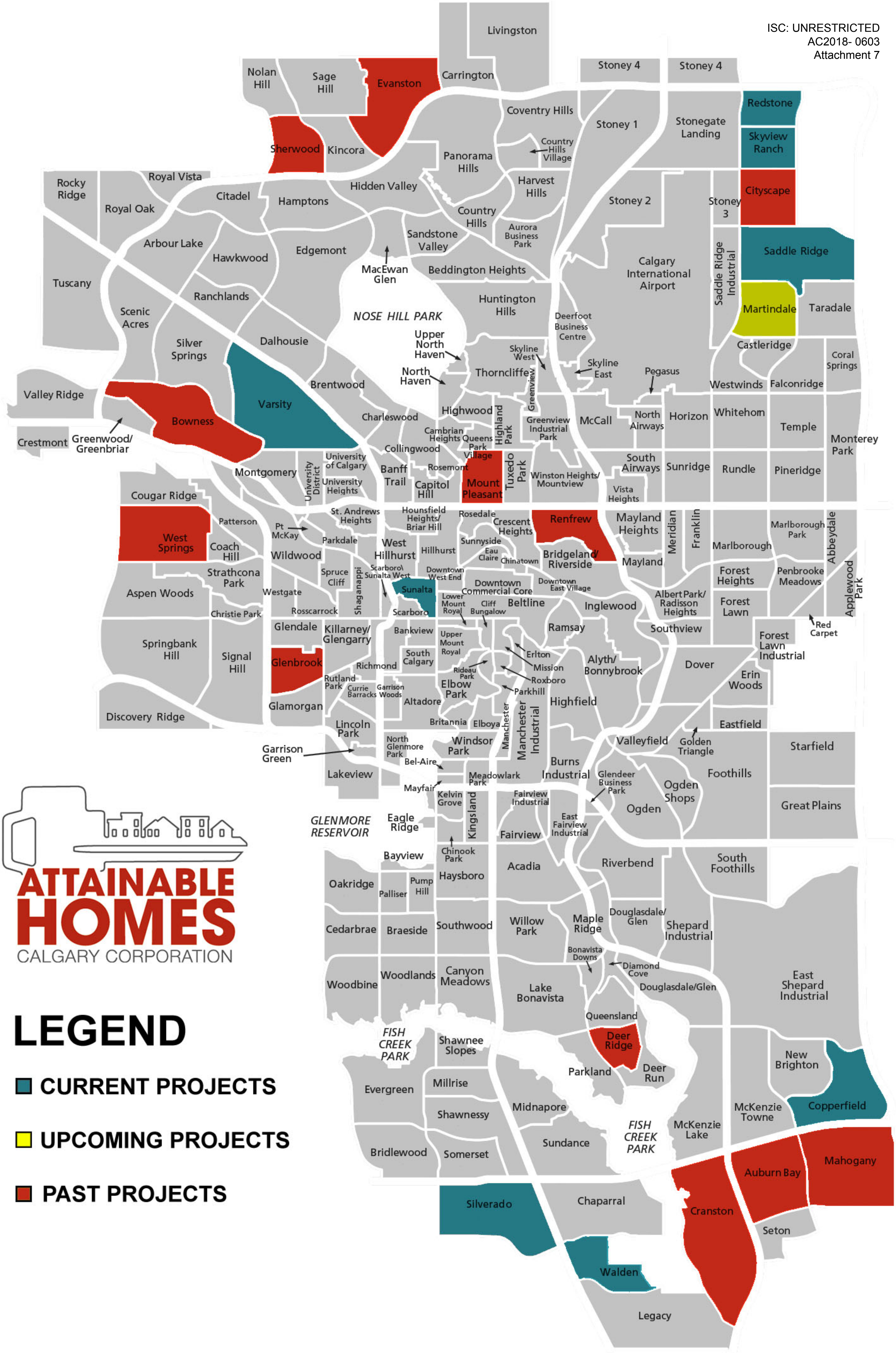
DEVELOPMENT SUMMARY

Attainable Homes manages a development pipeline such that new housing units are consistently available for the thousands of Calgarians striving to achieve homeownership. We continue to provide homes in diverse areas of the city. A forecast of project acquisitions and possessions by month is attached.

The forecast does not yet include Martindale as the budget and development contract have yet to be finalized, but 20 possessions are expected for 2018. The financial impact of this project is anticipated to augment the operating surplus projected for this year.

The inventory management strategy strives to acquire suitable, high margin properties, aligned to clients needs, for a much shorter supply duration and reduced carrying costs. Sales achievement prior to completion will be a key success factor. (Appendix i)

ISC: UNRESTRICTED
AC2018- 0603
Attachment 7



ATTAINABLE HOMES
CALGARY CORPORATION

LEGEND

CURRENT PROJECTS

UPCOMING PROJECTS

PAST PROJECTS

FINANCIAL STRATEGY

Though we planned for a soft year in 2017, the downturn impacted us more than expected. This resulted in 108 unit-possessions - missing our target by four - but increasing total possessions over 2016. Nevertheless, the net result from operations was a loss of $1.8 million although $1.8 million of that loss can be attributed to unrealized loss on equity receivables. In response to the shifting market fundamentals of 2016 and 2017, the organization implemented additional risk analysis and monitoring tools that have positioned us well for future market dynamics.

In 2018, possessions are forecast to increase to 130 from 150 sales. The existing inventory to start the year represents less than half of that target, so focus is required to identify and secure suitable projects. Effective execution of the strategic initiatives outline above will be key to achieving the bottom line success in 2018. Margin on sales, additional revenue and expense control are fundamental to operational success.

The operating expense budget was determined using a bottom-up approach and reflects initiatives as outlined above. Going forward, project specific investment will be approved by the Board, meeting minimum performance criteria as set by the Board. For example, since our full marketing strategy has not yet been finalized, marketing expenses have been limited to support ongoing digital media, as implemented in 2017, and other nominal investment in collateral. Additional marketing expense or strategic marketing initiatives will be project specific (e.g. Martindale) and supported by a business case.

The proposed development of the Martindale site, leveraging the land secured from the City of Calgary, to provide market and affordable homes has not yet been included in the operating budget. The financial model and financing strategy has yet to be finalized. Once approved, the potential additional 20 possessions in this project will augment our forcast operating surplus for an improved growth year.

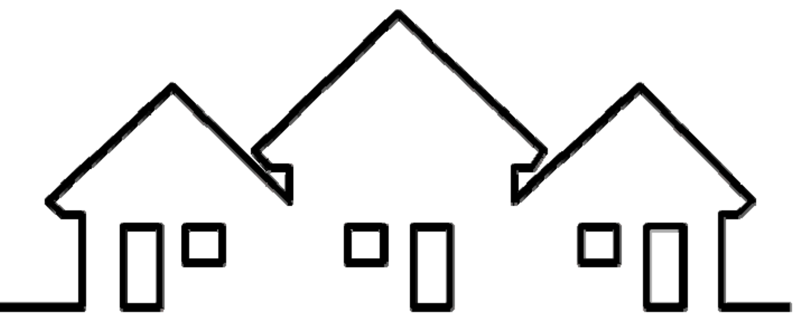
Furthermore, the launch of the PAH program later this year is expected to be supported by a purpose-built project where land ownership can be retained by AHCC. Once this project is identified, depending on size and construction phase, units may be available for possession this year.

Finally, with the revision of the existing shared equity model along with more focused management of default and resale activity, the primary financial objective for 2018 is to move to full coverage of the current period equity loans by operating surpluses. Achievement of this goal will require a shift in the inventory, disposal of the units with low or negative margin, and acquisition of higher margin project. Full coverage is expected in 2019.

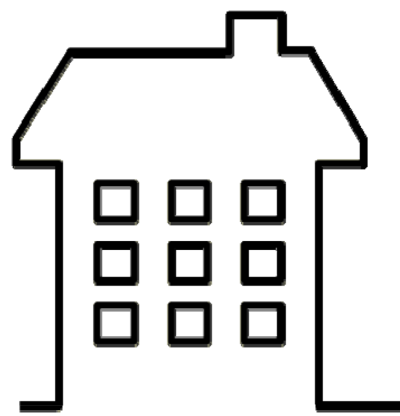
We are adding new monitoring tools to track progress against the business plan this year. This will include the addition of a market dashboard that will accompany our monthly key performance indicators. These tools will continue to inform the Board so we can react to the market and needs of our clients.

Annual Report to The City of Calgary Audit Committee

AC2018 -0603– SEPTEMBER 18, 2018



Helping moderate income Calgarian's buy a home



2017 Financial Statements and Audit

108 possessions = Revenues of $30M

Operating Surplus before non-cash items $370K

Financial statements

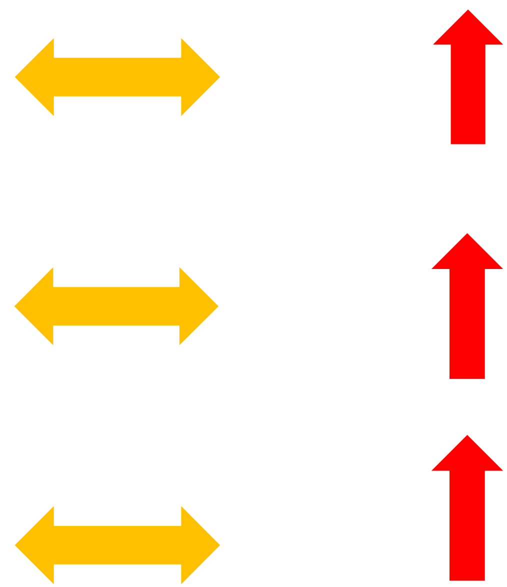
- Management of operating expenses resulted in cash surplus
- Inventory carrying costs continued to impact results negatively
- 14 of 47 units held in inventory written down at 2017 year end due to downward pressure in market
- Organization remains self sufficient

Audit

- Unqualified audit opinion
- No significant internal control weaknesses identified
- In consideration of market conditions, auditors focused on accounting estimates related to equity receivables and inventory valuation

Top 3 Risks

2017 Direction of risk: **2018 Direction of risk:**



Leadership– execution and fulfillment of mission, mandate and strategic plan

Mitigation :

- Highly qualified interim President and CEO in place
- Recruitment for permanent President and CEO underway
- Recruited and hired highly qualified senior staff for development and sales

Market – risk impacts revenue from sales and share equity return

Mitigation:

- Implement inventory procurement hedging strategy
- Revisions to share equity model to minimize repayment losses
- Diversify inventory acquisition to include development and option agreements
- Implementing new strategic plan which includes expanding program model

Regulatory (NEW) – exposure to interest rate policy, federal and insurer regulations

Mitigation:

- Skills based board across various sectors
- Build stronger relationships with lenders/brokers and both mortgage insurers
- Develop alternative program models to mitigate regulatory impacts

2018 Context

ANALYSIS

Most homes listed for sale in Calgary this year haven't sold: What that means for prices

Single-family homes no longer immune as sales-to-new-listings ratio drops below 50% for first time since 2010

Robson Fletcher · CBC News · Posted: Jun 07, 2018 7:00 AM MT | Last Updated: June 7

Strict lending rules, higher interest rates put brakes on Calgary's housing recovery

SAMMY HUDES Updated: August 15, 2018

Calgary among least affordable places in Alberta to live: report

ANNA JUNKER Updated: August 29, 2018

CANADA July 4, 2018 8:43 am

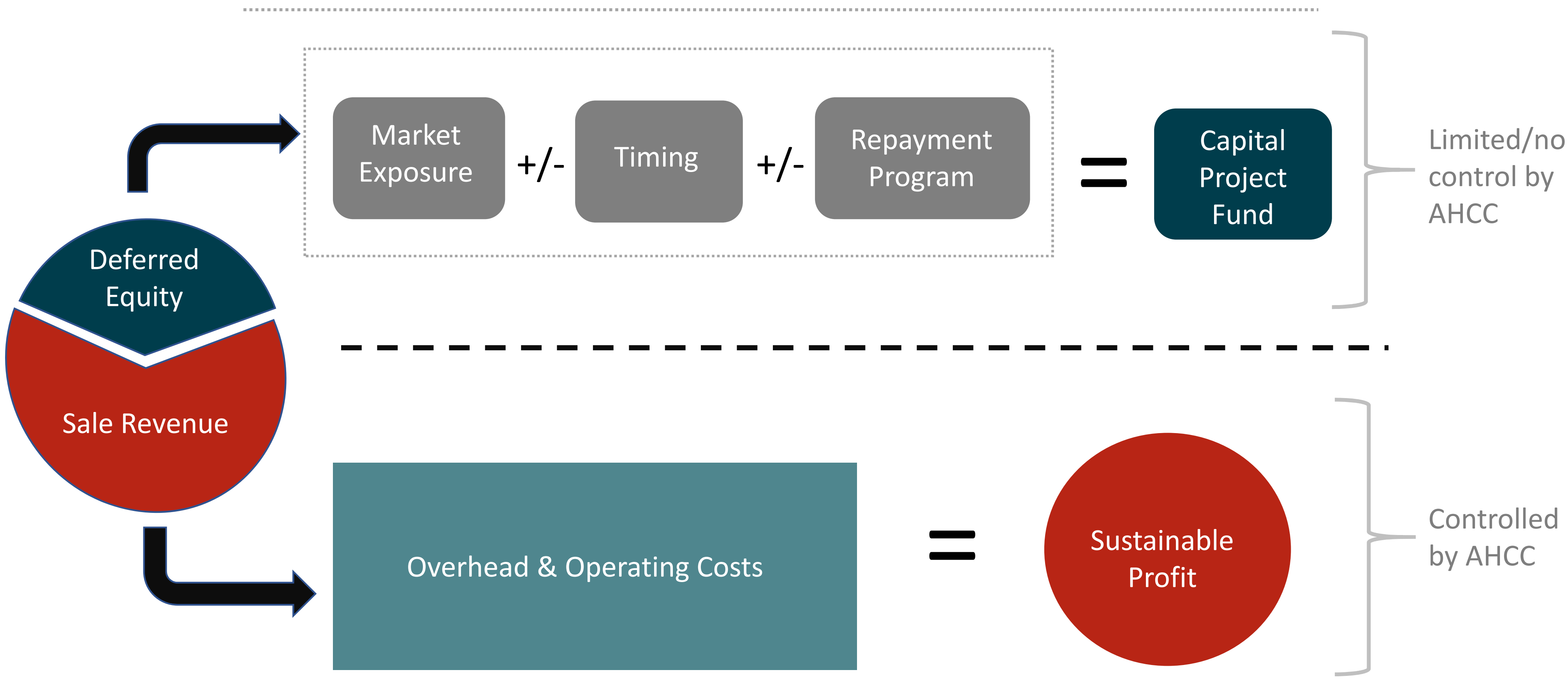
Calgary real estate market still suffering from anemic sales: CREB report

Calgary's housing glut declines for first time post-recession, census shows

Calgary's housing glut is beginning to diminish, according to new data confirming the city has reached yet another marker on the road to economic recovery.

AMANDA STEPHENSON, CALGARY HERALD Updated: July 27, 2018

CURRENT AHCC PROGRAM RISK



ACCOMMODATING ALTERNATE VALUES

Housing security

Comfort

$

Financial security

Build equity

Confidence

Belonging

Flexibility

Major Initiatives in 2018/2019

- Business plan focused on core business:
  - Buy/Build and Sell in dynamic market
  - Cost management
  - Partnership for risk sharing and innovation
  - Advocacy for healthy housing market
- Program diversification to address market risk
- Implement Quality of Life standards for community development

The Board of Directors

SANO STANTE, Board Chair

- 30 years of direct experience in real estate sales/development
- expertise consulting to governments, businesses and institutions
- assisting builders in developing and marketing real estate in Calgary.

Brian Pincott, Audit & Accountability Committee Chair
Robin Lokhorst, Corporate Performance, and Governance Committee Chair
Roger Andrews, Development Committee Chair

Two new volunteer Board members in 2017:

Brian Pincott, Director
Robin Lokhorst, Director

Board Structure

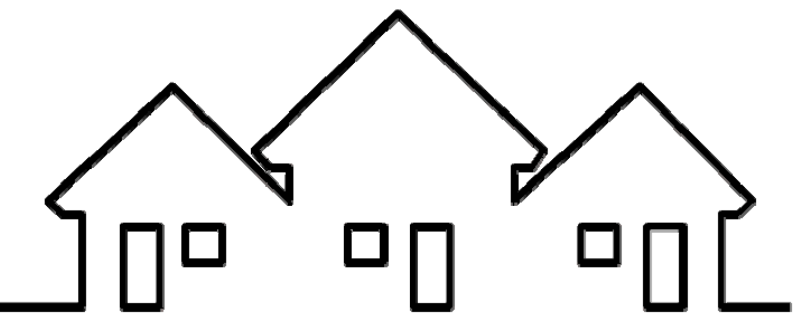
- Diverse volunteer board consists of 11 members in 2018 including Mayor and 1 councillor
- Three committees
  - Corporate Performance & Governance (3 members)
  - Audit & Accountability (3 members)
  - Development (4 members)

Audit & Accountability Committee

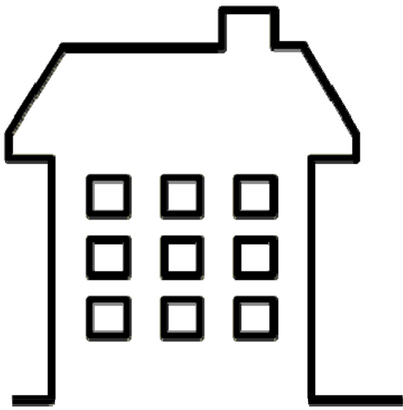
- Comprised of 4 members
  - 3 citizen members with strong financial acumen
  - Terms of reference reviewed annually
- Oversight of the following
  - The integrity of AHCC's financial statements;
  - Annual budgets;
  - Risk register;
  - Financing arrangements; and
  - The adequacy and effectiveness of internal controls.

AHC

Thank You



Helping moderate income Calgarian’s buy a home



CHC Audit Committee Report to
City Audit Committee
2018 September 18

Calgary Housing Company 2017 Annual Report

EXECUTIVE SUMMARY

This is the annual report presentation to the City's Audit Committee from the Audit and Risk Management (ARM) Committee of Calhome Properties Ltd. operating as Calgary Housing Company (CHC).

This report, attachments and presentation provide a comprehensive response to the letter from the Audit Committee chair dated 2018 May 2 which requested the following items provided:

1. Brief summary on governance structure, succession planning and recruitment process, recent financial highlights and key 2018 initiatives/strategy;
2. Report on CHC's key operating and strategic risks including trends and risk management plans and processes;
3. Analysis of the top three financial and/or operating risks that in CHC's opinion would impact the City of Calgary and/or be of concern to the City's Audit Committee;
4. Report on internal controls including information technology and systems;
5. Most recent management letter including management responses as appropriate; and
6. Audit Committee 2018 Work Plan.

In summary, CHC has established good governance practices including recruitment processes, has demonstrated good financial performance in 2018 and has made good progress on assessing internal controls.

CHC is still facing significant risks. The highest identified risks that may affect CHC and therefore the City of Calgary as shareholder are: funding uncertainty, rent revenue, reserve funds and third party owned assets managed by CHC.

RECOMMENDATION:
That the Audit Committee receives this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

The City of Calgary Audit Committee Bylaw 48M2012 states that Audit Committee is responsible for:

"overseeing its governance responsibility with audit committees of The City's major autonomous civic entities."

Section 4(1)(i)

BACKGROUND

This report responds to the letter dated 2018 May 2, sent to the Chair of Calgary Housing Company's (CHC) Audit and Risk Management Committee. This report, attachments and presentation provide a comprehensive response to the letter from the Audit Committee chair.

Calgary Housing Company 2017 Annual Report

The annual reporting process is intended to be an ongoing dialogue between The City and CHC. It is anticipated the annual report will assist with developing further understanding of CHC's governance approach.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This section contains CHC's responses to the six items that are requested to be included in the annual report. Further details are also provided in the attachments noted below.

1. **Brief summary on governance structure, succession planning and recruitment process, recent financial highlights and key 2018 initiatives/strategy**

1.1. Governance Structure, Succession Planning and Recruitment Process

CHC is a wholly-owned subsidiary of The City of Calgary (The City) and established under the *Business Corporations Act* as a non-profit corporation. CHC is governed by a Board of Directors, appointed by City Council which represents The City as the sole shareholder of the company. CHC's Administration is led by a President who also holds the role of Director of the Calgary Housing Business Unit.

CHC manages properties and programs on behalf of The City, the Province of Alberta, and itself. CHC, in its present incarnation, was formed in 2001 when Calhome Properties Ltd. took on the assets and liabilities of Calgary Housing Authority and assumed the trading name of CHC.

The Province appoints and authorizes CHC to manage, administer and maintain the social housing portfolio under a Ministerial Order and the Alberta Housing Act. CHC receives its operating funding from provincial government operating subsidies and through rental revenues. CHC does not depend on tax revenue for its funding, drawing only 10% of The City-owned social housing deficit from tax support. This amounted to $367 thousand in 2017. CHC retained $570 thousand of the City Partnership portfolio surplus to complete urgent repairs required in City-owned social housing. The surplus contribution returned to The City for City Partnership and Corporate Properties residential portfolios combined was $339 thousand in 2017.

The properties that CHC manages are owned by the Province, The City and Calhome Properties Ltd. CHC provides homes for approximately 25,000 tenants in CHC managed properties or with private landlords through the rent supplement program. In addition to ownership, properties are divided across one of nine portfolios: e.g. Federal Fixed Subsidy, City Partnership etc. Depending on the portfolio, CHC may be subject to different legislative or operating agreement requirements, such as the Alberta Housing Act or a specific agreement relating to that portfolio.

During 2017, the Federal Fixed Subsidy portfolio (previously subsidized by CMHC), merged with the Provincial Fixed Subsidy portfolio as a result of a reorganization where the subsidy for both portfolios is received by the Province. This decreased the number of portfolios that CHC operates from nine in 2017 to eight in 2018.

CHC reports to a Board of Directors. The Board is supported by four committees, each having a specific mandate and oversight responsibility. They are as follows:

- Audit and Risk Management Committee
- Government Relations Task Force
- Development and Asset Management Committee
- Governance Committee

The Governance Committee is responsible for succession planning and recruitment. These processes are based on Board best practices and identifying appropriate qualifications based on a skills matrix.

For further details on CHC's governance structure, succession planning and recruitment refer to Attachment 2 of this report.

1.2. Recent Financial Highlights

The following section contains recent financial highlights extracted from the 2017 statement of financial position and statement of operations.

Statement of Financial Position

Cash: The cash balance at the end of 2017 has risen from the prior year to $34.2 million. It is worth noting that $27.7 million of this balance is restricted for items such as tenant security deposits, advance government funding, replacement reserve funding and deferred capital contributions.

Mortgages Payable: CHC had $16.5 million in outstanding mortgages at December 31, 2016. Over 2017, CHC repaid $3.9 million in long-term debt. At December 31, 2017 CHC had $12.6 million in mortgages payable.

Tangible Capital Assets: Tangible Capital Assets decreased to $99.7 million as at December 31, 2017 from $102.2 million in 2016. The decrease was mostly due to asset amortization.

Statement of Operations

REVENUE

Rent Revenue: Rent revenue was $48 million for the year ended December 31, 2017, which is consistent with the previous year. Rent revenue is being affected by lower rent-geared-to income (RGI) rents and increased vacancy rates throughout 2016 and 2017 in the low end of market segment as it more closely mirrors broader residential vacancy trends. In 2017 CHC formed a Vacancy work force which transitioned into a Portfolio review committee. The work of those groups allowed CHC to retain flat revenue levels in 2017 compared to 2016 through a combination of various strategies that were adopted to decrease vacancies and increase rent revenue.

Rent Supplements: The rent supplement programs provided $19.4 million in revenues and there is a corresponding expense under rent supplement payments as this is a flow through program and CHC receives funding to offset salary and administration costs to deliver this program.

EXPENSES

Administration: CHC incurred $3.1 million in administration costs for the year ended December 31, 2017. These costs, excluding the direct charges to certain portfolios, are allocated based on the number of units in each portfolio.

Maintenance: Maintenance expenses were $19.7 million for the year ended December 31, 2017. Actual maintenance expenses were lower than budget due to the roll-over of certain grants to be utilized in 2018. The actual maintenance expenses for certain portfolios are dependent on the level of funding provided and do not reflect maintenance requirements. Maintenance is prioritized as follows: life safety; structural integrity; necessary repairs / legislative requirement; energy efficiency; and marketability.

SURPLUS

CHC reported a surplus of $3.8 million after returning $0.3 million to The City from the operation of The City's mixed-income portfolios, and after retaining $0.6 million surplus from The City's mixed-income portfolios to utilize on suite modifications and a fire pump replacement in The City's social housing units in the following year. The CHC surplus was significantly higher than the prior year mostly due to the recognition of restricted funds used from CHC's deferred capital contributions.

Capital Expenditures

Overall, 2017 actual capital expenditures were $5.9 million lower than the budget of $6.8 million mostly due to the rollover of the East Village place acquisition grant to be used in 2018 and 2019, as well as the delayed spending in the IT section as the Enterprise System Solution (ESS) implementation was delayed to 2018 and 2019.

1.3. Key 2018 Initiatives / Strategies

CHC's Strategic Plan was extended by two years at CHC's Annual General Meeting in June 2018 and is now in place until 2022. A summary of CHC's key priorities and objectives as well as specific 2018 initiatives are identified as follows:

Priority I: Deliver Quality Service to Clients

Objective 1: Take a 'Client-Centric' approach to Service Delivery
Objective 2: Build Positive Working Relationship among Staff and Clients
Objective 3: Foster Opportunities that Contribute to Well-Being and Independence for Individual Clients as well as Community Well-Being

Priority I 2018 Initiatives:

CHC partnered with the City on two collaborations which brought summer programming to children living at CHC. One was in partnership with Mount Royal University and Recreation to identify barriers to recreation participation and the second was about inspiring creative and imaginative play in youth with Calgary Neighborhoods, Recreation and Parks. Over the course of the spring and summer, approximately 670 children between the ages of 6 and 17, had access to the programming on-site.

Customer Service Representatives from Calgary Housing Company were nominated for providing exceptional customer service to low income Calgarians at Calgary Residential Rental Association Awards.

Priority II: Increase Financial Sustainability Including the Optimization of Assets

Objective 1: Develop and Implement an Asset Management Program
Objective 2: Implement Initiatives to Increase Financial Sustainability

Priority II 2018 Initiatives:

The Sustainability project results and conclusions was completed and presented to the Board. A Portfolio Review Committee (PRC) was created to ensure financial viability of CHC operations while balancing social mandate to provide affordable housing that meets the needs of low and moderate income Calgarians. The terms of reference have been completed and transition of the Sustainability project to the PRC has begun.

A Notice of Motion was passed by City Council to grant a municipal tax exemption for 2018 – saving CHC approximately $1.3M. In addition, a survey was developed for the CHC Board to determine the level of risk that should be used in the development of the financial investment policy. Two separate investment policies are being developed for the CHC Board and Administration. CHC also completed report of CHC's current energy consumption and rates and recommendations were presented to the Management Team.

Unit Condition Standards have been established and are being utilized when units are turned over.

Priority III: Strengthen Relationships with Key Stakeholders

Objective 1: Work with Government and Stakeholders to Increase Awareness and Support for a More Sustainable Affordable Housing Delivery Model
Objective 2: Enhance Working Relationships with The City and Province to Create Synergies and Clarify CHC's Role & Governance

Priority III 2018 Initiatives:

CHC has launched an internal taskforce to help transform social housing in Calgary to capitalize on the momentum generated through the National Housing Strategy; the Provincial Affordable Housing Strategy and The City's Corporate Affordable Housing Strategy.

Budget awareness and advocacy efforts resulted in an increase of $6M to CHC's base operating budget, plus additional one-time funding grants to close the remaining gap.

Priority IV: Strive for Organizational Excellence

Objective 1: Increase Organizational Efficiency and Effectiveness
Objective 2: Develop CHC as a Leading Affordable Housing Provider
Objective 3: Build a Positive Organizational Culture that Engages Employees

Priority IV 2018 Initiatives:

CHC was chosen to be the Alberta Public Housing Administrator's Association (APHAA) representative on the Province's policy and legislation working group to inform the implementation of actions related to the Provincial Housing Strategy, such as the Province's new tenant dispute resolution process, and tenant support worker research.

Processes related to complaints and inquiries through escalation have been reviewed for gaps and opportunities. Interim processes are being piloted while the Customer Service policy is developed.

CHC Management Team identified key positions where succession plans are at highest risk, in order to assess candidates for development.

2. Report on CHC's key operating and strategic risks including trends and risk management plans and processes

On 2011 May 27, The CHC Board of Directors approved the adoption of The City's Integrated Risk Management (IRM) Policy as a model for use by CHC, and directed Administration to annually inform the Board through the ARM Committee regarding CHC's current risk status of the Company. The IRM framework enhances CHC's ability to proactively manage risk and make well informed decisions. Currently CHC is in its seventh year of reporting on IRM. The following section discusses CHC's key operating and strategic risks, recent trends, and risk mitigation strategies.

Funding uncertainty

This risk is currently ranked **high** in both likelihood and impact and has stayed unchanged in ranking from the prior year. This particular risk primarily affects portfolios funded by federal and provincial operating subsidies where funding levels have been insufficient to meet inflationary increases and maintenance requirements. CHC's highest priority is the safety, security, and wellbeing of tenants living in the affected buildings. For 2018, CHC requested $22 million in operating funding which covers both the Provincial and City-owned social housing portfolios and $6 million in capital funding. This funding was required to meet health and safety standards under the *Residential Tenancies Act*.

The Government of Alberta responded to CHC's request by providing $18 million in operating funding, an increase of $6 million over the previous year. It also committed to two one-time grants for the Municipally owned social housing portfolio. In addition, CHC received $4.7 million in capital funding commitments. This funding only begins to address the 10-year capital investment requirement for all provincially funded portfolios currently estimated at a total close to $150 million for all social housing combined.

CHC continues to advocate for stable provincial funding, a commitment for an asset management plan and long-term capital to address the 10-year investment requirement for the portfolios. Annual capital funding on a long-term basis is required to bring the entire City-owned social housing portfolio to an adequate condition and mitigate this risk, particularly because the assets will eventually return to The City once the funding agreements expire.

Vacancy Risk and Rent Revenue

This risk is rated **high** in both likelihood and impact. This risk has stayed unchanged from the prior year largely due to a fragile economic recovery and market conditions. Rent revenue has been adversely affected by higher vacancy rates in the low-end-of-market (LEM) segment and lower rent rates from rent-geared-to-income (RGI) tenants in the social housing portfolios due to falling incomes during the economic downturn. To mitigate this risk, CHC developed a vacancy strategy and explored opportunities for commercial revenue. These initiatives have proven successful in improving the average vacancy rate in low-end of market units from 13.3% in January 2017 to 7.0% in December 2017. The affordable segment has had a smaller reduction going from 7.8% in January 2017 to 2.9% in December 2017.

Reserve Funds

This risk is rated **high** in both likelihood and impact. Action is being taken through CHC's Sustainability strategy and optimization of net income initiative to identify reserve requirements. In 2018 CHC is focusing on drafting a reserve strategy with expected reserve policy and reserve terms of reference to be developed in 2019. This strategy will set up a structure and priority model which will guide and establish reserves at CHC.

Condition of Third Party Owned Assets

This risk is rated **high** in both likelihood and impact. Asset condition risk affects mainly the heavily subsidized portfolios, such as social housing. CHC is required to meet minimum health and safety standards under the *Residential Tenancies Act*. As the CHC-managed portfolios age, life cycle maintenance needs to be appropriately identified, funded and implemented or there will be an increased risk of service levels not being met or the lifespan of the housing stock being reduced. As well, construction methods and materials incorporated in older housing stock can represent an environmental safety or health risk if inappropriately managed. CHC's mitigation strategies include: advocating for the establishment of an asset management program for third party owned assets; and establishing a long-term viable operating model for CHC to continue managing provincially owned properties under the legislative framework.

In 2018, CHC completed building condition assessments on the majority of City-owned social housing as part of a strategic asset management program. CHC has also made progress in unit improvements to bring units up to standard in the City-owned social housing portfolio funded by the grants provided by the City and the Province. In addition CHC has completed unit improvements in the provincially-owned social housing portfolio in order to re-open the units that were closed in 2017. Furthermore, CHC has engaged with the Province to review the expiring social housing operating agreements on municipally-owned properties and discuss changes to the social housing operating model. CHC was able to negotiate with the Province a $6M increase in the based operating budget for the social housing portfolios.

For further details on CHC's operating and strategic risks, refer to Attachment 4 of this report which outlines risks identified and presented to CHC's Board of Directors in 2018 June.

3. Analysis of the top three risks that in CHC's opinion would impact the City of Calgary and/or be of concern to the City's Audit Committee

Attachment 4 of this report provides an overview of the principal risks that could affect the achievement of CHC strategic priorities and plans. The highest identified risks that may affect CHC and therefore the City of Calgary as shareholder are: funding uncertainty, rent revenue, reserve funds and third party owned assets managed by CHC as noted above.

For further details on the top risks, refer to Attachment 4 of this report.

4. Report on internal controls including information technology and systems

On September 19, 2016, ARM Committee approved CHC's adoption of the *Committee of Sponsoring Organizations (COSO) of the Treadway Commission: Integrated Framework* to guide future internal control environment assessment and reporting. This included an implementation process and schedule to conduct a self-assessment of the current internal control environment at the entity level of CHC.

The *COSO Internal Control – Integrated Framework* is the most widely used framework for Sarbanes-Oxley Act (SOX) compliance and is the model of choice in many North American jurisdictions, including Canada. It is also currently used by The City of Calgary and the Calgary Parking Authority.

In 2017, CHC used the COSO 2013 framework to perform an evaluation of existing controls and their effectiveness. CHC division Managers and the President self-assessed whether the internal controls they are accountable for were present and functioning. Based on their best judgement, CHC Administration evaluated internal controls, within each of the 17 principles set by the COSO framework, and determined that the controls were present, functioning and working together among the principles. As part of the detailed assessment, CHC Administration also evaluated specifically whether the organization selects and develops general controls over technology and determined that the controls in this area are present and functioning. CHC Administration's conclusion is that the overall system of internal controls is effective. The conclusion is based on the professional experience and judgement of the Administration.

Some opportunities for improvement were identified at the individual internal control level. These individual opportunities for improvement do not impact the overall effectiveness of the system of internal controls. CHC Management team is committed to ongoing continuous improvement of internal control processes and recommends appropriate resources be assigned as required. The Internal controls self-assessment report was approved by the CHC Board of Directors on December 15, 2017 and the major findings of the report were shared with City Audit committee on December 14, 2017.

For further details on CHC's internal controls evaluation process, refer to Attachment 5 of this report.

5. **Most recent management report including management responses as appropriate**

   Deloitte LLP completed the external audit of CHC's 2017 financial statements and issued an unqualified audit opinion. In addition, there were:
   - One uncorrected misstatement in the course of the audit
   - No corrected misstatements in the course of the audit
   - No unadjusted disclosure deficiencies
   - No significant deficiencies in internal controls were identified

   For further details on CHC's financial report, audit plan and audit report, refer to Attachments 6, 7 and 8 of this report. The management report including responses by CHC management can be found on p.10 to p.12 of Attachment 7.

6. **Audit Committee 2018 Work Plan**
   CHC's Audit and Risk Management committee reviews its Terms of Reference each year. The ARM Committee's Terms of Reference outline the committee's membership, calendar and meetings, mandate, duties and responsibilities, resources needed, accountability, accessibility, communication, decision powers, and evaluation. For the complete 2018 Audit and Risk Management Committee terms of reference and workplan, refer to Attachment 9 of this report.

Stakeholder Engagement, Research and Communication
This report was drafted with input from ARM Committee and the Board of Directors. The financial statements were audited by Deloitte LLP.

Strategic Alignment
This report aligns with CHC's 2016 – 2022 Strategic Plan by enhancing its relationship with The City and clarifying CHC's role and governance. This report aligns with the City Audit Committee's governance responsibility to receive annual reports on matters of audit governance, including the CHC's most recent annual financial statements.

Social, Environmental, Economic (External)
This report has no social, environmental or economic implications.

Financial Capacity
Current and Future Operating Budget:
This report has no current or future operating budget implications.

Current and Future Capital Budget:
This report has no current or future capital budget implications.

Calgary Housing Company 2017 Annual Report

Risk Assessment
CHC uses The City's Integrated Risk Management Policy and Framework as a model to report annual to its Board of Directors. Attachment 4 provides additional detail on CHC's risk reporting.

REASON FOR RECOMMENDATION:
This report responds to the City Audit Committee reporting requirement and is intended for information only.

ATTACHMENTS

1. CHC Annual Report to City Audit Committee presentation from September 18, 2018
2. CHC Summary of Governance Structure, Succession Planning and Recruitment Process
3. CHC Audit & Risk Management Committee Members Qualifications and Experience
4. CHC 2018 Analysis of Key Operating and Strategic Risks Impacting the City of Calgary
5. CHC Internal Controls Assessment
6. Deloitte 2017 Service Audit Plan
7. Deloitte 2017 Year End Communication
8. CHC 2017 Financial Statements
9. CHC ARM Committee Workplan

Calgary Housing Company

2017 Annual Report to City Audit Committee

Tuesday, September 18, 2018

Agenda

- Overview
- Governance structure
- Key 2018 strategic initiatives
- 2018 Risk report
- External Audit Report
- 2018 Financial highlights

Home is what we do.

Louise Station
resident Lana

Calgary Housing Company

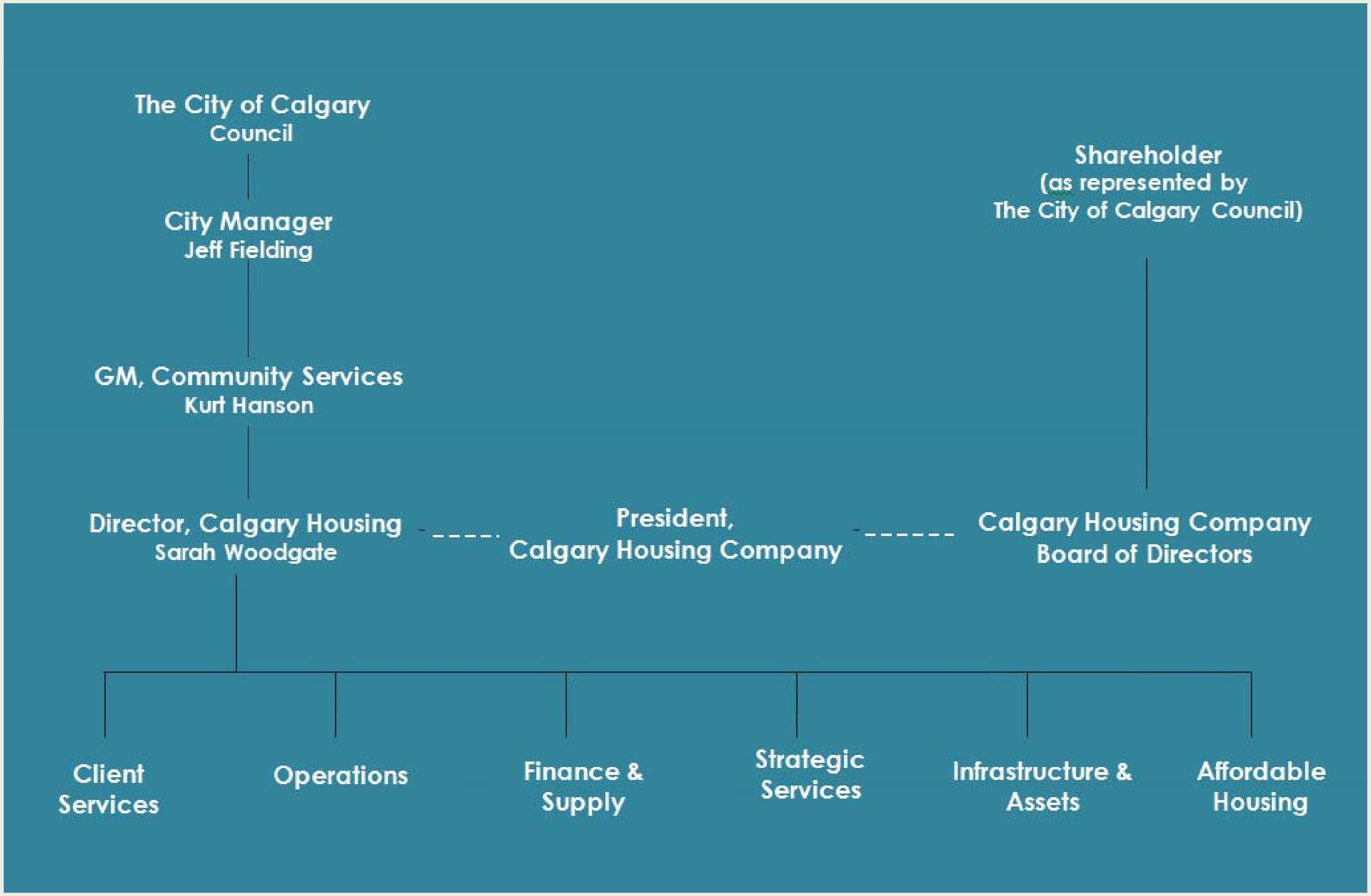
CHC by the numbers

25,000

Housing Tenants

1,100 Seniors	**14,000** Adults
6,700 Children 6-17	**2,600** Pre-School Children

CHC Governance Structure



Calgary Housing Company

CHC Board Composition

- Minimum 2 Council members
- Director of Calgary Neighborhoods
- City Treasurer
- 6-8 citizen representatives

CHC's 2016 – 2022 strategic priorities

Deliver quality customer service

Increase financial sustainability including the optimization of assets

Strengthen relationships with key stakeholders

Strive for organizational excellence

Integrated Risk Management Top Rated Risks

Risk	Trending	Likelihood	Impact
Funding uncertainty	→	●	●
Vacancy and Rent Revenue	→	●	●
Reserve Funds	→	●	●
Condition of Third Party Owned Assets	→	●	●

Calgary Housing Company

External Audit Report

Deloitte LLP completed the audit of the 2017 financial statements and issued an unqualified audit opinion

- One uncorrected misstatement in the course of the audit
- No corrected misstatements in the course of the audit
- No disclosure deficiencies identified
- No significant deficiencies in internal control were identified

Calgary Housing Company

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION
(Expressed in Thousands of Dollars)

As at December 31, 2017

	2017	2016
Financial Assets		
Cash *(Note 3)*	$ 34,183	$ 28,896
Receivables		
Rent and others	680	634
Government	3,387	2,353
	37,722	31,883
Liabilities		
Accounts payable and accrued liabilities	8,804	6,188
Unearned tenant rent revenue	1,647	1,670
Deferred funding *(Note 3)*	10,405	8,480
Payable to government	899	1,662
Rent supplement advance *(Note 4)*	4,255	4,255
Tenants' security deposits	1,067	1,089
Mortgage payable *(Note 5)*	12,601	16,476
Employee benefit obligation *(Note 6)*	2,041	1,813
	41,191	41,633
NET DEBT	(3,469)	(9,750)
Non-Financial Assets		
Tangible capital assets *(Note 7)*	99,678	102,181
Prepaid expenses	133	121
	99,811	102,302
ACCUMULATED SURPLUS *(Note 10)*	$ 96,342	$ 92,552

Cash	**2017**	**2016**
Restricted	27,719	25,512
Unrestricted	6,464	3,384
Total	34,183	28,896

Mortgage Payable	12,601	16,476

Tangible Capital Assets	99,678	102,181

Statement of Operations

STATEMENT OF OPERATIONS
For the Provincial Fixed Subsidy Portfolio

For the year ended December 31, 2017

	BUDGET	2017	2016
REVENUE			
Rent revenue	$ 50,654	**$ 47,951**	$ 48,040
Government transfers			
Shared cost agreements	13,806	**13,893**	13,938
Restricted funds (Note 11)	9,225	**6,439**	5,589
Debt interest rebate	311	**237**	239
Rent supplement funding	19,200	**19,435**	18,817
Interest income	344	**456**	318
Insurance recoveries *(Note 12)*	-	**423**	893
Miscellaneous	1,262	**1,393**	1,190
	94,802	**90,227**	89,024
EXPENSES			
Administration	3,261	**3,052**	2,662
Salaries and benefits	20,381	**18,781**	17,115
Amortization of tangible capital assets	3,453	**3,030**	3,086
Debt servicing	469	**454**	518
Maintenance	20,024	**19,650**	16,022
Property operations	9,773	**8,406**	8,752
Rent supplement	18,171	**18,603**	18,250
Taxes and leases	3,444	**1,975**	3,278
Utilities	11,500	**10,689**	9,500
Insurance *(Note 12)*	-	**293**	402
Restricted funds expenditures	-	**249**	153
	90,476	**85,182**	79,738
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	4,326	**5,045**	9,286
OTHER ITEMS			
Return to The City of Calgary	(242)	**(339)**	(2,054)
City of Calgary surplus retained	(410)	**(570)**	-
Loss on asset disposal *(Note 7)*	-	**(346)**	(55)
	(652)	**(1,255)**	(2,109)
SURPLUS	$ 3,674	**$ 3,790**	$ 7,177

	Budget	2017	2016
Rent Revenue	50,654	47,951	48,040
Shared cost agreements	13,806	13,893	13,938
Salaries and benefits	20,381	18,781	17,115
Maintenance	20,024	19,650	16,022
Taxes and leases	3,444	1,975	3,278
Utilities	11,500	10,689	9,500
Return to The City (City owned, CHC managed portfolios)	(242)	(339)	(2,054)

Capital Expenditures

	2017 Budget	2017 Actual	2016 Actual
Calhome Owned Assets			
Building Acquisition	$0	$0	$11,541
Building betterments	4,997	768	1,320
IT	1,519	0	0
Other	287	150	138
	$6,803	**$ 918**	**$ 12,999**
Provincially Owned Assets			
Building betterments		$4,441	

Calgary Housing Company

Thank You!

Calgary Housing Company

CHC Summary of Governance Structure, Succession Planning and Recruitment Process

Calgary Housing Company is a wholly-owned subsidiary of The City of Calgary. In the spring of 2015, Calgary Housing became a business unit within Community Services department. CHC's Board composition is as follows:

Composition:	Up to 3 Members of Council
	6 to 8 Citizen Representatives
	1 Director, Calgary Neighbourhoods
	1 City Treasurer

CHC has four committees each having a specific mandate and oversight responsibility.

AUDIT AND RISK MANAGEMENT COMMITTEE

MANDATE

To assist the Board in fulfilling its oversight responsibilities by reviewing financial information that will be provided to the shareholder and to the public, the systems of internal controls that the President and the Corporate Finance & Risk Officer (CFRO) have established, and the audit process.

To oversee the development, implementation and monitoring of appropriate corporate risk strategies relative to legislative compliance, legal/statutory and business requirements.

The committee will undertake the following activities in relation to the external audit:

- Provide an open avenue of communication between the auditor and the Board;
- Review the external audit plan prior to commencement of the audit;
- Consider and review with the President, the CFRO and the auditor:
  - The adequacy of the Corporation's internal controls including computerized information system controls and security;
  - Management letters and any related significant findings and recommendations of the auditor together with the President and CFRO responses.
- Review with the President, the CFRO and the auditor at the completion of the annual examination:
  - The Corporation's annual financial statements;
  - Any changes in accounting policies and practices, and compliance with accounting standards;
  - Major judgmental areas;

  - Significant adjustments arising from the audit;
  - The findings of the auditor's audit of the financial statements and their report;
  - Any significant changes to the audit plan;
  - Any other matters related to the conduct of the audit that are to be communicated to the Committee under public sector accounting standards.

- Review other published documents and consider whether the information contained in them is consistent with the information contained in the annual financial statements;
- Meet separately with the President, the CFRO, and the auditor as required to discuss any matters that the Committee or these groups believe should be discussed privately.

The committee will undertake the following activities with regards to financial statements and other financial information

- Review and recommend to the Board for approval the annual Operating and Capital budgets of the Corporation;
- Ensure that the annual Operating and Capital budgets of the Corporation support the approved Business Plan of the Corporation;
- Review, approve and provide to the Board the quarterly financial statements of the Corporation;
- Review and recommend to the Board for approval the annual audited Financial Statements and other financial information that will be provided to the Shareholder;
- Review and recommend to the Board for approval the four-year Financial Forecast (on cycle).

The committee will undertake the following activities in relation to risk management:

- To develop, implement and monitor a risk management framework for CHC;
- Inquire of the President, the CFRO, and the auditor (where necessary) about significant risks or exposures and assess the steps the President and CFRO have taken to minimize such risk;
- Require that the President and the CFRO provide appropriate assurances of compliance addressed to the Committee outlining their activities to ensure compliance with key regulatory requirements and internal control practices.

CHC Summary of Governance Structure, Succession Planning and Recruitment Process

GOVERNMENT RELATIONS TASK FORCE

MANDATE

- Seeks to develop appropriate external relationships with the major stakeholders of Calgary Housing Company, including the federal, provincial and municipal governments;
- Establishes the strategic goals for maintaining and advancing Calgary Housing Company's relationships with the three orders of government; and
- Establishes the strategic goals that guide Calgary Housing Company's advocacy and government relations activity.

DEVELOPMENT AND ASSET MANAGEMENT COMMITTEE

MANDATE

- Guides the creation of Calgary Housing Real Estate Strategy;
- Reviews and approves the Asset Management Plans; and
- Reviews and approves properties to be acquired, disposed of, or re-developed.

GOVERNANCE COMMITTEE

MANDATE

- Reviews the roles of the directors and officers of the corporation and their accountability to the Board;
- Reviews and recommends changes to ensure ongoing good governance practices;
- Develops and monitors Board development plans including educational and informational opportunities for the Board;
- Develops the succession plan for future Board appointments and ensures through appropriate Board activities that the Board operates in a harmonious fashion; and
- Responsible for governance documents and setting agenda for AGM and annual strategic planning retreat.

CHC Summary of Governance Structure, Succession Planning and Recruitment Process

SUCCESSION PLANNING AND RECRUITMENT PROCESS

Succession planning and recruitment is led by the Board's Governance Committee. The process responds to the number and type of vacancies becoming open.

PROCESS FOR RECRUITMENT OF TENANT, CITIZEN AND OTHER REPRESENTATIVES

When recruiting for citizen representatives or multiple positions, the following process is used:

- Complete a skills matrix to identify gaps in skills/qualifications required;
- Determine the selection panel and whether an external recruitment consultant is required;
- Develop the tools and timelines (posting, selection criteria, interview questions, etc.);
- Publicize the opportunity;
- Vet the applications and conduct interview; and
- Bring forward a slate of recommendations at the Annual Shareholder Meeting.

CHC Audit and Risk Management Committee Members' Qualifications and Experience

Mr. Peter Cheung, CPA, CA (Chair)

Mr. Cheung is an experienced financial executive. Mr. Cheung is currently the chief financial officer of a private company. He was the Chief Financial Officer and Corporate Secretary of Ceiba Energy Services Inc., a publicly traded energy service company, from June 2014 to August 2017. Prior to that, he was Chief Financial Officer and Vice President, Finance of Petrobank Energy & Resources Ltd., a publicly traded oil and gas company, for three years. Mr. Cheung's professional experience includes receiving his Chartered Accountant designation with Collins Barrow Chartered Accountants, investment banking at RBC Capital Markets (RBC Royal Bank) and Treasurer at Pengrowth Energy and Compton Petroleum. Mr. Cheung has also held the position of Audit Chair in several public and non-profit organizations. Mr. Cheung received his Bachelor of Commerce with Distinction from the University of Calgary and holds CA and CA-F (Chartered Accountant - Finance specialization) designations from the Institute of Chartered Accountants of Alberta.

Ms. Carla Male, CPA, CA

Ms. Male is the City Treasurer/Director of Finance for The City of Calgary. In her current role, she is responsible for the Finance functions including multi-year budgeting, reporting, treasury, taxation and customer services, regulatory affairs, long-term financial strategy, policy and advisory support to the various City business units. She serves on numerous committees within The City. Ms. Male's professional experience includes receiving her Chartered Accountant designation with KPMG, and working with a number of non-profit and governmental organizations, including the Calgary Board of Education. She earned a Bachelor of Commerce degree from the University of Calgary and is also a fellow of Community Shift. Ms. Male has also served on the board of several non-profit organizations. She is currently the Vice-Chair of the Audit Committee of Girl Guides of Canada – Guides du Canada.

Mr. Murray Tait

Mr. Tait is recently retired, and has over 25 years experience in commercial property matters, including financial and legal aspects of commercial property operation, development, acquisition and financing. In his last role, he was Executive Vice-President of a private company that owned approximately 2 million square feet of retail and office space in Alberta and Saskatchewan. He has a Bachelor of Commerce degree and an LL.B, both from the University of Alberta.

CHC Audit Committee Report to
City Audit Committee
2018 September 18

Calgary Housing Company – 2018 Analysis of Key Operating and Strategic Risks Impacting the City of Calgary

BACKGROUND

On 2011 May 27, The CHC Board of Directors approved the adoption of the City's Integrated Risk Management (IRM) Policy as a model for use by CHC, and directed CHC administration to annually inform the Board through the Audit and Risk Management (ARM) Committee regarding the current risk status of the company.

Since the approval by the Board of Directors and implementation of the City's IRM Model, CHC administration has taken the necessary steps to implement and sustain the IRM Model. Administration has provided annual risk reports in each year following the original adoption of The City's IRM model.

PURPOSE AND METHODOLOGY

Administration is committed to the ongoing improvement of the IRM framework and process, thus it continues to actively:

Increase staff awareness and understanding of risks and the IRM model.
Engage all senior managers in the review and in-depth analysis of identified risks (see attachments for detailed analysis).
Develop detailed mitigation/action plans with timelines in addition to an overall mitigation plan for all risks determined to be highest (in terms of both likelihood and impact).

In preparation of this report, Administration's Corporate Management Team (CMT) met on several occasions and evaluated all current identified risks to achieving the business plan goals as part of the CHC Strategic Plan. Based on the professional experience and judgement of Administration, risks to the corporation were discussed and rated in terms of likelihood of occurrence in year 2018 and the significance of their impact on the operational status of CHC. The highest likelihood and highest impact rated risks are continually being monitored and have detailed risk mitigation action plans in place.

The principal risks to CHC and details of the mitigation strategies carried out by Administration to prepare for their impact and likelihood of occurrence are outlined in the explained in CHC Risk Analysis. The highest identified risks relate to vacancy rates and rent revenue, reserve funds, uncertainty of funding sources and third party owned assets managed by CHC.

STAKEHOLDER ENGAGEMENT AND STRATEGIC ALIGNMENT

Administration continues to engage senior management staff on the IRM model and regularly monitors its risks. Administration supports a corporate philosophy and culture that encourages all staff to manage risks proactively and communicate openly about risk. All CHC staff actively report and manage operational risk in their work plans. The Integrated Risk Management report is presented annually to the Board for information.

Annual reporting of the CHC Integrated Risk Management report to the CHC Board of Directors is in alignment with CHC's Strategic Priority to Strive for Organizational Excellence, through the review and evaluation of integrated risks in supporting decision making to meet the company's objective of increasing organizational efficiency and effectiveness. This report is also in alignment with both the City of Calgary and CHC's IRM policies through the consistent identification, analysis and communication of integrated risks within the existing business environment at CHC. The following heat map and trend analysis summarize and analyze CHC's key operating and strategic risks which are also the risks that may impact the City of Calgary. Management's mitigation strategies are also part of the analysis.

Likelihood

Low	Medium	High	Impact
Operating Agreements		Vacancy Rates and Rent Revenue Reserve Funds Funding Uncertainty Third Party Owned Assets Managed by CHC	High
Emergency Response Plan Occupational Exposure to Hazards Tenant Security Damage to Brand Data & Information Security	Cost of Externally Sourced Services Continuity of Business Operations CHC Owned Assets Condition Internal Fraud		Medium
Talent Management Enterprise System Solution			Low

Level of Risk	Definition
	The organization is willing to accept and monitor some risks since they have low likelihood of occurrence however with minor consequences.
	The organization recognizes these risks will probably occur and will have moderate consequences. Management will monitor and manage risks by implementing contingency plans to reduce the likelihood and impact of their occurrence.
	The organization recognizes that these risks are top priorities of critical importance to the organization. Management is spending more effort to manage and monitor these risks by implementing risk mitigation strategies to reduce the likelihood and impact of their occurrence.

Analysis of CHC's top 4 Risks

Risk Category	2016 Risk Map	Change	2017 Risk Map	Change	2018 Risk Map	Trend Explanation and Risk Mitigation Summary
Vacancy Risk and Rent Revenue	Likelihood: High Impact: Medium	↑	Likelihood: High Impact: High	→	Likelihood: High Impact: High	• Economic downturn and high unemployment leading to higher vacancy rate in the LEM portfolio. • Current high vacancy rate in Calgary has affected the corporation`s revenue and will likely continue to do so. • The Portfolio Review Committee (PRC) will prioritize a review of operating and financial performance of all buildings. • Development of a leasing strategy and operating model that will identify tools and tactics for mitigating the risk of revenue loss through proactive marketing and leasing, market analysis, operational tactics, processes and performance measures. • Issues, such as break ins, squatters as well as damages going unreported in vacant units affecting other units continue to keep the vacancy risk level steady.
Reserve Funds	Likelihood: Medium Impact: Medium	↑	Likelihood: High Impact: High	→	Likelihood: High Impact: High	• Insufficient operating and capital reserves to support lifecycle needs, replacement of assets or meet emergencies. • Economic situation limiting availability of funding for operating and capital reserves.

Funding Uncertainty	Likelihood: High Impact: High	→	Likelihood: High Impact: High	→	Likelihood: High Impact: High	• CHC does not receive sufficient funding to operate social housing. A funding gap exists between the rent paid by social housing tenants, which is provincially regulated, the current amount off subsidy which CHC receives from the Province, and the actual cost to operate housing to a minimum standard. Significant advocacy efforts for the current period have resulted in increased funding in 2018. However, CHC predicts a shortfall in 2019 and requires sufficient and predictable funding to ensure that the units it manages on behalf of the Government of Alberta.
3rd Party Owned Assets Managed by CHC	Not Applicable	Not Applicable	Likelihood: High Impact: High	→	Likelihood: High Impact: High:	• Current operating agreements do not identify asset management within the scope of CHC contracted services. • Asset condition assessments and capital investment prioritization for third party owned portfolios are not currently in place.

Risk 1

CHC relies on rent revenue from the various properties across its portfolios to support its operational and financial viability. The current economic conditions in the Calgary region have resulted in higher vacancy rates for near-market residential rental properties. The increase of available rental stock, and the reduction in prices has increased choice and shifted the market to a buyer's market. This has increased the risk of revenue loss, primarily in CHC's Low End of Market (LEM) programs. LEM units are marketed to Calgarians who are close to being able to afford current private market rent levels. There is direct loss of revenue as a result of higher vacancies, holding/turnover costs and reduced rents. This has created an increased level of competition within the market for renters.

There are also indirect causes of vacancy that contribute to overall revenue loss, such as:

- Increased costs associated with inspecting vacant units
- Damages that go unreported in vacant units
- Vandalism/theft due to break-ins, squatters, etc.

As of April 9, 2018, the current vacancy rate for LEM units is 4.5% and the vacancy rate for Affordable (AFF) units is 3.5 %. The AFF program is designed for Calgarians able to afford slightly more for rent but who still require rental assistance. These vacancy rates are in line with the rates used for the 2018 budget. However, a significant or prolonged revenue loss would impact CHC's ability to maintain its assets, meet its financial obligations, and continue day-to-day services. CHC is monitoring and reporting on revenue as it relates to these two programs. Although overall economic and market conditions are outside of CHC's control, there are certain mechanisms that remain within CHC's control to respond in order to mitigate revenue loss. A few of these include but are not limited to:

- Assess competitiveness and financial sustainability of buildings within each portfolio (including CHC owned) to inform future decisions on the asset.
- Conduct ongoing market analysis to ensure competitiveness within the market (price, incentives, marketing, etc.).
- Evaluate operating costs to identify opportunities for improvement in the short and long term. These include building maintenance and operating costs as well as costs of operational processes such as unit turnaround times.
- Identify opportunities for partnerships with like-minded agencies that may contribute to sustained revenue through supplements and grants which contribute to revenue but also help to serve people within our mandate.
- Develop a formal, approved leasing and marketing strategy for the LEM program.

Effective January 1, 2018, changes to the Provincial Social Housing Act Regulations came into effect. These changes impacted the prioritization of applicants on the social housing waitlist. The result is that the new point scoring changes for eligibility and prioritization favour a higher proportion of individuals who are on social assistance. Since the rent calculation for social housing is based on a rent geared to income model, this effectively reduces the average rent revenue received by CHC. The impact to revenue has not yet been quantified within 2018, however 2019-2021 budget submissions to the province take into account the projected changes and impact to revenue based on historical turnover and the forecasted rent revenue of new tenants into social housing. Overall, this presents a net reduction in revenue at an anticipated turnover of approximately 20% of social housing clientele annually.

Risk 2

CHC currently has insufficient operating and capital reserves to support projected life cycle maintenance, redevelopment and emergency needs.

A reserve fund is a separate fund or account set up by a company to meet any future expenditures or financial obligations such as repairs and improvements that are both planned and/or unplanned in nature. It is important to have these reserves to meet these expenditures and possibly shield the company from large unmanageable payments that could impact the company's financial viability. The creation, use and management of reserve funds in a formalized financial reserve policy is considered good financial management. It is best practice for companies in Canada and the U.S. and a key component to a corporation's credit rating.

Management Mitigation Strategy

- Through the completion of Phase 1 and 2 of the Sustainability Project, CHC has become more aware of actual reserve requirements. Phase 3 of the project is currently underway.
- Action is being taken through optimization of net income initiatives to increase revenue and reduce operating expenditures in order to have surpluses that could be contributed to reserves.
- CHC is implementing an Asset Management Program to define what is required in order to correlate with the sources and availability of capital to fund these requirements.
- For the Calhome owned portfolios the Infrastructure & Asset Management group initiated a Building Conditions Assessment (BCA) program. This program assessed building conditions and the anticipated capital and non-recurring funding requirements for individual building components. The completion of the BCAs is anticipated in year 2019. These funding requirements define the required lifecycle reserve. For 2017 and 2018 these lifecycle requirements have been funded by provincial grants, capital funding and City of Calgary capital allocations. A written services offer has been presented to The City and Province for the services of CHC Asset Management division to assist with sustainability plans for respective properties.
- A reserve strategy is in the CHC 2018 work plan with expected reserve policy and reserve terms of reference to be developed in 2019. This strategy will set up a structure and priority model which will guide and establish reserves at CHC.

Risk 3

CHC does not receive sufficient funding to operate social housing. A funding gap exists between the rent paid by social housing tenants, which is provincially regulated, the current amount of subsidy which CHC receives from the Province, and the actual cost to operate housing to a minimum standard. Years of flat-lined funding came to a head in 2017, when CHC closed approximately 250 provincially-owned units due to insufficient maintenance funding.

After significant efforts to build awareness around the issue, CHC received a 2018 budget that will ensure operating viability for the year ahead. A portion of the funding received for 2018 is one-time, and in its entirety, does not address the need for long-term funding certainty. CHC has advised the Province, that in spite of the increase in base operating funding (from $12M to $18M) and the one-time grants, CHC forecasts a shortfall of up to $1.5M for 2019, which could result in the closure of up to 150 provincially-owned units.

CHC requires sufficient and predictable funding to ensure that the units it manages on behalf of the Government of Alberta meet Minimum Housing and Health Standards. Furthermore, the upcoming expiry of operating agreements (where properties will no longer receive any government subsidy), means that CHC requires investment to address the maintenance backlog and to ensure a viable transition to a more financially sustainable operating model.

Management Mitigation Strategy

- CHC will continue the dialogue with stakeholders to build awareness on the issue of obtaining sufficient funding and funding certainty.

- CHC will continue to prepare for the eventuality that the 2019 budget request is unmet. Preparations include:
  - Assessing the legal obligations of all parties within the existing agreements.
  - Attempting to reach a new agreement.
  - Continuing to narrow the gap on the estimated investment backlog through the completion of building condition assessments.
- Providing clear and concise budget requirements for 2019 and beyond.
- Working with the Province to obtain flexibility over regulations that govern rent calculation to pilot a more financially sustainable, mixed income operating model.

CHC is continuing work on the sustainability project which assesses the financial requirements related to operating social housing once the provincial operating agreements expire. The aim is to transition properties to a self-sustaining model.

Risk 4

As the CHC-managed portfolios age, life cycle maintenance needs to be appropriately identified, funded and implemented or there will be an increased risk of service levels not being met or the lifespan of the housing stock being reduced. As well, construction methods and materials incorporated in older housing stock can represent an environmental safety or health risk if inappropriately managed. This can also result in increased financial risk due to energy inefficiency.

Management Mitigation Strategy for Calgary Housing Company Owned Assets

CHC continues to establish an Asset Management Program as described in the “Reserve Fund” risk category. This program defines a process for identifying lifecycle funding requirements for the Calhome owned portfolios. This program will be further supported through the implementation of an Enterprise System Solution (See Risk15: Enterprise System Solution (ESS) Implementation) which will include a database to support the collection of appropriate data leading to improved investment prioritization decision making. A hazardous substance management plan is anticipated to be incorporated into the scope of a new system ESS implementation project being initiated within CHC.

Investments continued to be prioritized over 2017 and 2018, resulting in the improvement in the condition and expected life of CHC owned assets. Investment in building envelope improvement projects have been made to address identified deterioration and reduce the associated risk of unplanned failure at these properties. All code required inspections and investments have been maintained. Integration of the Asset Management Program into the planning, operating, maintenance activities, as well as the Capital renewal program continues to be a priority.

Management Mitigation Strategy for Third Party Owned Assets Managed by Calgary Housing Company

Current operating agreements between Calgary Housing Company (CHC) and The City and Provincial property owners do not identify asset management within the scope of CHC contracted services. This limitation had been identified as a risk to CHC in an audit of the CHC asset management program conducted by The City of Calgary Auditor. This limitation was reported to the Council of The City of Calgary. In 2017, CHC management sent letters identifying this limitation to The City and Provincial stakeholders. The letters included an offer from CHC to partner with the property owners to establish asset management programs on a fee for service basis. This asset management program would then provide a disciplined basis for asset condition assessments and capital investment prioritization based on agreed risk and level of service criteria. The program would define how capital investment decisions would be conducted and the resulting allocation of risk responsibility identified. The City of Calgary has responded by providing funding for conducting Building Condition Assessments on the City-owned properties managed by CHC which are targeted to be completed by Q3, 2019. To date no response has been received from the Province to the asset management proposal.

Calgary Housing Company
Internal Control Environment Self-Assessment Report

BACKGROUND

On September 19, 2016, Calgary Housing Company (CHC) Administration presented through report CHC2016-A09 to the CHC Audit and Risk Management (ARM) Committee, recommended and received approval that CHC adopt the Committee of Sponsoring Organizations (COSO) of the Treadway Commission: Integrated Framework to guide future internal control environment assessment and reporting. This report also included an implementation process and schedule to conduct a self-assessment of current internal control environment at the entity level of CHC.

The implementation of an internal control environment framework, assessing of internal controls effectiveness and reporting is to provide the ARM Committee and CHC Board with an overview of CHC's current internal control environment controls, an assurance that adequate controls are in place and a commitment to ongoing continuous improvement.

Reviewing the effectiveness of internal controls is an essential part of the CHC Board of Directors responsibilities while management is accountable to the Board of Directors for developing, operating and monitoring the system of internal control and providing assurance to the Board that it has done so.

The integrated internal control framework of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission: the COSO Internal Control – Integrated Framework is the most widely used framework for Sarbanes-Oxley Act (SOX) compliance and is the model of choice in many North American jurisdictions, including Canada. It is also currently utilized by The City of Calgary and the Calgary Parking Authority.

Internal control is defined as "a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance." (COSO Internal Control-Integrated Framework)

Internal control is a means by which an organization's resources are directed, monitored, and measured, thus playing an important role in detecting and preventing fraud and protecting the organization's resources, both physical and intangible.

In December 2017, CHC Administration presented the first internal controls self-assessment for the Calgary Housing Company. As there have not been any updates since then, this is an iteration of the report presented in December 2017.

CHC INTERNAL CONTROL ENVIRONMENT SELF-ASSESSMENT INVESTIGATION

Objective:

The objective of the CHC Internal Control Environment Self-Assessment is to identify CHC's existing system of internal controls at the entity level.

Methodology:

The following procedure was performed:

- Engaged senior level management representing each operational division of CHC to identify existing internal controls and their owners
- Conducted one on one interviews with senior management regarding current status of internal controls of CHC at the entity level. This is based on the best management judgement information on the effectiveness of these controls and any further actions planned to improve these controls and mitigate any identified deficiencies. This is a top-down assessment of critical internal environment controls

  Internal Control Evaluation criteria used when completing the 2017 CHC Internal Control Self-Assessment Questionnaires:
  - ✓ Present: Does a control exist (designed & implemented)? Answer: Yes or No
  - ✓ Functioning: Does the control operate as intended to achieve objectives? Answer: Yes or No
  - ✓ Major Deficiency: Management comment if a control exist and is there a major deficiency in the way the control operates to extent that one or more principles is omitted or effectively nonfunctional.
- Reviewed supporting documentation. For example: formal and informal written internal policies, procedures, manuals
- Consolidated the management responses into one assessment report and opportunities for improvement list.

Limitations of the Self-Assessment:

Internal control can be expected to provide only reasonable assurance to management and board of directors of the achievement of CHC's objectives. No system of internal control will always do what it is designed to do or provide absolute assurance for any of the objective categories. While there are internal control limitations, management must be aware of these when selecting, developing and deploying controls that can practically minimize these limitations.

Types of limitations to internal control are:

- Preconditions of Internal Control such as weak governance
- Flawed human judgment in decision making
- External events outside the organization's control
- Breakdowns due to human errors
- Management can override the system of internal control
- Circumvent controls through collusion by staff

Resources:

The project is supported with resources provided internally by CHC pending availability and direction for CHCMT and ARM Committee.

Testing of Internal Controls:

This project is a review of the entity level internal controls at CHC. No testing was performed at the operational or functional level. CHC is currently, through the implementation of the Enterprise System Solution (ESS) is undergoing a systems, processes and procedures review in all areas of the organizations as it is preparing to transition to new technology in 2018. As such, further scoping of work of a consultant resource to test CHC internal controls could be reviewed in the next phase as instructed by the ARM committee and CHCMT.

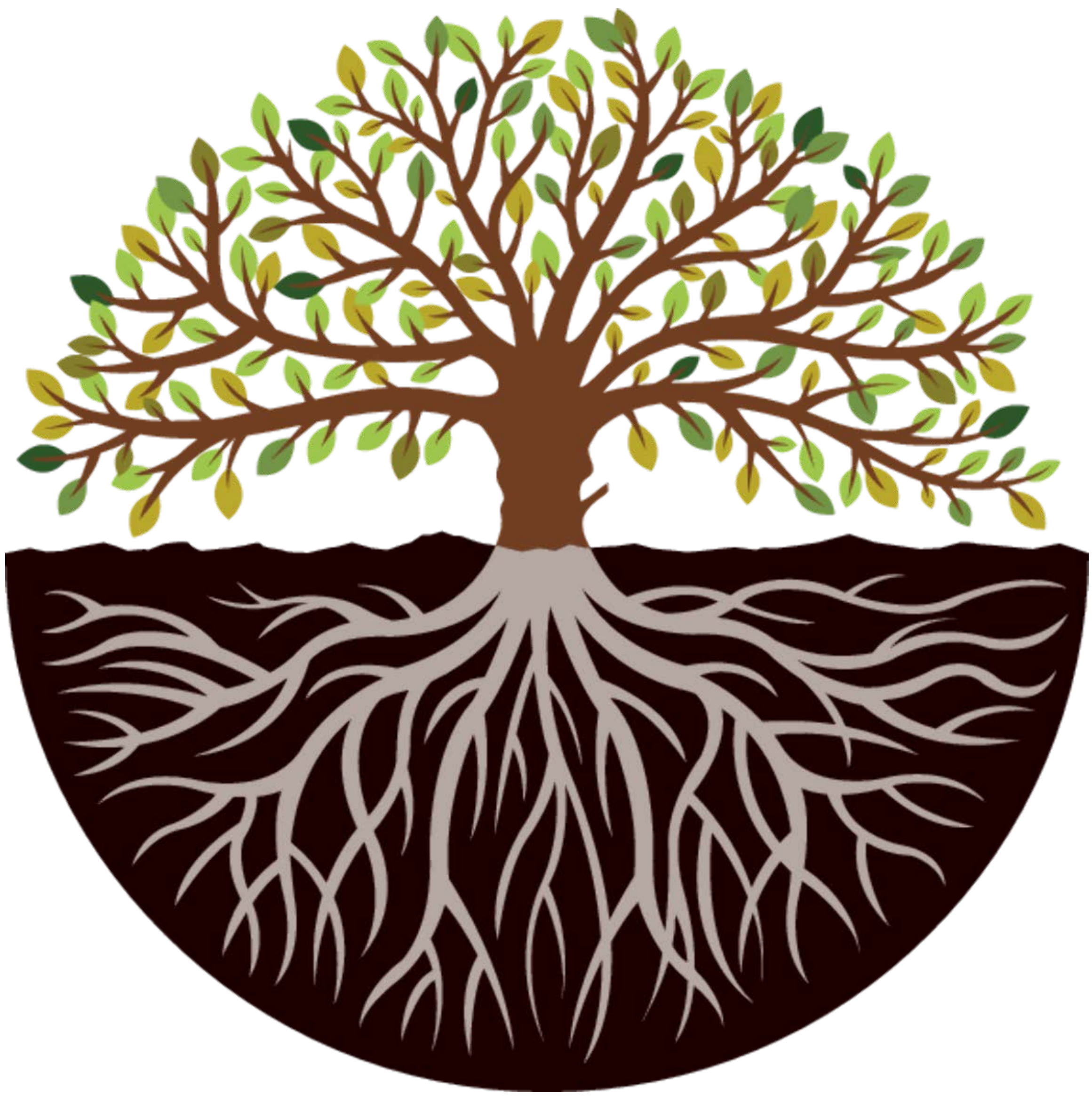
INTERNAL CONTROL FRAMEWORK RECOMMENDATION

Based on the assessment, CHC Administration's conclusion and recommendation is that the overall system of internal controls is effective. The conclusion is based on the professional experience and judgement of the Administration. CHC division managers and the President self-assessed whether the internal controls they are accountable for are present and functioning.

Some opportunities for improvement were identified at the individual internal control level. These individual opportunities for improvement do not impact the overall effectiveness of the system of internal controls. CHC Management team is committed to ongoing continuous improvement of internal control processes and recommends appropriate resources be assigned as required.

ISC: UNRESTRICTED
AC2018-0597
ATTACHMENT 6

Deloitte.



Calhome Properties Ltd.
2017 Audit service plan

For the year ending December 31, 2017
Presented to the Audit and Risk Management Committee
November 17, 2017

Deloitte.

Deloitte LLP
700, 850 - 2 Street SW
Calgary, AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 587-774-5379
www.deloitte.ca

November 9, 2017

To the Audit and Risk Management Committee of
Calhome Properties Ltd.

2017 Audit service plan

Dear Audit and Risk Management Committee members:

We are pleased to provide you with our audit service plan for Calhome Properties Ltd. (Operating as Calgary Housing Company) ("Calhome") for the year ending December 31, 2017. This document describes the key features of our plan including our audit scope and approach, our planned communications with you and an estimate of our fees.

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of specialists. Our professionals will continue providing you with best practices and insights to face the increasingly complex array of issues and challenges encountered by organizations like Calhome.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

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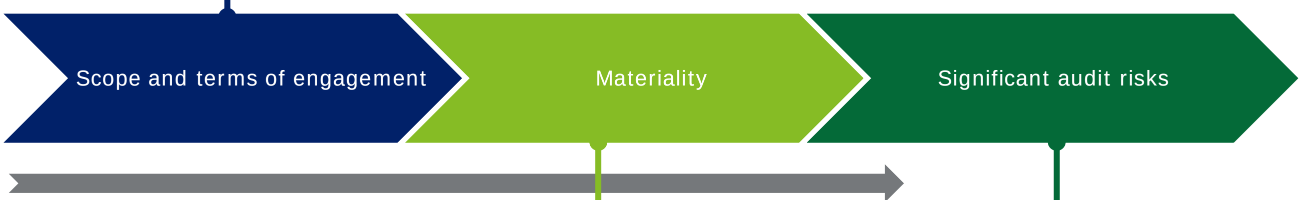
ATTACHMENT 6

Our audit explained

Audit scope and terms of engagement

We have been asked to perform an audit of Calhome's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ending December 31, 2017. Our audit will be conducted in accordance with Canadian generally accepted auditing standards ("GAAS").

The terms and conditions of our engagement are described in the draft engagement letter, which is included in Appendix 5. Our engagement letter should be signed on behalf of the Audit and Risk Management Committee and management.



Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of budgeted operating expenditures. Our preliminary estimate of materiality for the year ending December 31, 2017 has been set at $2,600,000 (2016, $2,400,000).

We will inform the Audit and Risk Management Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will ask that any misstatements be corrected.

Significant audit risks

Through our preliminary risk assessment process, we have identified the significant audit risks. These risks of material misstatement and related audit responses are discussed in the Significant audit risks section of this report.

Fraud risk

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Asking those involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
5. Evaluating whether the judgements and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Audit and Risk Management Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting Calhome and their role in the oversight of management's antifraud programs.

If we suspect fraud involving management, we will immediately inform the Audit and Risk Management Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

Complete engagement reporting

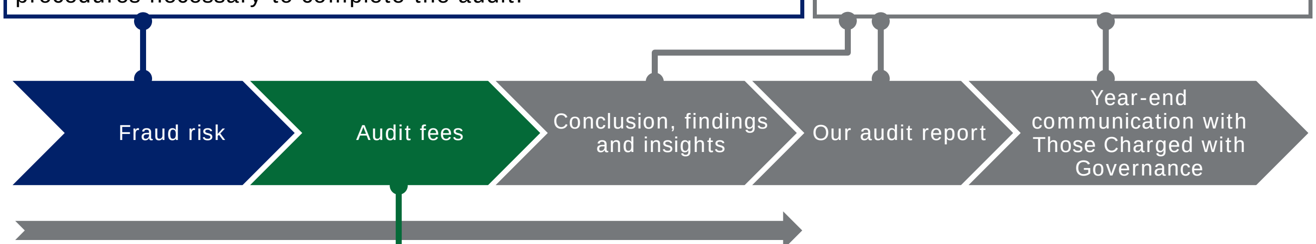
Audit reporting

Under Canadian GAAS, we are required to communicate certain matters to the Audit and Risk Management Committee. The primary reports and formal communications through which we will address these matters are:

- This Audit Service Plan;
- Year End Communication; and
- Our Auditor's Report on the financial statements.

Business Insights

We will provide you with insights into the condition of your business and offer meaningful suggestions for improvement, if applicable.



Audit fees

We propose audit fees of $76,500 (2016 $74,620).

In addition to conducting the 2017 audit of the financial statements we will also perform specified procedures relating to special government reports. The fee associated with these reports will be $3,500 per report (2016, $3,400 per report).

These fees exclude the 7% administration fee and GST.

Significant audit risks

During our risk assessment, we identified some significant audit risks that will require special audit consideration. These risks, together with our planned responses, are described below.

Revenue recognition

Audit risk

Assurance standards include the presumption of a fraud risk involving improper revenue recognition.

There may be a risk of material misstatement relating to the occurrence and cut off of the following revenue streams: rent revenue, shared cost agreements and rent supplement.

Our proposed audit response

- We will perform substantive testing of revenue transactions to ensure that occurrence and cut-off have been appropriately accounted for the year ended December 31, 2017.
- We will make inquiries of management and test control activities involving management's process for accounting for revenue transactions and determining when the revenue recognition criteria have been met.

Management override of controls

Audit risk

Assurance standards include the presumption of a significant risk of management override of controls.

Management may be in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively.

Our proposed audit response

- We will engage in periodic fraud discussions with certain members of senior management and others within Calhome's Audit and Risk Management Committee.
- We will consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- We will evaluate the business rationale for any significant unusual transactions.
- We will evaluate Calhome's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.
- We will test journal entries that exhibit characteristics of possible management override of controls identified.

As we perform our audit procedures, we will inform you of any significant changes to the significant risks discussed above and the reasons for those changes.

Appendix 1 – Audit approach

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing Calhome.

The following steps are not necessarily sequential nor are they mutually exclusive. For example, once we have developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

1. Initial planning

The Deloitte audit approach begins with an extensive planning process that includes:

- Assessing your current business and operating conditions;
- Understanding the composition and structure of your business and organization;
- Understanding your accounting processes and internal controls;
- Understanding your information technology systems;
- Identifying potential engagement risks; and
- Planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks.

2. Assessing and responding to engagement risk

Our audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

Consideration of the risk of fraud

When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audit, particularly the reliability of management representations.

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

- Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement.
- Evaluate whether Calhome's selection and application of accounting policies, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures.

We will inquire directly of the Audit and Risk Management Committee regarding:

- Its views about the risk of fraud;
- Whether it has knowledge of any actual or suspected fraud affecting Calhome; and
- The role it exercises in the oversight of fraud risk assessment and the establishment of mitigating controls.

We will also inquire if the Audit and Risk Management Committee is aware of tips or complaints regarding Calhome's financial reporting and, if so, the Audit and Risk Management Committee's responses to such tips and complaints and whether it is aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations.

If we suspect fraud involving management, we will communicate these suspicions to the Audit and Risk Management Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

Information technology
An important part of our audit planning process involves gaining an understanding of:

1. The importance of the computer environment relative to the risks to financial reporting;
2. The way in which that environment supports the control procedures we intend to rely on when conducting our audit; and
3. The computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the financial statements. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then conduct tests to support our conclusion on the operating effectiveness of controls considered relevant to the audit.

3. Developing and executing the audit plan

The performance of an audit includes evaluating the design and determining the implementation of internal controls relevant to the audit, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

Audit procedures
The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow us sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

Tests of controls
As part of our audit, we will review and evaluate certain aspects of the systems of internal control over financial reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the financial statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of financial statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of financial statements.

We will inform the Audit and Risk Management Committee and management of any significant deficiencies that are identified in the course of conducting the audit.

Substantive audit procedures
Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls tests and are designed to enable us to obtain reasonable assurance that the financial statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the financial statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at 5% of materiality), will be reported to management and the Audit and Risk Management Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

4. Reporting and assessing performance

Perform post-engagement activities
We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- The scope of the audit was sufficient to support our opinion; and
- The misstatements identified during the audit do not result in the financial statements being materially misstated.

Independence
We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditor to Calhome.

We are independent of Calhome and we will reconfirm our independence in our final report to the Audit and Risk Management Committee.

Appendix 2 – Communication requirements

Required communication	Reference
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS[1] 260.14
2. An overview of the overall audit strategy, addressing: a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
Enquiries of those charged with governance	
4. How those charged with governance exercise oversight over Management's process for identifying and responding to the risk of fraud and the internal control that Management has established to mitigate these risks	CAS 240.20
5. Any known suspected or alleged fraud affecting Calhome	CAS 240.21
6. Whether Calhome is in compliance with laws and regulations	CAS 250.14
Year-end communication	
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
9. Alternative treatments for accounting policies and practices that have been discussed with Management during the current audit period	CAS 260.16 a.
10. Matters related to going concern	CAS 570.23
11. Management judgments and accounting estimates	CAS 260.16 a.
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.
13. Material written communications between Management and us, including Management representation letters	CAS 260.16 c.
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16 d.
15. Modifications to our opinion(s)	CAS 260.A18

[1] CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference
Year-end communication	
16. Our views of significant accounting or auditing matters for which Management consulted with other accountants and about which we have concerns	CAS 260.A19
17. Significant matters discussed with Management	CAS 260.A.19
18. Matters involving non-compliance with laws and regulations that come to our attention	CAS 250.23
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265
20. Uncorrected misstatements and disclosure items	CAS 450.12-13
21. Any significant matters arising during the audit in connection with Calhome's related parties	CAS 550.27

Appendix 3 – 2017 summary audit timeline

This estimated timetable indicates our various procedures and release of our communications as planned throughout the year:

	Estimated to begin	Targeted for completion
Audit performance		
Planning	October 2017	November 2017
Interim audit procedures	November 6, 2017	November 10, 2017
Final audit procedures	February 5, 2018	March 9, 2018
Auditor's communications		
Discuss audit planning, scope, risks of fraud, and fees		November 17, 2017
Review the results of our audit and provide audit report		March 2018
Review of business insights with management		March 2018

Appendix 4 – Upcoming financial reporting standards

Significant upcoming financial reporting standards and other regulatory requirements that are likely to impact Calhome's financial reporting for future audits are:

Standards	Effective Date
Related Party Disclosures, Section PS 2200	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Assets, Section PS 3210	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Contingent Assets, Section PS 3320	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Contractual Rights, Section PS 3380	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Inter-entity Transactions, Section PS 3420	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
Introduction to Public Sector Accounting Standards	Fiscal years beginning on or after January 1, 2017.
Restructuring Transactions, Section PS 3430	Fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Appendix 5 – Draft engagement letter

November 17, 2017

Private and confidential

The Audit and Risk Management Committee of Calhome Properties Ltd.
Mr. Peter Cheung, Chair of the Audit and Risk Management Committee
2340 - 22 Street NE
Calgary, AB T2E 8B7

Calhome Properties Ltd. operating as Calgary Housing Company
Ms. Sarah Woodgate, President
2340 - 22 Street NE
Calgary, AB T2E 8B7

Re: Confirmation of services

Dear Sirs/Mesdames:

Deloitte LLP ("Deloitte" or "we" or "us") is pleased to serve as your professional service provider for the entities listed below (the "Company") for the fiscal year 2017.

The purpose of this letter and any attached appendices (collectively, the "Confirmation Letter") is to confirm our mutual understanding of the services to be provided to you. This Confirmation Letter is issued to you further to the executed engagement letter dated November 7, 2016 (the "Prior Engagement Letter"). This Confirmation Letter is subject to the terms and conditions contained in the Prior Engagement Letter, its accompanying appendices and any subsequent amendments, except to the extent revised herein.

The chart below sets out the entities and the services we will provide to them in respect of their year ends. In addition to the professional fees, you will reimburse us for reasonable expenses and pay an administrative charge of 7% of professional fees, and applicable taxes.

Entity name	Year End	Financial Statement Audit	Special Government Reports – Specified Procedures	Total Professional Fees
Calhome Properties Ltd.	December 31, 2017	X		$76,500
Calhome Properties Ltd. - Special Government Reports	December 31, 2017		X	$3,500 per Report

This Confirmation Letter (including any documents incorporated by reference) will continue in force for future services provided by us to the Company unless amended by mutual agreement.

Please sign and return the attached copy of this Confirmation Letter to indicate your acknowledgement that it is in accordance with your understanding of the arrangements for our services.

Yours truly,

Chartered Professional Accountants

Enclosure

The services and terms set forth in and incorporated into this letter are acknowledged and approved by the Audit and Risk Management Committee:

Calhome Properties Ltd.

____
Signature

____
Title

The services and terms set forth in and incorporated into this letter are accepted and agreed to by management:

Calhome Properties Ltd.

____
Signature

____
Title

Appendix A
General business terms

Calhome Properties Ltd.
November 17, 2017

The following general business terms (the "GBTs") apply to all services that are performed under this Confirmation Letter and the Prior Engagement Letter (the "Services") between Deloitte LLP, a limited liability partnership organized under the laws of Ontario ("Deloitte") and you, the company or other entity that is a party to this Confirmation Letter (the "Client"). The GBTs, the Prior Engagement Letter (including the appendices), and the Confirmation Letter are together the "Agreement".

1. **Timely performance –** Deloitte will not be liable for failures or delays in performance that arise from causes beyond Deloitte's control, including the untimely performance by the Client of its obligations.
2. **Termination –** This Agreement and any Services may be terminated by either party at any time, with or without cause, by giving prior written notice to the other party 30 days before the effective date of termination, provided that in the event of a termination for cause, the breaching party shall have the right to cure the breach within such 30 day period. Deloitte may terminate this Agreement with immediate effect upon written notice to Client if Deloitte determines that its performance of any part of the Agreement would be illegal or in conflict with independence or professional rules. The Client will pay for time and expenses incurred by Deloitte up to the termination date together with reasonable time and expenses incurred to bring the Services to a close in a prompt and orderly manner.
3. **Fees –** Any fee estimates take into account the agreed-upon level of preparation and assistance from the Client and Client personnel. Deloitte will advise the Client on a timely basis should this preparation and assistance not be provided or should any other circumstances arise which cause actual time to exceed that estimate.
4. **Billing –** All invoices shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an invoice which remains unpaid from 30 days after the invoice date to the date on which the outstanding invoice is paid. To the extent that as part of the Services to be performed by Deloitte as described in the Agreement, Deloitte personnel are required to perform the Services in the United States of America ("U.S. Business"), the Client and Deloitte agree to assign performance of the U.S. Business to Deloitte Canada LLP, an affiliate of Deloitte. All Services performed by Deloitte Canada LLP shall be performed under the direction of Deloitte which shall remain responsible to the Client for such Services. Deloitte Canada LLP shall invoice the Client with respect to the U.S. Business and Deloitte will invoice for Services performed in Canada ("Canadian Business"). Payment for U.S. Business and/or Canadian Business can be settled with one payment to Deloitte.
5. **Governing law –** The Agreement will be governed by the laws of the Province where Deloitte's principal office performing the Services is located and all disputes related to the Agreement and Services shall be subject to the exclusive jurisdiction of the courts of such Province.
6. **Working papers –** All working papers, files and other internal materials created or produced by Deloitte related to the Services are the property of Deloitte. In the event that Deloitte is requested by the Client or required by legal or regulatory process to produce its files related to the Services in proceedings to which Deloitte is not a party, the Client will reimburse Deloitte for its professional time and expenses, including legal fees, incurred in dealing with such matters.

7. **Third parties –** Deloitte's Services are not planned or conducted in contemplation of, or for the purpose of, reliance by any third party (other than the Client and any party to whom Deloitte's report is addressed) or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. The Client shall use the advice, opinions, reports or other work product of Deloitte solely for the purposes specified in this Agreement and, in particular, shall not, without the prior written consent of Deloitte, use any advice, opinion, report or other work product of Deloitte in connection with business decisions of any third party or for advertisement purposes. All Services are only intended for the benefit of the Client and any party to whom Deloitte's report is addressed. The mere receipt of any advice, opinions, reports or other work product by any other persons is not intended to create any duty of care, professional relationship or any present or future liability between those persons and Deloitte. As a consequence, if copies of any advice, opinions, reports or other work product (or any information derived therefrom) are provided to others under the above exclusions, it is on the basis that Deloitte owes no duty of care or liability to them, or any other persons who subsequently receive the same. Nothing in this section shall be construed as limiting or restricting disclosure of the tax treatment or tax structure of the transaction as described in Rule 3501(c)(i) of PCAOB Release 2005-014 or Internal Revenue Code sections 6011 and 6111 and related Internal Revenue Service guidance.

8. **Privacy –** Deloitte and the Client agree that, in connection with the engagement, Deloitte may collect, use, disclose and otherwise process personal information about identifiable individuals ("Personal Information"). Deloitte's Services are provided on the basis that the Client has obtained any required consents under applicable privacy legislation for collection, use, disclosure and processing to Deloitte of Personal Information.

9. **Confidentiality –** To the extent that Deloitte collects or is provided with Personal Information or any proprietary or confidential information of the Client (collectively, "Confidential Information"), Deloitte will not disclose such information to any third party without the Client's consent, except as may be required or permitted by law, regulation, legal authority or professional obligations, or as otherwise permitted by this Agreement. Confidential Information may be disclosed by Deloitte to its affiliates and to member firms of Deloitte Touche Tohmatsu Limited and their respective subsidiaries and affiliates ("Deloitte Entities"), component auditors and third parties that provide services to Deloitte. Confidential Information collected by or provided to Deloitte in connection with the Services may be used, processed, disclosed and stored outside Canada by Deloitte, Deloitte Entities, component auditors or third party service providers to Deloitte. Deloitte is responsible to the Client for causing any such Deloitte Entities, component auditors and third party service providers to comply with the obligations of confidentiality set out in this section of the Agreement. Confidential Information may be subject to disclosure in accordance with laws applicable in the jurisdiction in which the information is used, processed or stored. The Client also agrees that Deloitte and such third party service providers to Deloitte may aggregate Confidential Information and use and disclose that information as part of research and advice, including, benchmarking services, provided that all such information will be rendered anonymous and not subject to association with the Client.

   Except as instructed otherwise in writing, each party consents to the transmission by fax, email and voicemail, both confidential and other types of documents, correspondence and any other information relating to the execution of this Agreement. It is recognized that the parties will use the internet and that the internet may be insecure. Each party will be responsible for protecting its own systems and interests and, to the fullest extent permitted by law, will not be responsible to the other on any basis (contract, tort or otherwise) for any loss, damage or omission in any way arising from the use of the internet by either party or its personnel, including any Deloitte Entity and subcontractor personnel, to access the networks, applications, electronic data or other systems of the other party.

10. **Limitation on liability –** The Client and Deloitte agree to the following with respect to Deloitte's liability to the Client:

    a. The Client agrees that Deloitte shall not be liable to the Client for any claims, liabilities, or expenses relating to this Agreement and any Services for an aggregate amount in excess of three times the fees paid by the Client to Deloitte in the twelve months preceding the incident giving rise to the claim.

    b. In no event shall Deloitte be liable for consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this Agreement or any Services for any loss of revenue or profit, loss of opportunity, loss of data, or any other commercial or economic loss or failure to realize expected savings.

    c. In any action, claim, loss or damage arising out of this Agreement and any Services, the Client agrees that Deloitte's liability will be several and not joint and several and the Client may only claim payment from Deloitte of Deloitte's proportionate share of the total liability based on the degree of fault of Deloitte.

    The provisions of this section shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise. This section shall survive termination or expiry of the Agreement. The provisions of this section shall not apply to any liability which by the governing law of the Agreement is unlawful to limit or exclude. In furtherance of the foregoing, from time to time, Deloitte may have individual partners and employees performing the Services within the Province of Quebec who are members of the Ordre des comptables professionnels agréés du Québec. The limitations outlined above in this Section 10 shall not apply to limit the personal civil liability of members of the Ordre des comptables professionnels agréés du Québec performing professional Services hereunder (and with respect to such members, such limitations shall be deemed not to be included in this Agreement). For purposes of this section, "Deloitte" shall mean Deloitte LLP and its directors, officers, partners, professional corporations, employees, subsidiaries and affiliates and to the extent providing Services, any Deloitte Entities and all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee. The Client agrees that any claims that may arise out of this Agreement or any Services will be brought solely against Deloitte as the contracting party and not against any other Deloitte Entities.

11. **Assignment –** Except as provided herein, no party may assign, transfer, or delegate any of its rights or obligations relating to the Agreement without the prior written consent of the other party. Deloitte may assign its rights and obligations under this Agreement to any affiliate or successor in interest to all or substantially all the assets or business of the relevant Deloitte practice.

12. **Deloitte Entities and subcontractors –** Deloitte may use the services of any Deloitte Entities, component auditors, or other subcontractors (including those operating outside Canada) to assist Deloitte. Deloitte remains responsible to the Client for Services performed by Deloitte Entities and subcontractors.

13. **Software Tools –** In connection with the Services, Deloitte may use data analytics technology which may require Deloitte to install and use one or more data extraction tools ("Extractors") on the Client's computing systems. The Client hereby consents to such access and the installation and use of such Extractors, and where applicable, Deloitte hereby grants the Client a limited, revocable, non-exclusive, non-assignable, non-sublicensable right to install and use those Extractors solely in connection with Deloitte's performance of the Services. Deloitte recommends that the Client perform adequate security and other appropriate testing on the Extractors before installation. All Extractors are protected by copyright and other laws of various countries, and Deloitte and its licensors reserve all rights not expressly granted in the Agreement. The Client is not allowed to reverse engineer, disassemble, decompile, or otherwise attempt to derive the Extractors' source code, nor assist, directly or indirectly, in any efforts to do so, nor adapt, modify or create derivative works based on the Extractors. The license granted above will terminate upon completion or termination of the Services. When the license terminates, the Client must, where applicable, stop using the Extractors and delete any and all installed

Extractors from the Client's computing systems, unless Deloitte and the Client have entered into a subsequent agreement that allows for the Client's continued use. Although Deloitte takes commercially reasonable steps to make the Extractors useful and secure, Deloitte does not have any obligation to ensure they are so, or to maintain, update, upgrade or otherwise modify or support the Extractors. The Extractors are provided "as is" and "as available", without warranty of any kind, and Deloitte expressly disclaims all implied warranties, including that the Extractors will be secure and error-free, or will meet any other criteria of performance or quality.

14. **Survival –** Any clause that is meant to continue to apply after termination of the Agreement will do so.
15. **Entire Agreement –** The Agreement forms the entire agreement between the parties in relation to the Services and supersedes all other oral and written representations, understandings or agreements related to the Services.
16. **Severability –** If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of the Agreement will remain in effect.
17. **Qualifications –** Notwithstanding anything herein to the contrary, Deloitte may use the name of the Client, refer to this Agreement and the performance of Services in marketing, publicity materials and other material, as an indication of its experience, and in internal data systems.
18. **Tax services and review by tax authorities –** The Client shall cooperate with Deloitte in the performance by Deloitte of tax related Services, including, without limitation, providing Deloitte with reasonable facilities and timely access to data, information and personnel of the Client. Client shall be responsible for the performance of its personnel and agents, for the timeliness, accuracy and completeness of all data and information (including all financial information and statements) provided to Deloitte by or on behalf of the Client and for the implementation of any advice, opinions, reports or other work product in any form provided as part of the Services. Deloitte may use and rely on information and data furnished by the Client or others without verification. Deloitte's performance shall be dependent upon the timely performance of the Client's responsibilities hereunder and timely decisions and approvals of the Client in connection with the Services. Deloitte shall be entitled to rely on all decisions and approvals of the Client. To the extent the Client requests tax related Services, Deloitte will use professional judgment in resolving questions affecting the Client relating to the tax Services to be provided by Deloitte. Where there are alternative filing positions or tax transactions, Deloitte will undertake to describe the benefits and risks of each so that the Client can make an informed decision. All returns are subject to examination by taxation authorities and the Client's returns may be audited and challenged by Canadian and other tax authorities. The Client understands that Deloitte's tax advice or opinions are not binding on tax authorities or the courts and should never be considered a representation, warranty, or guarantee that the tax authorities or the courts will concur with Deloitte's advice or opinion. Any tax assistance provided by Deloitte will be based upon the law, regulations, cases, rulings, and other tax authority in effect at the time the specific tax assistance is provided. Deloitte may provide the Client with draft copies of returns or tax advice. Where any drafts are finalized and provided to the Client in final form, such previous drafts should not be relied upon. Nothing in this Agreement shall be construed as limiting or restricting disclosure of the tax treatment or tax structure of any transaction as described in the rules of any taxation authority, including Canada Revenue Agency and the Internal Revenue Service.
19. **Electronic messaging –** In accordance with Canadian anti-spam legislation, the Client consents to Deloitte contacting the Client and its personnel through electronic messages relating to Deloitte's Services, products and other matters of interest to the Client after the completion of this Agreement. The Client may withdraw any such consent by contacting Deloitte at unsubscribe@deloitte.ca.
20. **Language –** The parties have requested that this Agreement and all communications and documents relating hereto be expressed in the English language. Les parties ont exigé que la présente convention ainsi que tous les documents s'y rattachant soient rédigés dans la langue anglaise.

ISC: UNRESTRICTED
AC2018-0597
ATTACHMENT 7

Deloitte.

Calhome Properties Ltd.

For the year ended December 31, 2017

Report to Audit and Risk Management Committee

March 9, 2018

Deloitte LLP
850 - 2nd Street SW
Suite 700
Calgary AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 403-264-2871

March 2, 2018

Private and confidential

To the Members of the Audit and Risk Management Committee of Calhome Properties Ltd. ('Operating as Calgary Housing Company')

Report on audited annual financial statements

Dear Audit and Risk Management Committee Members:

We are pleased to submit this report on the status of our audit of Calhome Properties Ltd. ('Operating as Calgary Housing Company') ("Calhome") for the 2017 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our engagement letter dated November 17, 2017, we have performed an audit of the financial statements of Calhome Properties Ltd. as of and for the year ended December 31, 2017, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated March 23, 2018.

This report is intended solely for the information and use of the Audit and Risk Management Committee (the "Committee"), management and others within Calhome and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Table of contents

Our audit explained

This report summarizes the main findings arising from our audit.

Audit scope and terms of engagement

We have been asked to perform an audit of Calhome's financial statements (the "financial statements") in accordance with Public Sector Accounting Standards ("PSAS") as at and for the year ended December 31, 2017. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the engagement letter dated November 17, 2017, which was signed on behalf of the Committee and management.

Significant audit risks

Through our risk assessment process, we have identified significant audit risks. These risks of material misstatement and related audit responses are discussed in the significant audit risks section of this report.

Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of total actual operating expenditures. Our materiality for the year ended December 31, 2017 was $2,550,000 (2016, $2,400,000).

We have informed the Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

Audit fees

We communicated our proposed audit fees of $76,500 (2016, $74,620) for the audit and $3,500 per portfolio (5 portfolios) (2016, $3,400 per portfolio) for the specified procedures reports. These fees exclude the 7% administrative fee and GST. There have been no changes to our proposed fee.

Status and outstanding matters

We expect to be in a position to render our audit opinion dated March 23, 2018 on the financial statements of Calhome following approval of the financial statements by the Board of Directors and the completion of the following outstanding procedures:

- Receipt of signed management representation letter
- Receipt of legal letters
- Update to subsequent events up to audit report date
- Minor documentation items

Uncorrected misstatements

In accordance with Canadian GAAS, we request that all misstatements be corrected. A summary of the uncorrected misstatements as of the date of this report have been included in Appendix 5.

Going concern

Management has completed its assessment of the ability of Calhome to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon Calhome's ability to continue as a going concern. We agree with management's assessment.

Business Insights

During the course of our audit, we examined the accounting procedures and internal controls employed by Calhome. We have identified and included in Appendix 3 certain matters that we consider to be of interest to the Committee.

Uncorrected disclosure misstatements

In accordance with Canadian GAAS, we request that all disclosure misstatements be corrected.

There were no disclosure misstatements identified.

Fraud risk

A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the significant audit risks section of this report.

Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remains appropriate.

Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

We confirm that we have complied with relevant ethical requirements regarding independence. A draft version of our independence letter is included in Appendix 4.

Fraud risk → Significant accounting practices, judgments and estimates → Independence → Conclusion

Significant accounting practices, judgments and estimates

The significant accounting practices, judgments and estimates include:

- Allowance for doubtful accounts
- Provision for asset impairment
- Useful life of tangible capital assets
- Accrued liabilities

In our judgement, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of Calhome.

In our judgement, the significant accounting estimates made by management are, in all material respects, free from possible management bias and of material misstatement.

Conclusion

In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of Calhome's annual financial statements prepared in accordance with PSAS.

No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.

We intend to issue an unmodified audit report on the financial statements of Calhome for the year ended December 31, 2017 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Board of Directors.

A draft version of our auditor’s report is included in Appendix 2.

Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below. As a result of an evaluation of our risk assessment undertaken during the conduct of the fiscal 2017 audit, we determined there to be some changes in the areas of significant risk with respect to revenue recognition originally presented to the Committee in our Audit Plan on November 17, 2017. Specifically, the occurrence and cut-off of rent revenue and rent supplement are no longer assessed as areas of significant risk.

Revenue recognition

Audit risk

Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition. We have determined revenue recognition related to restricted funds revenue as a significant risk.

There may be increased risk of material misstatement relating to the occurrence and cut-off of the restricted funds revenue.

Our audit response

- We have performed substantive testing, including review of various funding agreements for restricted funds revenue transactions to ensure that occurrence and cut-off have been appropriately accounted for in the year ended December 31, 2017.
- We made inquiries of management and tested control activities involving management's process for accounting for revenue transactions and determining when the revenue recognition criteria had been met.

Audit results

Based on the audit procedures completed, we conclude that restricted funds revenue is fairly stated, appropriately classified and properly disclosed in the context of the financial statements taken as a whole.

Management override of controls

Audit risk

Under Canadian Auditing Standards, it is the responsibility of management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Potential management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.

Our audit response

- We engaged in periodic fraud discussions with certain members of senior management and with the chair of the Committee.
- We considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- We evaluated the business rationale for any significant unusual transactions.
- We evaluated Calhome's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process.
- We tested journal entries that exhibited characteristics of possible management override of controls identified.

Audit results

Based on the performance of our audit procedures, we have not identified any instances of management override of controls.

However, we did identify one matter relating to journal entry testing as discussed in Appendix 3.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Committee as part of the audit plan.

	Comment
Changes to the audit plan	As discussed on page 4, as part of our audit process we further reevaluated significant risks around revenue and pinpointed significant risks to the cut-off and occurrence of restricted funds revenue. There were no other significant changes to the audit plan.
Significant difficulties encountered in performing the audit	During the course of our audit, we did not encounter any significant difficulties while performing the audit.
Related party transactions	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.
Disagreements with management	During the current audit, we did not encounter any disagreements with management.
Consultation with other accountants	Calhome consulted MNP LLP to review Calhome's procurement related policies.
Legal and regulatory compliance	Management is responsible for ensuring that Calhome's operations are conducted in accordance with the laws and regulations applicable to Calhome in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by Calhome.
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events. We will update subsequent events with management up to the audit report date of March 23, 2018.

Appendix 1 – Communication requirements

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements.	CAS[1] 260.14	Engagement letter
2. An overview of the overall audit strategy, addressing: a. Timing of the audit. b. Significant risks, including fraud risks. c. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit.	CAS 260.15	Audit plan communicated on November 17, 2017
3. Significant transactions outside of the normal course of business, including related party transactions.	CAS 260 App. 2, CAS 550.27	Nothing to report.
Year End Communication		
4. Fraud or possible fraud identified through the audit process.	CAS 240.40-.42	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions.	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	CAS 260.16 a.	Nothing to report.
7. Matters related to going concern.	CAS 570.23	We concluded that there was no substantial doubt about Calhome's ability to continue as a going concern.
8. Management judgments and accounting estimates.	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
9. Significant difficulties, if any, encountered during the audit.	CAS 260.16 b.	No significant difficulties to report.
10. Material written communications between management and us, including management representation letters.	CAS 260.16 c.	Management representation letter
11. Other matters that are significant to the oversight of the financial reporting process.	CAS 260.16d.	No other matters to report.

[1] CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
12. Modifications to our opinion(s).	CAS 260.A18	We will issue an unmodified opinion.
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns.	CAS 260.A19	None identified.
14. Significant matters discussed with management.	CAS 260.A.19	None identified.
15. Illegal or possibly illegal acts that come to our attention.	CAS 250.23	We are not aware of any illegal acts.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements.	CAS 265	No deficiencies to report.
17. Uncorrected misstatements and disclosure items.	CAS 450.12-13	In accordance with Canadian GAAS, we request that all misstatements be corrected. Uncorrected misstatements were noted. Please refer to Appendix 5 for further details.

Appendix 2 – Draft version of our auditor's report

Independent Auditor's Report

To the Directors of Calhome Properties Ltd.

We have audited the accompanying financial statements of Calhome Properties Ltd., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, change in net debt 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 public sector accounting standards, 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.

Auditor's 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 auditor's 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 Calhome Properties Ltd. as at December 31, 2017, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
March 23, 2018

Appendix 3 – Letter of recommendations and business insights

Deloitte.

Deloitte LLP
700, 850 2 Street SW
Calgary, AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 403-213-5791
www.deloitte.ca

March 9, 2018

The Members of the Audit and Risk Management Committee of
Calhome Properties Ltd. (‘Operating as Calgary Housing Company’)

Dear Members:

We have recently completed our audit of the financial statements of Calhome Properties Ltd. (‘Operating as Calgary Housing Company’) (“Calhome”) for the year ended December 31, 2017.

Our audit was designed to provide a cost-effective basis for formulating an opinion on your financial statements. As part of our examination, we reviewed and evaluated relevant aspects of the systems of internal control and the accounting systems to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian GAAS.

The main purpose of our systems review was to assist in determining the nature, extent and timing of our audit tests and to establish the degree of reliance, which we could place on selected controls; it was not to determine whether internal controls were adequate for management’s purposes.

While the audit did not include an in-depth evaluation of all systems or all aspects of any individual system and should not, therefore, be relied upon to identify all significant internal control deficiencies, or all errors, irregularities or inefficiencies that might occur, we undertake to report such matters to you when they come to our attention. Our comments relating to these and other matters are attached.

Yours truly,

Chartered Professional Accountants

1. Posting of journal entries

Observation: During the course of the audit, it was observed that the JD Edwards system allows posting of unbalanced one-sided entries within the general ledger. We noted through our journal entry reconciliation process that an unbalanced entry for the net amount of $4,051 was posted in order to balance the accounts receivable sub-ledger and general ledger. In order to accomplish this, the flag in JD Edwards that does not allow unbalanced entries to be posted was able to be removed by a Calhome staff member upon consultation with Oracle. Once the entry was posted, the flag that does not allow unbalanced entries was reinstated. It should be noted that immaterial unbalanced amounts between the sub-ledger and general ledger are not uncommon, and often an entity can balance the general ledger through posting of an additional journal entry. It should also be noted that this journal entry was appropriately reviewed and our testing of journal entries did not identify any other issues. However, the following matters were identified for consideration by management:

- System limitation of JD Edwards – this system itself should not allow for an override of this nature.
- Management consider reviewing the general ledger and journal entry details to ensure that no other instances of this nature have occurred.

Implication: Use of this practice to balance the general and sub ledgers may increase the risk of posting inaccurate or possibly inappropriate journal entries and may lead to possible management override of controls.

Recommendation: Management review the current system and if possible request the service provider to deactivate the ability to remove the flag that does not allow unbalanced entries. In the rare event that this option has to be taken, the decision to unset a control flag in the system should involve discussion with senior management, and should not be taken by team leads. If possible, instead of creating a one-sided entry, management should have written off the corresponding amount to any expense account.

Management Response: In response to this finding, Management has identified a requirement to put in place proper system controls in the new financial system that will be implemented in 2018. In the interim, Management has introduced an internal control that requires Corporate Finance and Risk Officer approval any time the JDE flag is removed and reinstated for the purpose of posting one-sided journal entries. Management recognizes that this was a one-time, extraordinary circumstance as a result of a system error and does not foresee a necessity for any such entries in the future.

2. Forgivable mortgages not recorded in the general ledger

Observation: During the course of the audit, the mortgage confirmation received from Canada Mortgage and Housing Corporation ("CMHC") included a forgivable mortgage in the original amount $32,000 which was not included in the mortgage payable balance by Calhome. We understand that although this mortgage was issued in 2010, this is the first time CMHC has included this mortgage in the confirmation for audit purposes. Management or Deloitte are unaware of why CMHC has not confirmed this mortgage previously. Further investigation by management confirmed that as the original amount of $32,000 was a forgivable loan and although was required to be recognized as revenue at the maturity date of 2020, it was recorded as revenue in the year it was received resulting in revenue being recognized earlier than it should have been. We note that the impact of recognizing the loan early as revenue on the 2017 and prior year financial statements is not material.

It is also to be noted that all other mortgages held by Calhome have been recorded in the financial statements accurately.

Implication: Missing an outstanding liability can result in material misstatement in the liabilities.

Recommendation: While the impact on the 2017 and prior financial statements is not material, it is recommended that Calhome perform a review of their existing process and policies which monitor and reconcile their mortgage amounts against CMHC issued mortgage documents to determine if any changes need to be implemented within the existing process to prevent future occurrences of this nature.

Management Response: In response to this finding, Management will perform a review of the existing process to monitor and reconcile the Company's mortgage amounts. Management will implement any needed changes that result from that review.

Appendix 4 – Independence matters

March 23, 2018

The Members of the Audit and Risk Management Committee and Board of Directors of Calhome Properties Ltd. ('Operating as Calgary Housing Company')

Dear Members:

We have been engaged to audit the financial statements of Calhome Properties Ltd. ('Operating as Calgary Housing Company') ("Calhome") for the year ended December 31, 2017.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between Calhome, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator / ordre and applicable legislation, covering such matters as:

(a) Holding a financial interest, either directly or indirectly, in a client;

(b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;

(c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;

(d) Economic dependence on a client; and

(e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 10, 2017, the date of our last letter.

We are not aware of any relationships between Calhome and Deloitte, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 11, 2017 to March 23, 2018.

The total fees charged to Calhome for audit services were $81,855 (2016, $79,458) for the financial statement audit and $18,375 (2016, $18,190) relating to the specified procedures for the special government reports during the period covered by the financial statements. These fees include the 7% administration charge but not GST.

We hereby confirm that we are independent with respect to Calhome within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta as of March 23, 2018.

This report is intended solely for the use of the Audit and Risk Management Committee, Board of Directors, management and others within Calhome and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

Appendix 5 – Draft management representation letter

[Calhome letterhead]

March 23, 2018

Deloitte LLP
700, 850 – 2 Street SW
Calgary, AB T2P 0R8

Dear Sirs:

Subject: Financial statements of Calhome Properties Ltd. (operating as 'Calgary Housing Company') for the year ended December 31, 2017

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Calhome Properties Ltd. (operating as 'Calgary Housing Company') ("Calhome" or "we" or "us") for the year ended December 31, 2017, including the comparative financial statements for the year ended December 31, 2016, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Calhome in accordance with Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between Calhome and Deloitte dated November 17, 2017 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of Calhome as at December 31, 2017, and the results of its operations and cash flows for the year then ended in accordance with PSAS.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

   In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. Calhome has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2017 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. All related party relationships and transactions have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of PSAS.

4. We have determined that the Financial Statements are complete as of date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.

5. We have completed our review of events after December 31, 2017 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.

6. The Financial Statements are free of material errors and omissions.

   We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

Information provided

7. We have provided you with:
   a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
   b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and
   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

8. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.

9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the Financial Statements.

11. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Calhome.

12. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.

13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.

14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

16. Calhome has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

17. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

18. We have disclosed to you, and Calhome has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

19. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

20. Prior to Calhome having any substantive employment conversations with a former or current Deloitte engagement team member, Calhome has held discussions with Deloitte and obtained approval from management.

21. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit and Risk Management Committee in accordance with its established approval policies and procedures.

Fair value

22. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
    a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS;
    b. No events have occurred subsequent to December 31, 2017 that require adjustment to the fair value measurements and disclosures included in the Financial Statements; and
    c. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of Calhome when relevant to the use of fair value measurements or disclosures.

Management's responsibilities

23. All transactions and events have been carried out in accordance with law, regulation or other authority.

Loans and Receivables

24. Calhome is responsible for determining the appropriate carrying amount of accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

25. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

Employee future benefits

26. Employee future benefit costs, assets and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances. Actuarial gains [losses] have been amortized to the liability [asset] and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group.

27. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.

28. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.

Government transfers

29. We have disclosed to you all correspondence relating to government transfers that Calhome has had with the funding body.

30. We have assessed the eligibility criteria and determined that Calhome is an eligible recipient for the government transfers received.

31. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.

32. All government transfers that have been recorded as unearned revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the financial Statements.

City of Calgary Capital Asset Policy

33. The Company was aware of the City of Calgary's change in Capital Asset Policy for Land and Land Improvements for the year ended December 31, 2017. Management has reviewed and understands the policy and has determined that this policy change does not apply as Calhome does not have any Land and Land Improvement category.

Tangible capital assets

34. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150: *Tangible Capital Assets*.

35. Contributed tangible capital assets have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed tangible capital assets have been appropriately disclosed.

36. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to Calhome's ability to provide goods and services and therefore do not require a write down.

Adjusting journal entries

37. We have reviewed the year-end adjusting entries and acknowledge our responsibility for their accuracy.

Communicating a threshold amount

38. We understand that the threshold used for accumulating misstatements identified during the year was $127,500 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Section 3260, *Liability for contaminated sites*

39. Calhome was required to adopt Section 3260, *Liability for contaminated sites* effective for fiscal 2015 for the purposes of PSAS. Management has determined the impact of this standard on the year-end financial statements, and based on management's assessment, there is no impact on the adjustments for the December 31, 2017 Financial Statements of this standard.

Use of Deferred Capital Contributions

40. Management has the authority to use funds from the Deferred Capital Contributions balance (Note 10 of the Financial Statements) without formal approval by the Board of Directors.

Agreements with the Province of Alberta

41. Calhome and the Province of Alberta (the "Province") entered into an interim social housing agreement ("Interim Agreement") dated October 1, 2001. The Interim Agreement set out, among other things, the terms and conditions under which Calhome would manage and administer certain lands and housing on behalf of the Province.

The Interim Agreement was to expire on December 31, 2001 as the intention of the parties, as set out in the Interim Agreement, was for Calhome and the Province to enter into a final agreement ("Final Agreement") prior to the expiry date. The Interim Agreement was extended on a number of occasions while a Final Agreement was being negotiated. In 2010, the parties had not entered into a Final Agreement and no further extension of the Interim Agreement was executed. Since that time the parties have continued to operate under the same general principles as set out in the Interim Agreement.

Yours truly,
Calhome Properties Ltd.

____

Sarah Woodgate
President

____

Jana Tchinkova
Corporate Finance and Risk Manager

Appendix A
Calhome Properties Ltd.
Summary of uncorrected financial statement misstatements
Year ended December 31, 2017

Uncorrected financial statement misstatements

	Assets Dr (Cr)	Liability Dr (Cr)	Retained Earnings – Beg of Year Dr (Cr)	Income Statement Dr (Cr)
At fiscal 2017 year end, Calhome over accrued for an expense and recognized the related restricted grants by $15,395. This resulted in the following: - Overstatement of restricted revenue - Understatement of unearned restricted grant - Overstatement of expenses - Overstatement of accrued payables Deloitte has extrapolated the error over the entire restricted grant population, resulting in a likely error of $117,085. Even though individual balances for revenue, expenses, unearned revenue and accrued payables are incorrect, there is a nil impact on net income and total liabilities.		**Factual** $15,395 $(15,395) $- **Likely** $117,085 $(117,085) $-		**Factual** $15,395 $(15,395) $- **Likely** $117,085 $(117,085) $-

Corrected financial statement misstatements
None noted

Appendix B
Calhome Properties Ltd.
Summary of disclosure items passed
Year ended December 31, 2017

None noted

Appendix 6 – New and revised auditor reporting standards

On April 11, 2017, the Canadian Auditing and Assurance Standards Board (AASB) approved new and revised Canadian Auditing Standards (CASs) on auditor reporting which will be effective for audits of financial statements for periods ending on or after December 15, 2018 with earlier application permitted.

While a number of CASs were impacted, the most significant changes made relate to the following four standards:

- Revised CAS 700, Forming an Opinion and Reporting on Financial Statements
- New CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report
- Revised CAS 720, The Auditor's Responsibilities Relating to Other Information
- Revised CAS 570, Going Concern

These CASs are based on the International Auditing and Assurance Standards Board's (IAASB) new and revised International Standards on Auditing (ISAs) that were effective for periods ending on or after December 15, 2016 however there are two significant differences:

1. Deferral of the effective date for application by one year, and
2. Amending the scope of reporting Key Audit Matters so that such matters are communicated in the auditor's report only when required by law or regulation or the auditor decides to do so.

The following sets out the enhancements made to the new Independent Auditor's Report

Changes to the Auditor's Report and new reporting requirements	
For all audits	
Auditor's opinion	• Auditor's opinion moved from the end of the auditor's report to the very beginning.
Auditor's independence and ethics	• An explicit statement of the auditor's independence in accordance with relevant ethical requirements and the auditor's fulfilment of other ethical responsibilities.
Going concern	• A separate section under the heading "Material Uncertainty Related to Going Concern", when a material uncertainty exists related to an entity's ability to continue as a going concern and is adequately disclosed in the financial statements.
Other information	• A separate section under the heading "Other Information", when an entity prepares other information (e.g., an annual report) containing or accompanying the entity's financial statements and auditor's report thereon, to explain management's and the auditor's responsibilities for the other information and the auditor's conclusion from reading and considering the other information.

Changes to the Auditor's Report and new reporting requirements	
For all audits	
Roles and Responsibilities	• An enhanced description of management's responsibilities for assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. • Identification of those charged with governance (when applicable) and their responsibility for the oversight of the financial reporting process. • An enhanced description of the auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting. • An enhanced description of the auditor's responsibilities in an audit of group financial statements.
For audits of entities where the auditor decides or law or regulation requires reporting of key audit matters	
Key audit matters	• A separate section under the heading "Key Audit Matters", when law or regulation requires the auditor, or the auditor decides, to communicate key audit matters in the auditor's report to those charged with governance that, in the auditor's judgment, were of most significance to the audit.

We will work to provide the Audit and Investment Committee with guidance on the implications of the new and revised auditor reporting standards.

Benefits

- **Transparency** into the audit and discussions between the auditor, those charged with governance, and management
- **More robust** discussions between auditors and those charged with governance
- **Enhanced** communications between all stakeholders including regulators
- **Relevant** auditor's reports and insights into the complexities of the entity
- **Comparability** across industries and audit firms
- **Improved** audit and financial reporting quality

Highlights of Changes to Performance Requirements with respect to Going Concern

Auditors are now required to evaluate the adequacy of management's disclosure in the financial statements for "close calls" related to going concern (i.e., when events or conditions were identified that may cast significant doubt of an entity's ability to continue as a going concern but due to management's plans, the auditor concluded that no material uncertainty exists).

The following are some considerations for those charged with governance to start discussing with their auditor.

Implementation considerations for those charged with governance

- **Key Audit Matters ("KAMs")**: If applicable, this commentary in the audit report will have a significant impact on the timing of:

  – Meetings between the auditor and the Audit and Investment Committee to discuss risks, which will form the basis of KAMs
  – Meetings with the auditor to identify, discuss and challenge KAMs as early as possible, and
  – Review of the auditor's report as the process will likely be more rigorous.

- **Going Concern:** Increased auditor focus may heighten your scrutiny of management's process for assessing the entity's ability to continue as a going concern and the relevance and completeness of related disclosures in the financial statements, particularly for "close calls".
- **Other information:** Discuss with the auditor which documents will be within the scope of "other information", evaluate timeframes for drafting and finalizing these documents, and assess documents for consistency with financial statements to ensure factually correct and reasonable.

Resources

The AASB is currently working with CPA Canada and other groups to drive the effective implementation of the new standards through a broad range of communications, tools and guidance materials for stakeholders. CPA Canada has issued a number of Audit and Assurance alerts in June 2017 discussing key features of the changes and will be releasing a web portal devoted exclusively to the topic of implementing auditor reporting. Webinars and other publications will be issued throughout the remainder of the year, including an update expected in December incorporating the changes to the new auditor's report into a revised reporting guide, "Reporting Implications of New Auditing and Accounting Standards."

- Keep abreast of the Canadian project at www.cfr.deloitte.ca.
- Information relating to the new and revised CASs and conforming amendments to other CASs can be found on the AASB website.

We encourage you to engage your engagement partner or any other member of the Deloitte Team with any questions or enquiries related to the new and revised auditor reporting standards.

Financial Statements

Calhome Properties Ltd.

Operating as 'Calgary Housing Company'

December 31, 2017

Deloitte LLP
700, 850 - 2 Street SW
Calgary, AB T2P 0R8
Canada

Tel: (403) 267-1700
Fax: (403) 213-5791
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Directors of Calhome Properties Ltd.,

We have audited the accompanying financial statements of Calhome Properties Ltd., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net debt 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 public sector accounting standards, 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.

Auditor's 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 auditor's 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 Calhome Properties Ltd. as at December 31, 2017, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

(To be signed Deloitte LLP)

Chartered Professional Accountants
March 23, 2018
Calgary, Canada

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF FINANCIAL POSITION
(Expressed in Thousands of Dollars)

As at December 31, 2017

	2017	2016
Financial Assets		
Cash *(Note 3)*	**$ 34,183**	$ 28,896
Receivables		
Rent and others	**680**	634
Government	**3,387**	2,353
	38,250	31,883
Liabilities		
Accounts payable and accrued liabilities	**8,804**	6,188
Unearned tenant rent revenue	**1,647**	1,670
Deferred funding *(Note 3)*	**10,405**	8,480
Payable to government	**899**	1,662
Rent supplement advance *(Note 4)*	**4,255**	4,255
Tenants' security deposits	**1,067**	1,089
Mortgage payable *(Note 5)*	**12,601**	16,476
Employee benefit obligation *(Note 6)*	**2,041**	1,813
	41,719	41,633
NET DEBT	**(3,469)**	(9,750)
Non-Financial Assets		
Tangible capital assets *(Note 7)*	**99,678**	102,181
Prepaid expenses	**133**	121
	99,811	102,302
ACCUMULATED SURPLUS *(Note 10)*	**$ 96,342**	$ 92,552

See accompanying notes

On behalf of the Board

Chairman **President**

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF OPERATIONS
(Expressed in Thousands of Dollars)

For the year ended December 31, 2017

	BUDGET	2017	2016
REVENUE			
Rent revenue	$ 50,654	**$ 47,951**	$ 48,040
Government transfers			
Shared cost agreements	13,806	**13,893**	13,938
Restricted funds *(Note 11)*	9,225	**6,439**	5,589
Debt interest rebate	311	**237**	239
Rent supplement funding	19,200	**19,435**	18,817
Interest income	344	**456**	318
Insurance recoveries *(Note 12)*	-	**423**	893
Miscellaneous	1,262	**1,393**	1,190
	94,802	**90,227**	89,024
EXPENSES			
Administration	3,261	**3,052**	2,662
Salaries and benefits	20,381	**18,781**	17,115
Amortization of tangible capital assets	3,453	**3,030**	3,086
Debt servicing	469	**454**	518
Maintenance	20,024	**19,650**	16,022
Property operations	9,773	**8,406**	8,752
Rent supplement	18,171	**18,603**	18,250
Taxes and leases	3,444	**1,975**	3,278
Utilities	11,500	**10,689**	9,500
Insurance *(Note 12)*	-	**293**	402
Restricted expenses	-	**249**	153
	90,476	**85,182**	79,738
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	4,326	**5,045**	9,286
OTHER ITEMS			
Return to the City of Calgary	(242)	**(339)**	(2,054)
City of Calgary surplus retained *(Note 11)*	(410)	**(570)**	-
Loss on asset disposal	-	**(346)**	(55)
	(652)	**(1,255)**	(2,109)
SURPLUS	$ 3,674	**$ 3,790**	$ 7,177

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF CASH FLOWS
(Expressed in Thousands of Dollars)

For the year ended December 31, 2017

	2017	2016
NET INFLOW/(OUTFLOW) OF CASH RELATED TO FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Surplus	**$ 3,790**	$ 7,177
Non-cash items:		
Amortization of tangible capital assets	**3,030**	3,086
Loss on asset disposal	**346**	55
Non-cash restricted revenue	**-**	(3,850)
Change in non-cash working capital *(Note 14)*	**2,869**	7,519
	10,035	13,987
CAPITAL ACTIVITIES		
Addition of tangible capital assets	**(918)**	(12,998)
Proceeds on disposal of tangible capital assets	**45**	-
Proceeds on disposal of assets held for sale	**-**	750
	(873)	(12,248)
FINANCING AND INVESTING ACTIVITIES		
Issuance of long term debt	**-**	5,784
Repayment of long term debt	**(3,875)**	(4,514)
	(3,875)	1,270
NET INCREASE IN CASH DURING THE YEAR	**5,287**	3,009
CASH, BEGINNING OF YEAR	**28,896**	25,887
CASH, END OF YEAR *(Note 3)*	**$ 34,183**	$ 28,896

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF CHANGE IN NET DEBT
(Expressed in Thousands of Dollars)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
ANNUAL SURPLUS	$ 3,674	**$ 3,790**	$ 7,177
TANGIBLE CAPITAL ASSETS			
Additions	(6,803)	**(918)**	(12,998)
Loss on asset disposal	-	**346**	55
Proceeds on disposal of tangible capital assets	-	**45**	-
Amortization of tangible capital assets	3,453	**3,030**	3,086
Non-cash restricted revenue	-	**-**	(3,850)
	(3,350)	**2,503**	(13,707)
OTHERS			
Decrease in prepaid expenses	-	**(12)**	(8)
	-	**(12)**	(8)
INCREASE/(DECREASE) IN NET DEBT	324	**6,281**	(6,538)
NET DEBT, BEGINNING BALANCE	2,663	**9,750**	3,212
NET DEBT, ENDING BALANCE	$ 2,339	**$ 3,469**	$ 9,750

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

1. NATURE OF THE BUSINESS

Calhome Properties Ltd. [the "Company"], a private not-for-profit corporation, is wholly-owned by the City of Calgary [the "City"] and was incorporated June 16, 1978 under the Business Corporations Act of The Province of Alberta. As at April 1, 2001, the Company assumed the trade name of Calgary Housing Company [“CHC”].

The Company delivers safe and affordable housing solutions to Calgarians under agreements with The City and The Province of Alberta [the "Province"], which provide subsidies for certain properties. Since its inception, the Company has assumed ownership and/or management of Portfolios under different agreements. The following is a brief description of the portfolios:

CHC Provincial Fixed Subsidy Portfolio

This portfolio consists of 592 units [2016 – 901] owned and managed by the Company. The Province subsidizes the interest payments on the mortgages of these properties so that the effective rate of interest to the Company is 2% per annum. In the event the maximum federal assistance received (debt interest rebate) exceeds the actual required, the excess federal assistance received shall be refundable to CMHC. The net surplus and/or losses are the responsibility of the Company.

During 2017, the Federal Fixed Subsidy portfolio (previously subsidized by CMHC), merged with the Provincial Fixed Subsidy portfolio as a result of a reorganization where the subsidy for both portfolios is received by the Province. The 2016 figures were reclassified to reflect this transfer in order to provide an appropriate basis for comparative purposes. In addition, due to the expiry of fixed subsidy agreements during 2017, 311 units were moved from this portfolio to the Calhome Owned portfolio.

CHC Public Non-Profit Portfolio

This portfolio consists of 207 units [2016 – 210] owned by the Company. The Provincial government subsidizes any operating deficits with the exception of the Lincoln Park Fanning Centre which receives a subsidy in an amount required to reduce debt financing costs to 2% per annum.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

Calhome Owned Portfolio

This portfolio is comprised of 1,138 units [2016 – 824] owned by the Company with no direct subsidy from any governmental agency.

Corporate Properties Residential Units Portfolio

This portfolio consists of 246 units [2016 – 354] owned by the City of Calgary. The Company manages these housing units on behalf of The City. This portfolio receives no subsidy and the net operating results are the responsibility of The City.

City of Calgary Partnership Portfolio

This portfolio consists of 1,128 units [2016 – 1,085] owned by the City of Calgary. The Company manages a variety of affordable housing units on behalf of The City. The Company is authorized to maintain a replacement reserve for this portfolio. This portfolio receives no subsidy. Historically, the portfolio has returned surpluses to The City and deficits have been funded by The City.

City Owned Community Housing Portfolio

This portfolio consists of 1,059 units [2016 – 1,048] owned by The City and managed by the Company. Any operating surpluses or losses are refunded or subsidized 90%, and 10% respectively by provincial and municipal governments under joint agreement.

Provincially Owned Community Housing Portfolio

This portfolio consists of 2,704 units [2016 – 2,721] owned by the Province of Alberta. The Company assumed the management of this portfolio in 2001. The Province subsidizes 100% of the deficits of this portfolio.

Rent Supplement Portfolio

This portfolio is a provincial government program, administered by the Company, to provide rental subsidies paid to the private landlords and tenants. The Company receives reimbursement of administration fees incurred for this program at the rate of $31 per unit per month.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company are prepared in accordance with public sector accounting standards ("PSAS") for local government organizations as established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the legal obligation to pay.

Revenue

Rents charged to tenants are based on market or below-market rents outlined in the agreements with The Province and The City and are recorded on an accrual basis. Rental revenue includes rents and other sundry revenues.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired. Government transfers and earnings thereon restricted by agreement or legislation are accounted for as deferred grants until used for the purpose specified.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They generally have useful lives extending beyond the current year. Non-financial assets include tangible capital assets and prepaid expenses. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the information presented in the Statement of Change in Net Debt for the year.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

[i] Tangible Capital Assets

Tangible capital assets are recorded at historical cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land	-
Buildings	50-75
Building Betterments	5-75
Leasehold Improvements	5-10
Systems	5
Furniture	20
Vehicles	10

Assets under construction are not amortized until the asset is available for productive use.

[ii] Contributions of Tangible Capital Assets

Tangible capital assets received as contribution are recorded at fair value at the date of receipt in restricted revenue.

Revenue producing properties are periodically reviewed for impairment. If it is determined that impairment exists, the carrying value of the revenue producing properties is reduced to their estimated fair value, as determined by the third party appraisals.

Restricted Replacement Reserve

The Replacement Reserve is funded by a charge against accumulated surplus. The Province, The City and CHC determine an annual provision for the Replacement Reserve for certain properties. Disposition of the reserve, other than for replacement costs, is subject to the approval or direction of the Province, The City and CHC administration (Notes 3 and 10).

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

General and Administration

General and administration expenditures are allocated to properties using a hybrid approach encompassing direct allocation and ratio allocation. Expenditures directly related to certain properties are directly allocated to those properties. Expenditures relating to multiple properties are allocated based on the ratio of the number of units in each property to the total number of units managed by the Company.

Use of Estimates

The financial statements are prepared in accordance with PSAS, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the year. Significant estimates include the provision for asset impairment, useful lives of tangible capital assets, accrued liabilities and allowance for doubtful accounts. Actual results could differ from those estimates.

Goods and Services Tax

The Company has been granted the status of a municipality for purposes of the Goods and Services Tax and receives the municipal rebate on all the Goods and Services Tax paid.

Future Accounting Pronouncements

[i] Standards effective beginning on or after April 1, 2017

Assets

Assets ("PS 3210") provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate cannot be made, the reason(s) for this should be disclosed.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent Assets

Contingent Assets (“PS 3320”) defines and establishes disclosure on contingent assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

Contractual Rights

Contractual Rights (“PS 3380”) defines and establishes disclosure standards on contractual rights. Disclosure of the nature, extent, and timing of any contractual rights is required.

Related Party Transactions

Related Party Transactions (“PS 2200”) defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

Inter-entity Transactions

Inter-entity Transactions (“PS 3420”) specifically addresses the reporting of transactions between entities controlled by the government’s reporting entity from both a provider and recipient perspective. Disclosure of this information is required whether or not the transaction is given accounting recognition.

[ii] Standards effective beginning on or after April 1, 2018

Restructuring Transactions

Restructuring Transactions (“PS 3430”) establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

3. CASH

The Company holds bank accounts in conjunction with The City to maximize interest earned on the cash balances. The cash held at The City is available for use in the Company's operations. Included in cash is as follows:

	2017	2016
	$	$
Restricted		
Tenants' security deposits	1,067	1,089
Rent supplement fund advance *(Note 4)*	4,255	4,255
Restricted replacement reserve	6,583	6,279
Deferred capital contributions *(Note 10)*	5,409	5,409
Restricted funding	10,405	8,480
	27,719	25,512
Unrestricted	6,464	3,384
	34,183	28,896

4. RENT SUPPLEMENT ADVANCE

The Rent Supplement Portfolio operates on the basis of the Province reimbursing the Company for the rental subsidies paid to private landlords and tenants, and an administration fee. All payments to landlords and tenants are reported as expenses and all rent supplement payments received by the Company from the Province are reported as rent supplement revenue. The Province provided the Company with a $4,255 operational cash advance in 2012. This advance would be used to pay rental subsidies to private landlords and tenants in the event that the Province decides to discontinue the rent supplement program.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

5. MORTGAGES PAYABLE

Mortgages in the amount of $2,684 [2016 - $3,615] are for the fixed subsidy properties. These mortgages have interest rates, before the senior government interest subsidy, between 0.94% and 6.45% per annum [2016 – between 1.46% and 6.45% per annum]. The effective interest rate of the fixed subsidy mortgages to the Company after subsidy payments is averaged 2% per annum over the mortgage term to renewal.

The remaining mortgages are in the amount of $9,917 [2016 - $12,861]. The interest rate of these mortgages varies from 1.04% to 4.52% per annum [2016 – between 0.94% and 4.52% per annum].

The mortgages payable schedule is as follows:

Year	$
2018	2,543
2019	1,388
2020	1,034
2021	1,023
Thereafter	6,613
	12,601

Related land and buildings have been pledged as collateral for mortgages payable. The net book value of land and buildings pledged amounts to $69,552 [2016 - $75,166] as at December 31, 2017.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

6. EMPLOYEE BENEFIT OBLIGATION

The Company does not pay honoraria to its Board members.

The employee benefit obligation program is administered by employees of The City, and it represents employees' vacation and overtime deferred to the future years. As of December 31, 2017, the balance of the employee benefit obligation was $2,041 [2016 - $1,813].

The City employees are members of the Local Authorities Pension Plan ("LAPP"). LAPP is a multi-employer benefit plan. This plan is governed by the Public Sector Pension Plans Act. The LAPP reported a deficiency (extrapolation results of the actuarial valuation) of $0.64 billion in 2016 [2015 - $0.92 billion].

The LAPP requires members and employers to make contributions to the pension plan. Yearly maximum pensionable earning ("YMPE") contribution rates are shared between members, and the rates for the current period are as follows:

	2017
Members' Rate up to YMPE	10.39%
Members' Rate over YMPE	14.84%
Employers' Rate up to YMPE	11.39%
Employers' Rate over YMPE	15.84%

The current service contributions by the Company, as reflected in 'Administration' and 'Property Operations' to the LAPP, were $1,956 [2016 - $1,766]. The current service contributions by the employees allocated to the LAPP were $1,937 [2016 - $1,748].

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

7. TANGIBLE CAPITAL ASSETS

Cost	January 1, 2017 Opening Balance $	Additions $	Disposals / Transfers $	December 31, 2017 Closing Balance $
Land	27,957	-	-	27,957
Buildings	96,721	-	-	96,721
Building Betterments	30,270	1,517	(352)	31,435
Systems	2,273	-	-	2,273
Leasehold Improvements	854	-	(224)	630
Vehicles	280	150	(40)	390
Furniture	347	-	-	347
Work in Progress	1,477	918	(1,667)	728
	160,179	2,585	(2,283)	160,481

Accumulated Amortization	January 1, 2017 Opening Balance $	Additions $	Disposals / Transfers $	December 31, 2017 Closing Balance $
Buildings	49,273	1,887	-	51,160
Building Betterments	5,927	1,004	(100)	6,831
Systems	2,194	31		2,225
Leasehold Improvements	288	66	(115)	239
Vehicles	50	38	(10)	78
Furniture	266	4	-	270
	57,998	3,030	(225)	60,803
Net Book Value	102,181	(445)	(2,058)	99,678

8. SHARE CAPITAL

The Company is authorized to issue 100 shares with no par value for a maximum consideration of one dollar per share. The shares can be issued only to The City, its agent or successor and are not otherwise transferable. As at December 31, 2017 and 2016, one share was issued.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

9. FINANCIAL INSTRUMENTS

Financial instruments consist of cash, rent and other receivables, payable to and receivable from senior government, accounts payable and accrued liabilities, unearned revenue, deferred grants, rent supplement advance, tenants' security deposits, mortgages payable and employee benefit obligation. The carrying value of these financial instruments approximates their fair value. The estimated fair value approximates the amount for which the financial instruments could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Certain financial instruments lack an available trading market, therefore fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instrument.

Interest Rate Risk

Interest rate risk reflects the sensitivity of the Company's financial results and condition to movements in interest rates. Interest rate risk is limited for fixed subsidy properties as the effective interest rate after application of senior government interest subsidies is 2% per annum. Interest rate risk for the remaining mortgages is managed through the staggering of mortgage renewals and is locked in for longer terms through Alberta Capital Finance Authority.

Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and receivables. Cash is placed with major financial institutions in conjunction with The City. Concentrations of credit risk with respect to receivables are limited due to the large number of tenants and their dispersion across geographic areas within the City of Calgary.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

10. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2017	2016
	$	$
Accumulated deficit	(3,263)	(5,377)
Restricted replacement reserve	6,583	6,279
Operating Reserve	536	536
Deferred capital contribution	5,409	5,409
Equity in tangible capital assets *	87,077	85,705
	96,342	92,552

	2017	2016
* Equity in Tangible Capital Assets	$	$
Tangible Capital Assets *(Note 7)*	160,481	160,179
Accumulated Amortization *(Note 7)*	(60,803)	(57,998)
Long-term debt *(Note 5)*	(12,601)	(16,476)
	87,077	85,705

The operating reserve represents 50% of operating surplus accumulated in 1999 and future years of the Calhome Owned Portfolio to be used to offset operating losses in future years.

Deferred capital contribution represents the restricted capital contributions received from the third parties for a specified purpose, which will be recognized as a revenue or as an increase in equity in tangible capital assets when the related expenditures are incurred.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

11. RESTRICTED FUNDS AND RESTRICTED EXPENSES

The Company has received restricted grants from The City and the Province to be used for specific purposes. These funds are recognized as restricted revenue in the period they are used for the purpose specified. In 2017, the Company utilized $6,439 [2016 - $5,589] of restricted grants and recorded the related restricted revenue.

The restricted grants provided by the Province have been restricted for capital spending, non-recurring maintenance, carbon monoxide detector installation, energy audits, suite renovations, feasibility study for two new projects, and the woman fleeing violence program.

The grants received from the City of Calgary have been restricted for performing suite renovations, building condition assessments, non-recurring maintenance, carbon monoxide detector installation, tree maintenance and new system implementation.

In 2017, The Company received approval from the City to retain $570 of the City Partnership surplus in order to address tree maintenance, suite renovations and a fire pump replacement in that portfolio in 2018.

12. INSURANCE RECOVERIES AND INSURANCE EXPENSES

Insurance recoveries represent insurance claims made during the year. Insurance recoveries are recognized as revenue when received, or when reimbursement for the insurance claim has been confirmed by the insurer. Insurance expenses are the costs incurred to pay third party contractors during the year, related to insurance claims. The insurance claims are made by the Company to recover current year insurance expenses, but may be processed during the current year or in the later years.

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

13. LEASE COMMITMENTS

The Company has commitments for its leased premises and land leases. The approximate future minimum annual lease payments for the next five years are as follows:

Year	Land $	Office Space $	Total $
2018	98	526	624
2019	98	497	595
2020	98	489	587
2021	98	489	587
2022	98	489	587
	490	2,490	2,980

In 2017, the Company entered into a new lease agreement for corporate office space.

14. CHANGES IN NON-CASH WORKING CAPITAL

	2017 $	2016 $
Receivables	(1,080)	375
Accounts payable and accrued liabilities	2,616	(681)
Unearned revenue	(23)	(504)
Deferred funding	1,925	7,759
Payable to senior government	(763)	391
Tenants' security deposits	(22)	97
Employee benefit obligation	228	90
Prepaid expenses	(12)	(8)
Increase / (decrease) in non-cash working capital	2,869	7,519

NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of Dollars)

For the year ended December 31, 2017

15. RECLASSIFICATON OF PRIOR YEAR BALANCES

Certain comparative figures have been reclassified to adjust the presentation and classification of balances in the prior year’s financial statement presentation to conform to current year presentation. These reclassifications are due to the following:

1. Nine properties were transferred from the Federal Fixed Subsidy portfolio to the Calhome Owned portfolio.
2. Federal Fixed Subsidy portfolio and Provincial Fixed Subsidy portfolio were merged into the Provincial Fixed Subsidy portfolio.
3. The salaries and benefits line item on the Statement of Operations is new in 2017. Salaries and benefits were previously recorded partly under administration, and partly under property operations.
4. Administration and salaries and benefits costs for the rent supplement program have been reclassified under the administration and salaries and benefits lines, previously classified under the rent supplement line.
5. The Company performed a unit reconciliation in 2017 to refine and properly classify the number of physical units in all portfolios. This project will continue in 2018 and future years with the purpose of further solidifying commercial unit counts and reconciling to land titles.

16. APPROVAL OF FINANCIAL STATEMENTS

The Board and Management have approved these financial statements.

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STATEMENTS OF OPERATIONS BY PORTFOLIOS:

Provincial Fixed Subsidy Portfolio

Public Non-Profit Portfolio

Calhome Owned Portfolio

Corporate Properties Residential Units Portfolio

City of Calgary Partnership Portfolio

City Owned Community Housing Portfolio

Provincially Owned Community Housing Portfolio

Rent Supplement Portfolio

The following information is supplemental and provided for informational purposes and as such has not been audited.

Provincial Fixed Subsidy Portfolio (Unaudited)

This portfolio consists of 592 units [2016 – 901 units], of which 590 are residential and 2 are non-residential, in 11 properties [2016 – 20 properties] owned by the Company, as listed below.

The portfolio receives an interest subsidy from the Province of Alberta equivalent to the amount that reduces the Company's debt financing costs to 2% per annum. The Company bears financial responsibility for operating surpluses or losses subsequent to the application of subsidies.

During 2017, the Federal Fixed Subsidy portfolio, which comprises 493 units [2016 – 803], merged with the Provincial Fixed Subsidy portfolio. The 2016 figures were restated to reflect this transfer in order to provide an appropriate basis for comparative purposes. In addition, due to the expiry of fixed subsidy agreements during 2017, 311 units were moved from this portfolio to the Calhome Owned portfolio.

Property	Property Code	Number of Units
Abbeydale 5	AB5	60
Connaught 2	CN2	48
Cedarbrae 5	CB5	14
Crossroad 1	CR1	100
Fonda Crescent	FC1	2
Huntington Hill 6	HH6	75
Manchester 2	MC2	117
Penbrooke 3	PB3	77
North Haven 3	NH3	40
Sunalta 1	SN1	26
Tuxedo 1	TX1	33
Total		**592**

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF OPERATIONS
For the Provincial Fixed Subsidy Portfolio
(Expressed in Thousands of Dollars)
(Unaudited)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
REVENUE			
Rent revenues	$ 6,758	**$ 6,099**	$ 6,289
Government transfers			
Restricted funds	381	**459**	-
Debt interest rebate	109	**35**	116
Insurance recoveries	-	**119**	47
Miscellaneous	77	**99**	92
	7,325	**6,811**	6,544
EXPENSES			
Administration	308	**222**	266
Salaries and benefits	1,449	**1,380**	1,076
Amortization of tangible capital assets	860	**887**	929
Debt servicing	139	**129**	186
Maintenance	2,182	**1,731**	1,489
Property operations	871	**767**	837
Taxes and leases	741	**304**	691
Utilities	629	**623**	596
Insurance	-	**29**	129
	7,179	**6,072**	6,199
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	146	**739**	345
OTHER ITEMS			
Loss on asset disposal	-	**(18)**	-
SURPLUS	$ 146	**$ 721**	$ 345

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

Public Non-Profit Portfolio (Unaudited)

This portfolio consists of 207 units [2016 – 210 units], all of which are residential, in 10 properties [2016 – 10 properties] owned by the Company, as listed below. The Provincial government subsidizes any operating deficits with the exception of the Lincoln Park Fanning Centre. Lincoln Park Fanning Centre receives a subsidy equivalent to the amount required to reduce debt financing costs to 2% per annum. The Company bears the responsibility of financial loss or surplus on the Lincoln Park Fanning Centre property.

Property	Property Code	Number of Units
Crescent Height 1	CH1	9
Inglewood 1	IW1	10
Lincoln Park 1	LP1	46
Lincoln Park 4 (MS)	LP4	1
Lincoln Park 5 (FAN)	LP5	2
Haultain House	NYH	16
London House	NYL	16
Silver Pines	NYS	18
Tamarac House	NYT	18
Villa Blanca	NYV	71
Total		**207**

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF OPERATIONS
For the Public Non-Profit Portfolio
(Expressed in Thousands of Dollars)
(Unaudited)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
REVENUE			
Rent revenues	$ 864	**$ 857**	$ 869
Government transfers			
Shared cost agreements	1,817	**1,473**	1,458
Restricted funds	7	**25**	117
Interest income	-	**5**	5
Insurance recoveries	-	**9**	62
Miscellaneous	19	**18**	18
	2,707	**2,387**	2,529
EXPENSES			
Administration	138	**99**	62
Salaries and benefits	523	**509**	543
Amortization of tangible capital assets	374	**348**	356
Debt servicing	65	**63**	70
Maintenance	563	**649**	524
Property operations	374	**310**	314
Taxes and leases	231	**96**	231
Utilities	348	**309**	295
Insurance	-	**8**	3
	2,616	**2,391**	2,398
EXCESS / (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	91	**(4)**	131
OTHER ITEMS			
Loss on asset disposal	-	**(6)**	-
	-	**(6)**	-
SURPLUS	$ 91	**$ (10)**	$ 131

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

Calhome Owned Portfolio (Unaudited)

This portfolio is comprised of 1,138 units [2016 – 824 units], of which 1,134 are residential and 4 are non-residential, in 29 properties [2016 – 20 properties] owned by the Company. This portfolio does not receive any subsidy from other levels of government. The Company may retain surpluses and is responsible for losses.

Property	Property Code	Number of Units
Bankview 1	BV1	26
Beddington 4	BD4	66
Cedarbrae 4	CB4	51
CB3-Cedarbrae	CBC	9
CB3-Beddington	BDC	15
Cedar Crescent	CC2	2
East Village 1	EV1	166
Erinwoods 1	EW1	58
Erinwoods 4	EW4	72
Falconridge 3	FR3	20
Falconridge 4	FR4	28
Falconridge 5	FR5	14
Lincoln Park 2	LP2	38
Lincoln Park 3	LP3	25
Manchester Commercial	MCC	1
McKenzie 1	MK2	57
McLaurin Village	MV1	1
Millrise 1	MR1	53
Rundle Manor	RD2	75
Radisson Heights 7	RH7	36
Ranchlands 6	RL6	50
Transfer From Province	TR5	5
Vista Hts 2	VH2	52
Parkland 3	PL3	36
Queensland 1	QL1	56
Queensland 2	QL2	20
Ranchlands 7	RL7	55
Silver Springs 1	SS1	31
Whitehorn 3	WH3	20
Total		**1,138**

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF OPERATIONS
For the Calhome Owned Portfolio
(Expressed in Thousands of Dollars)
(Unaudited)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
REVENUE			
Rent revenues	$ 13,229	**$ 12,871**	$ 11,929
Government transfers			
Restricted funds	4,420	**1,629**	5,404
Debt interest rebate	202	**202**	123
Interest income	344	**451**	313
Insurance recoveries	-	**83**	148
Miscellaneous	425	**291**	329
	18,620	**15,527**	18,246
EXPENSES			
Administration	686	**606**	191
Salaries and benefits	3,291	**2,793**	2,422
Amortization of tangible capital assets	1,999	**1,696**	1,643
Debt servicing	265	**262**	262
Maintenance	4,474	**3,897**	3,257
Property operations	1,785	**1,325**	1,304
Taxes and leases	1,426	**529**	1,310
Utilities	1,256	**1,054**	868
Insurance	-	**79**	80
Restricted expenses	-	**249**	153
	15,182	**12,490**	11,490
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	3,438	**3,037**	6,756
OTHER ITEMS			
Loss on asset disposal	-	**(171)**	(55)
	-	**(171)**	(55)
SURPLUS	$ 3,438	**$ 2,866**	$ 6,701

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

Corporate Properties Residential Portfolio (Unaudited)

The Company manages 246 units [2016 – 354 units], all of which are residential, in 9 properties [2016 – 9 properties] on behalf of the City of Calgary. Any operating surplus is to be returned to the City of Calgary.

Property	Property Code	Number of Units
Armour Block (Residential)	ABR	34
Midfield Mobile Homes	MFM	7
North East A	NEA	21
North West A	NWA	19
South East A	SEA	52
South East B	SEB	2
South West A	SWA	2
South West B	SWB	3
South Hill Mobile Homes	SHM	106
Total		**246**

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF OPERATIONS
For the Corporate Properties Residential Portfolio
(Expressed in Thousands of Dollars)
(Unaudited)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
REVENUE			
Rent revenues	$ 2,272	**$ 2,225**	$ 2,764
Government transfers			
Restricted funds	-	**11**	-
Insurance recoveries	-	**12**	-
Miscellaneous	11	**18**	11
	2,283	**2,266**	2,775
EXPENSES			
Administration	151	**120**	341
Salaries and benefits	960	**774**	450
Amortization of tangible capital assets	6	**3**	11
Maintenance	465	**473**	466
Property operations	303	**248**	382
Utilities	332	**401**	281
Insurance	-	**-**	10
	2,217	**2,019**	1,941
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	66	**247**	834
OTHER ITEMS			
Return to the City of Calgary	(66)	**(239)**	(834)
Loss on asset disposal	-	**(8)**	-
	(66)	**(247)**	(834)
SURPLUS	$ -	**$ -**	$ -

City of Calgary Partnership Portfolio (Unaudited)

This portfolio consists of 1,128 units [2016 – 1,085 units], of which 1,123 are residential and 5 are non-residential, in 26 properties [2016 – 24 properties] owned by the City of Calgary, as listed below. The Company manages these properties on behalf of the City of Calgary. In 2017, three new buildings became operational in this portfolio.

Property	Property Code	Number of Units
Bridges Condos 1	BG1	6
Bridges Condos 2	BG2	2
Bridges Condos 3	BG3	6
Bridges Condos 4	BG4	2
Mcpherson Place	BL3	58
Bridgeland	BL4	24
Beswich House	BWH	2
Cedar Court	CD1	65
Connaught 3	CN3	47
Crescent Heights 1	CT1	40
Crescent Heights 2	CT2	16
Crestwood 1	CW1	60
Lincoln Park 7	LP7	65
Lomond	LM1	16
Louise Station	LS2	88
Lumino	MCN	88
Trinity Foundation	MCL	70
Manchester Tower	MC3	136
Parkhill 1	PK1	9
Forest Height 9	RH9	2
Spring Bank 1	SB1	150
Vista Grande	VG1	41
Ogden Transitional	OTH	11
Vida	VMT	45
West End	WE1	47
Kingsland	KG1	32
Total		**1,128**

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF OPERATIONS
For the City of Calgary Partnership Portfolio
(Expressed in Thousands of Dollars)
(Unaudited)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
REVENUE			
Rent revenues	$ 9,602	**$ 8,680**	$ 8,651
Government transfers			
Restricted funds	-	**44**	3
Insurance recoveries	-	**60**	567
Miscellaneous	297	**390**	280
	9,899	**9,174**	9,501
EXPENSES			
Administration	381	**377**	108
Salaries and benefits	3,155	**2,768**	2,749
Amortization of tangible capital assets	49	**22**	33
Maintenance	2,346	**1,993**	2,313
Property operations	2,377	**1,745**	1,690
Utilities	1,005	**985**	858
Insurance	-	**49**	120
	9,313	**7,939**	7,871
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	586	**1,235**	1,630
OTHER ITEMS			
Transfer to City Owned Community Housing	-	**(321)**	(410)
Return to the City of Calgary	(176)	**(100)**	(1,220)
City of Calgary Surplus Retained	(410)	**(570)**	-
Loss on asset disposal	-	**(31)**	-
	(586)	**(1,022)**	(1,630)
SURPLUS	$ -	**$ 213**	$ -

City Owned Community Housing Portfolio (Unaudited)

This portfolio consists of 1,059 units [2016 – 1,048 units], of which 1,050 are residential and 9 are non-residential, in 20 properties [2016 – 20 properties] owned by the City of Calgary, as listed below. CHC manages this portfolio under agreements between the City of Calgary and the Province of Alberta. The agreements provide that The Province of Alberta and the City of Calgary will fund or be refunded operating losses or surpluses in the ratio of 90%, and 10% respectively.

Property	Property Code	Number of Units
Bridgeland 2	BL2	215
Bowness 1	BN1	30
Bowness 2	BN2	6
Bowness 3	BN3	10
Bowness 4	BN4	14
Dover 1	DV1	32
Forest Heights 1	FH1	26
Glenbrook 1	GB1	30
Glenbrook 2	GB2	22
Huntington 1	HT1	24
Huntington 2	HT2	18
Huntington 3	HT3	30
Hillhurst 1	HU1	80
Hillhurst 2	HU2	66
Montgomery 1	MM1	26
Ogden 1	OD1	50
Oakridge 1	OR1	30
Penbrook 1	PB1	27
Spruce Cliff 1	SC2	249
West Dover 2	WD2	74
Total		**1,059**

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF OPERATIONS

For The City Owned Community Housing Portfolio
(Expressed in Thousands of Dollars)
(Unaudited)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
REVENUE			
Rent revenues	$ 5,034	**$ 4,775**	$ 4,940
Government transfers			
Shared cost agreements	3,334	**3,669**	3,383
Restricted funds	4,046	**3,874**	65
Insurance recoveries	-	**119**	69
Miscellaneous	149	**181**	161
	12,563	**12,618**	8,618
EXPENSES			
Administration	369	**395**	310
Salaries and benefits	2,882	**2,843**	2,560
Amortization of tangible capital assets	46	**21**	32
Maintenance	5,923	**6,147**	2,837
Property operations	1,277	**1,513**	1,592
Utilities	2,066	**1,861**	1,644
Insurance	-	**128**	53
	12,563	**12,908**	9,028
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	-	**(290)**	(410)
OTHER ITEMS			
Transfer from City Partnership	-	**321**	410
Loss on asset disposal	-	**(31)**	-
	-	**290**	410
SURPLUS	$ -	**$ -**	$ -

Provincially Owned Community Housing Portfolio (Unaudited)

This portfolio consists of 2,704 units [2016 – 2,721 units], all of which are residential, in 100 properties [2016 - 100 properties] owned by the Province of Alberta, as listed below. The Province subsidizes 100% of the deficits of this portfolio. Of the buildings below, 53 are on City-owned land that is leased by the Province.

Property	Property Code	Number of Units
Abbeydale 1	AB1	13
Abbeydale 2	AB2	9
Abbeydale 3	AB3	17
Abbeydale 4	AB4	14
Abbeydale 6	AB6	21
Accessible Hsg.1	AH1	3
Applewood 1	AP1	53
Beddington Heights 1	BH1	40
Baker House/Langin Place	BKH	270
Beddington Heights 2	BH2	50
Bowness 6	BN6	2
Bowness 7	BN7	9
Bowness 8	BN8	27
Cedarbrae 1	CB1	9
Cedarbrae 2	CB2	24
Cedarbrae 6	CB6	12
Crescent Heights 2	CH2	20
Capital Hill 3	CH3	6
Castleridge 1	CS1	16
Castleridge 5	CR5	12
Dalhousie 1	DA1	64
Deer Ridge 1	DR1	43
Deer Valley 1	DR2	30
Dover 3	DV3	12
Dover 4	DV4	18
Dover 5	DV5	4
Dover 5B	DVB	2
Dover 6	DV6	10
Edgemont 1	ED1	84
Erinwoods 2	EW2	14

Calhome Properties Ltd.
Operating as ‘Calgary Housing Company’

Property	Property Code	Number of Units
Erinwoods 3	EW3	84
Erinwoods 5	EW5	28
Forest Heights 2	FH2	7
Forest Heights 3	FH3	14
Forest Lawn 2	FL2	5
Falconridge 1	FR1	20
Falconridge 2	FR2	8
Falconridge 6	FR6	48
Falconridge 7	FR7	49
Glenbrook 3	GB3	2
Glenbrook 4	GB4	46
Highland Park 2	HP2	8
Inglewood 3	IW3	6
Inglewood 8	IW8	18
Killarney 1	KL1	17
Killarney 2	KL2	13
Lincoln Park 6	LP6	65
MacEwan Glen 1 & 2	MG1	74
McKenzie 1	MK1	60
Montgomery 4	MM4	2
Montgomery 6	MM6	51
Mission 1	MN1	30
Midnapore 1	MP1	60
Mountview 1	MT1	7
North Haven 2	NH2	12
Ogden 4	OG4	4
Ogden 5	OG5	4
Ogden 6	OG6	12
Penbrook 2	PB2	4
Parkland 1	PL1	8
Parkland 2	PL2	10
PineHill 1	PH1	40
Pineridge 1	PR1	62
Pineridge 2	PR2	62
Pineridge 3	PR3	24
Rundle 1	RD1	56

Property	Property Code	Number of Units
Renfrew 2	RF2	20
Radisson Heights 1	RH1	7
Radisson Heights 2	RH2	3
Radisson Heights 3	RH3	4
Radisson Heights 4	RH4	7
Radisson Heights 5	RH5	9
Radisson Heights 6	RH6	41
Ranchlands 1	RL1	8
Ranchlands 2	RL2	18
Ranchlands 3	RL3	15
Ranchlands 4	RL4	9
Ranchlands 5	RL5	45
Ranchlands 8	RL8	34
Ramsay 2	RM2	8
Ramsay 7	RM7	12
Rosscarrock 1	RS1	50
South Calgary 1	SC1	24
Social Housing 3	SH3	2
Social Housing 4	SH4	2
Strathcona 1	ST1	63
Southview 2	SV2	40
Shawnessy 1	SY1	37
Stanley 1	SM1	32
Thorncliffe 1	TC1	7
Temple 1	TP1	38
Temple 2	TP2	8
Vista Heights 1	VH1	23
Woodbine 1	WB1	18
Whitehorn 1	WH1	16
Whitehorn 2	WH2	8
Whitehorn 4	WH4	2
Willow Park 1	WP1	22
Woodlands 1	WL1	56
Woodlands 2	WL2	88
Total		**2,704**

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

STATEMENT OF OPERATIONS
For the Provincially Owned Community Housing Portfolio
(Expressed in Thousands of Dollars)
(Unaudited)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
REVENUE			
Rent revenues	$ 12,895	**$ 12,444**	$ 12,598
Government transfers			
Shared cost agreements	8,655	**8,751**	8,383
Restricted funds	371	**397**	-
Insurance recoveries	-	**21**	-
Miscellaneous	284	**396**	299
	22,205	**22,009**	21,280
EXPENSES			
Administration	958	**1,027**	804
Salaries and benefits	7,360	**7,088**	6,616
Amortization of tangible capital assets	118	**54**	82
Maintenance	4,072	**4,759**	5,132
Property operations	2,787	**2,498**	2,635
Taxes and leases	1,046	**1,046**	1,046
Utilities	5,864	**5,456**	4,958
Insurance	-	**-**	7
	22,205	**21,928**	21,280
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	-	**81**	-
OTHER ITEMS			
Loss on asset disposal	-	**(81)**	-
	-	**(81)**	-
SURPLUS	$ -	**$ -**	$ -

Calhome Properties Ltd.
Operating as 'Calgary Housing Company'

Rent Supplement Portfolio (Unaudited)

CHC is the designated agent to administer the Rent Supplement Programs in Calgary on behalf of The Province.

STATEMENT OF OPERATIONS
For the Rent Supplement Portfolio
(Expressed in Thousands of Dollars)
(Unaudited)

For the year ended December 31, 2017

	BUDGET	**2017**	2016
REVENUE			
Government transfers			
Shared cost agreements	$ -	**$ -**	$ 714
Rent supplement funding	19,200	**19,435**	18,817
	19,200	**19,435**	19,531
EXPENSES			
Administration	268	**206**	582
Salaries and benefits	761	**626**	699
Rent supplement payments	18,171	**18,603**	18,250
	19,200	**19,435**	19,531
SURPLUS	$ -	**$ -**	$ -

MEMBERSHIP: As approved by motion at the CHC Board.

CALENDAR AND MEETINGS:

Meeting schedules will correspond with the calendar of the Auditor and otherwise at the call of the Chair.

MANDATE:

The Audit and Risk Management Committee (the "Committee") is established as a committee of the Board. The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing:

I. the external audit process
II. the financial information that will be provided to the Board and the shareholder and to the public; and
III. the systems of internal controls and integrated risk management framework and assessment that the President and the Corporate Finance and Risk Officer (CFRO) have established.

To oversee the development, implementation and monitoring of appropriate corporate risk strategies relative to legislative compliance, legal/statutory and business requirements.

DUTIES AND RESPONSIBILITIES:

The committee will perform the following activities:

A. External Audit

i. Provide an open avenue of communication between the auditor and the Board;
ii. Review and approve the external audit plan prior to commencement of the audit;

iii. Consider and review with the President, the CFRO and the auditor:
   a) The adequacy of the Corporation's internal controls including computerized information system controls and security;
   b) Management letters and any related significant findings and recommendations of the auditor together with the President and CFRO responses.

iv. Review with the President, the CFRO and the auditor at the completion of the annual examination:
   a) The Corporation's annual financial statements;
   b) Any changes in accounting policies and practices, and compliance with accounting standards;
   c) Major judgmental areas;
   d) Significant adjustments arising from the audit;
   e) The findings of the auditor's audit of the financial statements and their report;
   f) Any significant changes to the audit plan;
   g) Any other matters related to the conduct of the audit that are to be communicated to the Committee under public sector accounting standards.

v. Review other published documents and consider whether the information contained in them is consistent with the information contained in the annual financial statements;

vi. Meet separately with the President, the CFRO, and the auditor as required to discuss any matters that the Committee or these groups believe should be discussed privately.

B. Financial Statements and Other Financial Information:

i. Review and recommend to the Board for approval the annual Operating and Capital budgets of the Corporation;

ii. Ensure that the annual Operating and Capital budgets of the Corporation support the approved Business Plan of the Corporation by ensuring the business plan actions are considered and funded where fiscally feasible;

iii. Review, approve and provide to the Board the quarterly financial statements of the Corporation;

iv. Review and recommend to the Board for approval the annual audited Financial Statements and other financial information that will be provided to the Shareholder;

v. Review and recommend to the Board for approval the four-year Financial Forecast (on cycle).

C. Risk Management and Internal Control:

i. To develop, implement and monitor a risk management framework for CHC;
ii. Inquire of the President, the CFRO, and the auditor (where necessary) about significant risks or exposures and assess the steps the President and CFRO have taken to minimize such risk;
iii. Require that the President and the CFRO provide appropriate assurances of compliance addressed to the Committee outlining their activities to ensure compliance with key regulatory requirements and internal control practices.

RESOURCES NEEDED:

The CHC CFRO, appropriate staff and consultants to advise on risk management and audit matters, as well as staff to document meetings and create reports as directed by the committee.

ACCOUNTABILITY:

The Committee is accountable to the CHC Board only.

ACCESSIBILITY:

Issues may be brought to the Committee through the audit process, from the Board, or through management.

COMMUNICATION:

The Committee will communicate to the Board through reports at regular meetings, and the Committee will also communicate directly with the auditor on behalf of the Board.

DECISION POWERS:

The Committee will forward its recommendations to the CHC Board on all matters brought before it.

EVALUATION:

The Committee will review its terms of reference and effectiveness no later than each year-end. The Committee will also undertake an annual process to review its own performance against its mandate and report findings, along with any proposed changes to the Board.

COMMITTEE TIMETABLE

The timetable on the following pages outlines the Committee's schedule of activities during the year.

AUDIT AND RISK MANAGEMENT COMMITTEE

2018 TIMETABLE

A. External Audit	**Q1**	**Q2**	**Q3**	**Q4**
Review external audit plan				✓
Consider & review with the President, CFRO, and the auditor: a) The adequacy of the Corporation's internal controls including the computerized information systems controls and security b) Management letters and any related significant findings	✓			
Review with the auditor: a) Annual financial statements	✓			

CHC Audit and Risk Management Committee 2018 Workplan

b) Any changes in accounting policies and practices c) Significant adjustments arising from the audit. d) The findings of the audit e) Any significant changes to the audit plan f) Any other matters related to the conduct of the audit				
B. Financial Statements and Other Financial Information	**Q1**	**Q2**	**Q3**	**Q4**
Review and recommend to the Board for approval the annual Operating and Capital budgets				✓
Ensure that the annual Operating and Capital budgets support the approved business plan				✓
Review, approve and provide to the Board for information the quarterly financial statements including vacancy information		✓	✓	✓
Review and recommend to the Board for approval the annual audited financial statements and other financial information provided to the Shareholder	✓	✓		

Review and recommend to the Board for approval the four-year budget and financial forecast (on cycle)			✓	
D. Risk Management and Internal Control	**Q1**	**Q2**	**Q3**	**Q4**
Review risk management framework		✓		
Inquire of the President, the CFRO, and the auditor (where necessary) about significant risks or exposures and assess the steps taken to minimize such risk	✓	✓		
Review information and internal control systems			✓	
Other	**Q1**	**Q2**	**Q3**	**Q4**
Review Committee Terms of Reference				✓
Review and approve the annual work plan				✓
Elect a committee chair	✓			

**City Auditor's Report to
Audit Committee
2018 September 18**

OPEN DATA INITIATIVE AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the Open Data Initiative Audit Report to Administration on August 22, 2018. The report includes Administration's response to seven recommendations raised by the City Auditor's Office. Administration accepted all recommendations and has committed to the implementation of action plans no later than December 31, 2019. The City Auditor's Office will track the implementation of these commitments as part of our ongoing follow-up process.

RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's 2017/18 plan was approved on 10 November 2016. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

The City of Calgary's Open Data Initiative supports the publication of City information as open data through a portal which is intended for use, reuse and redistribution by anyone under the simplified terms of an open data license. The City of Calgary's Open Data Initiative supports the City's position as an open government; enhancing transparency and taxpayer's participation; and improving services through innovation.

The Open Data Initiative audit was included in the 2017/2018 annual audit plan due to the high impact of reputational risk the initiative could have on The City.The objective of this audit was to evaluate the effectiveness of current processes and governance practices that support successful achievement of the City's Open Data Initiative goals, based on key criteria from a best practice document produced by Canada's Open Data Exchange[1]. We assessed the effectiveness of current processes and governance of the Open Data Initiative which are in place to mitigate reputational risks related to data quality, security and noncompliance with Freedom of Information and Protection of Privacy Act (FOIP).

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Results of our audit noted the Open Data Initiative governance practices and processes are effective to ensure completeness, accuracy, usability and adherence to FOIP for the published data. A complete data inventory of participating Business Units exists to determine dataset

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[1] Open Data Exchange: Open Data Blueprint - Helping municipalities think differently about open data.

eligibility and priority. All data is published in machine readable format with metadata[2] and is maintained and updated on a regular basis.

However, the current open data strategy lacks clarity on long term objectives and vision, and without a clear vision and long term objectives the City may either overinvest or underinvest limited resources in this initiative. In addition, key performance indicators relevant to the achievement of the Open Data Initiative's objectives, and Open Data Initiative's costs and benefits are not established to measure if key objectives and targets are met. Two recommendations were raised to further enhance the open data strategy and to define, track and report performance measures related to the Open Data Initiative's objectives.

Five additional recommendations were included in the report to support improved governance reporting; customer feedback process; and clarification of roles and responsibilities for data stewards.

Stakeholder Engagement, Research and Communication
This audit was conducted with Corporate Analytics and Innovation, as the principal audit contact within Administration.

Strategic Alignment
Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)
N/A

Financial Capacity
Current and Future Operating Budget
N/A

Current and Future Capital Budget
N/A

Risk Assessment
The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure. Calgary's Open Data Initiative has gradually increased the amount of data available for public access since its launch in 2010. Future expansion of open data is planned. The publication of open data poses high impact reputational risk for The City. Accordingly, clear processes related to privacy concerns, FOIP compliance, and data quality management are critical to effectively mitigate associated reputational risk.

[2] Data that serves to provide context or additional information about other data.

Timely implementation of the committed action plans will further mitigate reputational risk and enhance the effectiveness of the Open Data Initiative.

REASON FOR RECOMMENDATIONS
Bylaw 48M2012 (as amended) states: “Audit Committee receives directly from the City Auditor any individual audit report and forwards these to Council for information.”

ATTACHMENT
Open Data Initiative Audit - AC2018-1008

AC2018-1008
Attachment

City Auditor's Office

Open Data Initiative Audit

August 22, 2018

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Table of Contents

The City Auditor's Office completes all projects in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Executive Summary

The City of Calgary established its Open Data Initiative in 2010. Open data has the ability to improve decision making; foster the growth of innovative businesses, products and services; and enhance transparency and accountability. A 2013 McKinsey report[1], with respect to open data states "unlocking innovation and performance with liquid information, identified more than $3 trillion in economic value globally could be generated each year through use of open data - increasingly open data is machine readable, accessible to a broad audience at little or no cost, and capable of being shared and distributed." The City's open data portal[2] allows free public access to the City's data subject to the open data portal's terms of use. In 2018, there were 262 datasets available on the open data portal with an average of 20,000 monthly visits. The City's Open Data Initiative has a potential to stimulate economic opportunities as a number of mobile applications have been created by developers using datasets from the City's open data portal.

The objective of this audit was to evaluate the effectiveness of current processes and governance practices that support successful achievement of the City's Open Data Initiative goals, based on key criteria from a best practice document produced by Canada's Open Data Exchange[3], to mitigate reputational risks related to data quality, security and noncompliance with Freedom of Information and Protection of Privacy Act (FOIP).

Results of our audit noted the Open Data Initiative governance practices and processes are effective to ensure completeness, accuracy, usability and adherence to FOIP for the published data. A complete data inventory of participating Business Units exists to determine dataset eligibility and priority. All data is published in machine readable format with metadata[4] and is maintained and updated on a regular basis.

However, the current open data strategy requires enhancement. The open data strategy lacks clarity on long term objectives and vision which in their absence raises questions on the necessary resource allocation to achieve the desired goals of this ongoing initiative. Without a clear vision and long term objectives the City may either overinvest or underinvest limited resources in this initiative. In addition, key performance indicators relevant to the achievement of the Open Data Initiative's objectives, and the Open Data Initiative costs and benefits are not established to measure if key objectives and targets are met. We raised recommendations to further enhance the open data strategy and to define, track and report performance measures related to the Open Data Initiative's objectives.

Five additional recommendations were raised to support further improvements including governance reporting processes; customer feedback process; and clarification of roles and responsibilities for data stewards.

Corporate Analytics and Innovation, with the support of Information Technology, has agreed to all seven recommendations and committed to implementing the recommendations by December 31,

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[1] Open data: Unlocking innovation and performance with liquid information -McKinsey Global Institute
[2] The Open Data Initiative supports the publication of City information as open data through a portal.
[3] Open Data Exchange: Open Data Blueprint - Helping municipalities think differently about open data.
[4] Data that serves to provide context or additional information about other data.

2019. The City Auditor's Office will monitor the status of commitments as part of its ongoing recommendation follow-up process.

1.0 Background

Open data is data that anyone can access, use and share. Governments, businesses and individuals can use open data to bring about social, economic and environmental benefits. Open data becomes usable when made available in a common, machine-readable format. Open data must be licensed as Canadian government information is automatically protected by copyright. A license agreement allows users to use the data in any way they want, including transforming, combining and sharing it with others, even commercially. Government release of open data can also make governments more transparent to citizens.

A 2013 McKinsey Global Institute research paper (Open data: Unlocking innovation and performance with liquid information) suggested: "Making data more "liquid" (open, widely available, and in shareable formats) has the potential to unlock large amounts of economic value, by improving the efficiency and effectiveness of existing processes; making possible new products, services, and markets; and creating value for individual consumers and citizens."

Council, through a notice of motion in July 2009, directed administration to prepare a report of how to make information more open and accessible. The report was adopted in March 2010 as part of the eGovernment Strategy, and administration was directed to conduct a pilot of the public data catalogue[5] with the re-launch of CITY online. The pilot was completed in late 2011, and transitioned to form the open data catalogue in 2012.

An eGovernment Strategy Advisory Committee was formed in January 2013 at the request of Council, to assist in the future planning and development of open data at The City. Corporate Analytics and Innovation (CAI) launched the City's open data catalogue in late 2013. During 2014, citizens participated in research and engagement initiatives focused on evaluating the open data catalogue and recommending improvements. The open data catalogue was redesigned to enhance its effectiveness for public as per research findings and feedback from stakeholders and the advisory group. An upgraded cloud based open data portal[6] was implemented in 2016, with enhanced data analysis features, new data visualization tools, and application programming interface capabilities for easier application development.

The Open Data Initiative is also important in achieving the objectives of the City's Digital Strategy, which was approved by Council in 2014. The City's Digital Strategy aims to create an open organization. The vision for the City's Digital Strategy is to use innovation and engagement to enable secure anytime, anywhere, access to an open government for today and tomorrow's citizen.

The City of Calgary's Open Data Initiative supports the City's position as an open government; enhancing transparency and taxpayer's participation; and improving services through innovation. In addition to open data societal benefits such as open and transparent governments, open data can

[5] The open data catalogue was used to provide public access to data and allowed citizens to only download data.

[6] The city replaced the open data catalogue with a cloud based open data portal which hosts City data and allows citizens to interact with the data in more meaningful ways such as providing enhanced data analysis features, new data visualization tools, and application programming interface capabilities.

create economic value, such as the time savings Calgary commuters gain when they avoid congestion by using a traffic application based on open data.

Currently, CAI manages the Open Data Initiative and has a mandate to manage external licensing of City data and information as per criteria set out by The City's Information Management & Security Policy and its associated standards with the principles outlined in The City's Digital Strategy. These policies recommend all external access to City's data must have a data license agreement including terms of use or a formal data license agreement.

Calgary's Open Data Initiative has gradually increased the amount of data available for public access since its launch in 2010. Currently, the open data portal offers public access to 262 sets of data representing 22 Business Units' (BUs) activity. Future expansion of open data is planned with an expectation to represent the majority of BUs.

The City of Calgary's Open Data Initiative supports the publication of City information as open data through a portal which is intended for use, reuse and redistribution by anyone under the simplified terms of an open data license. This raw data (often referred to as source data), can be used for a wide variety of purposes, including software development, where data is used to create applications for mobile devices and computer programs.

The Open Data Initiative audit was included in the 2017/2018 annual audit plan due to the high impact of reputational risk the initiative could have on The City. In order to publish open data, clear processes related to privacy concerns, Freedom of Information and Protection of Privacy Act (FOIP) compliance, and data quality management are critical to effectively mitigate associated reputational risk.

1.1 Risk Assessment

During the planning phase of the audit, we interviewed staff in CAI and in Resilience and Infrastructure Calgary. Additionally, we performed a walkthrough to determine the high level process of evaluating and publishing a dataset on the open data portal. We utilized key criteria, from Canada's Open Data Exchange (ODX), to assess potential risks. The ODX is a best practices document or blueprint for governments across Canada to launch their own open data initiatives or to encourage those already engaged with open data to become more ambitious in launching new and improved data portals. A risk matrix was created to map key criteria to the identified risks and has been included in Appendix A.

2.0 Audit Objectives, Scope and Approach

2.1 Audit Objective

The objective of this audit was to evaluate the effectiveness of current process and governance practices within the City's Open Data Initiative, based on key criteria from a best practice document produced by ODX, to mitigate risks related to data quality and data security.

2.2 Audit Scope

Our audit focused on 262 datasets published on the open data portal during the period January 2017 to April 2018.

2.3 Audit Approach

We evaluated the Open Data Initiative against the criteria identified in Appendix A by conducting interviews with CAI staff, and review of current documents, processes, procedures and strategy which support the sample of datasets recently published.

As CAI currently manages the Open Data Initiative, CAI's management team was our primary contact for the audit. Information Technology (IT) and three additional BUs were contacted during the fieldwork process to obtain their perspective of the Open Data Initiative.

3.0 Results

The audit evaluated the City's Open Data Initiative based on key criteria from a best practice document produced by ODX. We assessed the effectiveness of current processes and governance of the Open Data Initiative which are in place to manage privacy concerns, FOIP compliance, and data quality; which in turn can help to mitigate reputational risk associated with the publication of open data. The results of the audit are discussed with relation to the ODX criteria (refer to Appendix A).

3.1 Open Data Strategy & Vision

We reviewed the recently developed open data strategy which defines the Open Data Initiative's goals including increased transparency, improved public participation and enhanced services for citizens.

Our interviews with the Leader IP Access and Marketing and inspection of documents confirmed the open data strategy was presented to the Information Management and Security Governance Committee (IM&S Governance Committee) and Digital Governance Committee (DGC). However, the Open Data Initiative's objectives, long term vision and targets are not articulated in the open data strategy, which are required to convert goals into specific and measureable actions; and to achieve Senior Management and BUs support, and adequate resourcing for effective implementation of the initiative. We recommended to articulate the Open Data Initiative's objectives, long term vision and targets into the open data strategy; and obtain Administrative Leadership Team endorsement to ensure proper engagement, and support for this corporate level initiative (Recommendation #1).

3.2 Communications Plan

During our fieldwork, work was in progress to finalize the 2018 communication plan. We reviewed the 2016 and 2017 communications plans and noted the plans outline specific communication tactics such as promotional video, newsletters and social media articles to provide awareness of the Open Data Initiative. The 2017 plan also suggests to use Hackathons and Community of Practice meetings to promote the Open Data Initiative.

Our testing confirmed the open data team conducted Hackathons in 2016 and 2018, and held Community of Practice meetings in 2017 and 2018 to increase awareness of the Open Data Initiative. Overall communication tactics outlined in the 2016 communication plan were partially implemented; and the communication tactics outlined in the 2017 plan were not executed. We also identified the communications plans need improvement to incorporate roles and responsibilities for effective execution of the communication plan. We recommended revision of the 2018 Communications Plan as per the revised open data strategy including description of roles and responsibilities; and obtaining the Governance Committees support to implement the plan (Recommendation #4).

3.3 Data Release Process

Our testing confirmed that data inventories of participating BUs exist to assess which datasets qualify to be published as open data. In addition, existing processes to collect, verify and publish datasets are effective to prevent the release of inaccurate or incomplete data. We determined the open data team releases the datasets through an established process in accordance with FOIP requirements and the City's Information Management and Security Policy. Our testing confirmed data is published as open data (machine readable with associated metadata) and is updated and maintained through predefined intervals and process.

We reviewed 13 process narratives and 14 process flow charts, which are intended to outline all detailed steps regarding dataset collection, data evaluation and processing. We noted these process documents were last updated in 2012, and did not reflect changes from the new portal implementation in 2016. We recommended an update of the process documentation to mitigate the risk of inconsistent and inefficient practices (Recommendation #7).

Throughout our testing we also identified an opportunity for improvement, which could enhance effectiveness. We tested a sample of seven datasets of seven BUs to determine the effectiveness of the data release process. Our testing confirmed the data release process consider data quality, usability, confidentiality and characteristics through several process steps. However, the records for compliance with the data release process steps, such as, checks for data quality and privacy are maintained informally. We recommended an opportunity of improvement to develop a data release process checklist of the significant process steps to ensure completeness, consistency, usability and accuracy of the published data in case of staff turnover.

3.4 Terms of Use

Our testing confirmed the Open Data Initiative's terms of use with legal warnings and disclaimer are available on the open data portal to mitigate the risk of misuse and misinterpretation of the City's data by users. The terms of use encourage users to reuse, publish and distribute the data for any lawful purpose but do not grant rights to access personal data, intellectual property or records not available under applicable laws.

3.5 Feedback Process

There is no formal process in place to collect and evaluate internal and external stakeholders' feedback regarding dataset suggestions by the portal users, usability feedback from a post-secondary institution, and feedback from customer surveys, Hackathons and Community of Practice meetings.

Based on a cross review of feedback received from stakeholders (i.e. dataset suggestions, Community of Practice meetings, 2018 customer survey, 311, Hackathons) we concluded the collected feedback was not formally evaluated, tracked or implemented. A formal feedback process to evaluate, track and implement customer's suggestions will facilitate continuous improvement of the initiative. A recommendation to define, implement and communicate a process to collect, evaluate and implement internal and external feedback for the Open Data Initiative was raised (Recommendation 5).

3.6 Roles and Responsibilities

The Data Strategists and the Leader IP Access and Marketing roles and responsibilities with respect to the open data are defined in their respective Job Evaluation Questionnaires (JEQs). The City's Information Management and Security Policy also defines high level responsibilities of BUs related to the open data. However, there is no formal document to specifically outline roles and responsibilities of data stewards engaged in the Open Data Initiative. Our interviews with the open data team and IT; and three other BUs confirmed there is a lack of clarity regarding roles and responsibilities for the data stewards. Clarity of roles and responsibilities for data stewards, will help to ensure data quality and integrity. As open data is only one component of the data stewards' role, we passed this recommendation to the Chief Information Technology Officer for action (Recommendation #6).

3.7 Performance Measures & Governance

Two performance metrics showing the percentage of City's BUs participating in the Open Data Initiative; and percentage of customers satisfied with data formats of the published data on the open data portal were reported in the 2016 and 2017 Year End Accountability Reports. These two performance measures met their targets. Additional performance metrics specific to six open data portal related metrics (such as number of downloads and page views) and the number of staff hours spent on the Open Data Initiative are also tracked by the open data team.

The nine existing key performance indicators (KPI's), however, do not align with the open data strategy and they do not track and monitor the costs and benefits of the Open Data Initiative. We were pleased to learn in our interviews with the Leader IP Access and Marketing work is in progress to evaluate current KPIs; and to develop and review additional KPI's, with an expected completion date of early 2019.

We recommended this revision work should include consideration of performance measures that reinforce the Open Data Initiative's objectives, long term vision and value in alignment with the revised open data strategy (Recommendation #2).

An ODX best practice is the inclusion of open data stakeholders on advisory panels or working committees to guide the strategy implementation. Through our review of minutes from the Analytics Calgary Steering Committee meetings, we confirmed the open data team attended Analytics Calgary Steering Committee meetings during 2016 and 2017 to report critical milestones. We also reviewed the IM&S Governance Committee and DGC Terms of Reference and determined IM&S Governance Committee and DGC are responsible to ensure the Open Data Initiative aligns with the corporate goals.

Our interviews with the Leader IP Access and Marketing indicated the open data team attends IM&S Governance Committee and DGC meetings on an ad-hoc basis, and there was no evidence formal reporting was done in 2017 for IM&S Governance Committee and DGC regarding the Open Data Initiative status and challenges. No additional reporting was done in 2018, though, the open data strategy was presented to IM&S Governance Committee and DGC in March and April of 2018 respectively. As a result, we recommended utilizing an appropriate reporting/governance forum to report the Open Data Initiative challenges and progress and define and implement the appropriate reporting criteria (Recommendation #3).

Further information on the recommendations is provided under section 4.0. We would like to thank staff from CAI and IT for their assistance and support throughout this audit.

4.0 Observations and Recommendations

4.1 Open Data Strategy and Vision

The Open Data Initiative's objectives, long term vision, and targets are not articulated in the open data strategy. Undefined or uncommunicated objectives poses the risk of a lack of support and participation from Senior Management and BUs which may result in the Open Data Initiative not achieving its business objectives. A defined open data strategy supports the Open Data Initiative as it provides clear direction allowing progress to be tracked. A strategy also gives teams the framework to assess and make decisions and provides the mechanism for turning ideas into actions.

Our review of the open data strategy noted Open Data Initiative's goals are included in the open data strategy. We observed Open Data Initiative's objectives are outlined in other documents such as the 2017 Communications Plan and the Tactical Plan. Interviews with the Team Leader IP Access and Marketing and Director, Corporate Analytics and Innovation indicated the vision and mission of the Corporate Analytics and Innovation BU also represents the mission and vision of the Open Data Initiative. However, objectives, long term vision, and targets are not incorporated or referenced in the open data strategy.

A revised version of the open data strategy was presented to the IM&S Governance Committee and DGC in 2018. Interviews with the open data team indicated the committees did not ask for any further revision of the strategy, and the open data team considers this as approval of the open data strategy. The open data strategy and its related Tactical Plan are not formally approved. As this is a corporate wide initiative the strategy should be endorsed by the Administrative Leadership Team (ALT) to ensure proper engagement, ownership, guidance and support for this corporate level Open Data Initiative. A formal endorsement from ALT will ensure acceptance of desired outcomes which is fundamental to success.

<u>Recommendation 1</u>

The Director, Corporate Analytics and Innovation to:

1. Incorporate the Open Data Initiative's objectives, long term vision and targets into the open data strategy.
2. Present the strategy to the Administrative Leadership Team and obtain their endorsement for the revised open data strategy.

<u>Management Response</u>

Agreed.

Action Plan	Responsibility
1. Update open data strategy document to include objectives, vision and targets into the strategy. 2. Present revised open data strategy to ALT for acceptance and approval. This presentation would include updated KPI and identified investments that may be required to continue to support the Open Data Initiative.	Lead: Team Lead, Intellectual Property Access and Marketing (IPAM) Support: Director of CAI, Manager of Innovation, Data & External Access (IDEA) and Open Data Strategist (IPAM) Commitment Date: 1. December 31, 2018 2. March 31, 2019

4.2 Performance Measures and Tracking

Performance measures relevant to the Open Data Initiative's objectives, long term vision and value are not defined and reported. Performance measures are used to measure outcomes and results to determine the effectiveness and efficiency of initiatives. Failure to measure the relevant performance measures may promote the perception the initiative is not meeting its objectives which may impact the sustainability of the Open Data Initiative. The tracking and monitoring of performance measures help to determine whether the initiative realizes value. Further, the City has an obligation to utilize taxpayer funds in an effective manner.

The Open Data Initiative only tracks and reports two KPIs/performance metrics as required in the 2015-2018 Action Plan. These metrics are assessed on an annual basis and are outlined below:

- Percentage of City of Calgary BUs that have datasets in the open data catalogue.
- Percentage of customers satisfied with data formats delivered in the open data catalogue.

The targets for these KPIs were met in 2017. Additional performance metrics are also tracked in the open data portal such as the number of downloads. However, the KPI's tracked above do not tie to the open data strategy nor do they consider the costs and benefits of the Open Data Initiative.

Interviews with the Leader IP Accesses and Marketing indicated all costs associated with the Open Data Initiative are not tracked, although the Open Data Initiative tracks some costs, such as, the number of staff hours spent on the Open Data Initiative. Currently, the open data team is not able to assign a dollar amount/value to the Open Data Initiative. The open data team is in the process of developing and reviewing more relevant KPI's to track progress and report throughout the year. As per the Leader IP Accesses and Marketing, the KPI analysis will be completed by the fall of 2018; and implementation of the new KPI's will be completed in early 2019.

Recommendation 2

Leader IP Access and Marketing to:

1. Define and track performance measures that reinforce the Open Data Initiative's objectives, long term vision and value as defined in the revised open data strategy.
2. Report the benefits of open data (such as KPIs and initiative costs) to Senior Management on a regular basis.

Management Response

Agreed.

Action Plan	**Responsibility**
1. Complete KPI evaluation that is aligned with RBA by Q4 2018. Incorporate into revised open data strategy document. Upon approval of open data strategy by ALT, deploy for 2019 – 2022 business cycle. 2. Report annually performance outcomes to IM&S Governance Committee beginning Q1 2019.	Lead: Team Lead, IPAM Support: Manager, IDEA, Open Data Strategist Commitment Date: 1. Complete KPI evaluation –December 31, 2018. • Incorporate KPIs evaluation into revised Open Data Strategy document-March 31, 2019. • Deploy KPIs for 2019 – 2022 business cycle-June 30, 2019. 2. Report annually performance outcomes to IM&S Governance Committee-March 31, 2019.

4.3 Governance & Reporting

The IM&S Governance Committee and DGC have a mandate to oversee policies, standards and initiatives to ensure strategic alignment with corporate goals and needs. The Open Data Initiative currently reports to these two committees on an ad hoc basis, and therefore may not be receiving full benefit from governance oversight.

In addition to IM&S Governance Committee and DGC, the open data team stated they attended multiple committee meetings including Analytics Calgary Steering Committee during 2016. Analytics Calgary is a corporate wide initiative to enable data driven decision making. The open data team attended the Analytics Calgary Steering Committee four times in 2017 to present critical milestones for the Open Data Initiative. The Open Data Initiative status and challenges were not reported to IM&S Governance Committee and DGC during 2017. Although, the open data team did attend one IM&S Governance Committee and one DGC meeting in 2018 to present the open data strategy.

Lack of oversight poses a risk of misalignment of the Open Data Initiative with corporate goals and needs resulting in reduced support from stakeholders.

<u>Recommendation 3</u>
The Director Corporate Analytics and Innovation to:
1. Identify the appropriate reporting/governance forum to report the Open Data Initiative challenges and progress.
2. Define and implement the appropriate reporting criteria including the reporting frequency (e.g. bi-annually).

<u>Management Response</u>

Agreed.

Action Plan	Responsibility
1. Confirmed governance to align under IM&S Governance Committee (now done). 2. Present proposal to IM&S Governance Committee recommending an annual reporting frequency to review, report and make recommendations to the committee on matters reflective of Open Data Initiative. 3. Present annual updates to IM&S Governance Committee.	<u>Lead</u>: Team Lead IPAM <u>Support</u>: Director CAI, Manager IDEA <u>Commitment Date:</u> 1. Completed 2. September 30, 2018 3. December 31, 2019

4.4 Communications Plan Implementation

Communications plans were established by Customer Service and Communications for 2016 and 2017 to provide awareness of the Open Data Initiative and to communicate the benefits of Open Data Initiative to key stakeholders, however, the communication plans were not fully implemented.

The 2016 communication plan tactics were partially executed, and as per our interview with the Team Leader IP Access and Marketing, the 2017 plan was not implemented due to organizational and process changes within Customer Service and Communications. The open data team is planning to implement the 2017 communication plan in 2018.

We observed some aspects of the 2017 communication plan were implemented such as posting articles on Twitter, Facebook and myCity in 2018. Other tactics mentioned in the communication plan and in the 2017 Tactical Plan to increase awareness and external community engagement is to leverage Hackathons, and Community of Practice meetings. We noted the open data team, to increase awareness, held Hackathons during 2016 and 2018 and Community of Practice meetings in 2017 and 2018. Currently, the open data team has two full time resources dedicated to the Open Data Initiative. Adequate resourcing may be a challenge to fully execute the communications plans.

Our review of the communication plans also noted roles and responsibilities are not clearly defined to execute the communication plan. Further, the open data team is not leveraging internal champions to promote the Open Data Initiative's objectives.

Ineffective communication poses the risk of initiative failure and lack of participation/interest from BUs and other stakeholders. The Open Data Initiative needs to be effectively communicated to ensure all stakeholders have a clear understanding of the value of Open Data Initiative.

Recommendation 4

The Director Corporate Analytics and Innovation to:

1. Revise the 2018 communications plan to reflect the revised open data strategy. The revised communication plan should also include roles and responsibilities.
2. Identify Open Data Initiative internal champions and leverage them to promote Open Data Initiative.
3. Present the revised communications plan to the appropriate Governance Committee to obtain required support.
4. Implement the 2018 communications plan.

Management Response

Agreed.

Action Plan	**Responsibility**
1. Bring up to date the 2018 communications plan to reflect current state of Open Data Initiative; including defining roles and responsibilities of the data stewards and IPAM. 2. Engage internal champions identified ~ that will accentuate present and future Open Data Initiative's objectives. 3. Present updated communications plan to IM&S Governance Committee for acceptance and approval. *Together with presentation in Section 5* Present 2018 completed items and Communications plan with CS&C leading the process and IPAM responsible for timelines and content for 2019. 4. Track via performance measures in section 1 the effectiveness of communication plans and actions.	Lead: Team Lead, IPAM Support: Director CAI, Manager IDEA, Open Data Strategist, IPAM Commitment Date: 1. 2018 communications plan revision- September 30, 2018 2. Engagement of internal champions- December 31, 2018 3. Present updated communications plan and 2018 completed items – March 30, 2019 4. Track via performance measures the effectiveness of communication plans –December 30, 2019

4.5 Feedback Process

There is no formal process to collect and evaluate internal and external feedback for the Open Data Initiative. Absence of a formal feedback process for improvement poses the risk of lack of support and participation for the initiative, and missed opportunities for improvements. The ODX criteria recommends to have a feedback mechanism in place to continuously improve the Open Data Initiative.

We reviewed evidence of some activities which were done to collect internal and external feedback and suggestions. However, these activities were limited in effectiveness since the majority of suggestions were not evaluated, tracked, and implemented:

- We reviewed six datasets on GitLab (software to manage datasets) and noted the dataset suggestions are primarily limited to requests for new datasets and suggestions regarding the Open Data Initiative and process improvement was not provided.
- Usability feedback was collected from a post-secondary institution and through a customer survey. However, we did not see any evidence to determine whether feedback was analyzed to identify and implement any initiative improvements.
- A Community of Practice meeting was held in 2017, but the participants' feedback was not documented. The open data team hosted a Community of Practice meeting recently in May 2018.
- There were nine 311 inquiries in 2017 for Innovation Data and External Access (a division of CAI), and only four were related to the Open Data Initiative, mainly to request new datasets or to ask general questions. There was no specific feedback regarding improvement of the open data process and Open Data Initiative.
- Interviews with the Leader IP Accesses and Marketing indicated social media is used to collect stakeholders' feedback. However, we did not see any evidence to validate social media is used to collect stakeholders feedback; and
- A Hackathon was held in 2016, however we did not see any evidence to validate if any suggestions were implemented. A second Hackathon was held by the open data team in May 2018.

Overall, we were not able to see any evidence to validate how feedback is analyzed for initiative improvements. A formal process to collect and analyze feedback for improvements does not exist. Limited resourcing might be a reason as to why a feedback process has not been defined and implemented.

Recommendation 5

The Director Corporate Analytics and Innovation to:

1. Define, implement and communicate a process to collect, evaluate and implement internal and external feedback for the Open Data Initiative.
2. Present the progress and any associated risks of implementing a feedback process to the Governance committee/Administrative Leadership Team.

Management Response

Agreed.

Action Plan	Responsibility
1. Develop management control process that centralizes all feedback activities; including but not limited to: a. Date of inquiry b. Description c. Action taken d. Date closed. IPAM document process to follow. 2. Present process to IM&S Steering Working Committee for acknowledgement and awareness. *Together with presentation in Section 4* Establish frequency of updates to report on at IM&S Governance Committee.	<u>Lead</u>: Team lead, IPAM <u>Support</u>: Manager, IDEA, Open Data Strategist, IPAM <u>Commitment Date:</u> 1. Develop management control process- December 31, 2018. 2. IPAM document process and Present process to IM&S Steering Working Committee-March 30, 2019. • Establish frequency of updates to report on at IM&S Governance Committee-March 30, 2019.

4.6 Roles and Responsibilities

Roles and responsibilities related to the Open Data Initiative are not defined for all stakeholders. There is no formal process document (such as a RACI chart or process flow diagram) available to define roles and responsibilities of all stakeholders involved in the Open Data Initiative. Effective execution of key activities may not occur if roles and responsibilities are not defined and adequately communicated. There is a risk of duplication, poor communication and Open Data Initiative inefficiency.

The Information Management and Security Policy includes the responsibilities associated with information management, including open data; however, the document fails to address responsibilities specific to the Open Data Initiative.

JEQs are available for the Open Data Strategist and the Lead IP Access & Marketing. The JEQs adequately described major accountabilities and responsibilities. However, our interviews with the open data team and IT; and three other participating BUs indicated roles and responsibilities of data stewards with respect to the Open Data Initiative are not defined or consistent. If data stewards' roles and responsibilities are not clearly defined there is a risk the integrity and quality of the data could be impacted.

<u>Recommendation 6</u>

The Chief Information Technology Officer in consultation with the Information Management and Security Governance Committee to define, document and communicate roles and responsibilities for data stewards taking into consideration the Open Data Initiative.

<u>Management Response</u>

Agreed.

Action Plan	Responsibility
Update the responsibilities for the Information stewards' role in the Information Management and Security Policy to include more information, clarify responsibilities associated with data creation and maintenance, ensuring alignment with the Open Data Initiative. The updated policy will be reviewed and approved by the Information Management and Security Governance Committee with final approval from the Administrative Leadership Team.	Lead: Chief Information Technology Officer Support: IT Manager, Enterprise Support Systems Commitment Date: June 30, 2019

4.7 Process documentation

The data release process documentation (Process Narratives and Process Flow Charts) is not up-to-date to reflect current practices which are in use since the implementation of the new open data portal in 2016. Incomplete and inaccurate process documentation poses a risk to the corporation that processes may not be consistently applied. Updated documents promote consistent practices and ensures completion of all process steps.

The Open Data Initiative has a total of 13 process narratives and 14 process flow charts. These steps are broken into 5 categories:

1. Collect Dataset
2. Perform Evaluation and Data Processing
3. Create Product in On-line Catalogues
4. Monitor and track Utilization Patterns
5. Provide Dataset Maintenance.

Review of the process documentation revealed these have not been updated since 2012. However, the new open data portal was implemented in 2016, and thus there is a resulting misalignment between the 2012 documentation and current practices.

We noted the Open Data Strategists are experienced with the Open Data Initiative, and therefore have the required understanding and knowledge of the data release process. This reduces the overall risk of inconsistent and incomplete practices. However, in the event of employee turnover key knowledge is lost and there is a risk critical steps may not be followed and updated documents may mitigate this risk.

Recommendation 7

Leader IP Access and Marketing to update the process documentation (narratives and flow charts) to reflect the current Open Data Initiative on a regular basis.

Management Response

Agreed.

Action Plan	Responsibility
Work has commenced on updating existing process documentation that reflects current practices and processes resulting from a change in technology.	Lead: Team Lead, IPAM Support: Open Data Strategist, IPAM Commitment Date: March 30, 2019

Appendix A

#	Risk	Inherent Risk	Key Criteria -Open Data Blueprint by ODX	Criteria in Place	Recommendation (if applicable)
1	Unclear goals and objectives of the Open Data Initiative.	H	A defined open data strategy supports the Open Data Initiative.	Partial	Recommendation #1
2	Open Data Initiative is not very successful as Departmental and BUs participation is not 100%.	M	The Open Data Initiative is effectively communicated internally to ensure BUs have a clear understanding.	Partial	Recommendation #4
3	Unaware of City data that could be published on the portal which could increase the usability and/or value of the open data portal.	M	Completion of a data inventory of currently participating BUs to determine which datasets exist and who is responsible for them.	Yes	
4	Release of inaccurate and inconsistent data or data that is unusable. Confidential or highly restricted information (personally identifiable, IP data, Infrastructure data and financial information), is released on open data portal.	H	A data release process through an evaluation framework that considers the quality, usability, confidentiality and characteristics of data. A data process exists to anonymize the data or manage elements that raise red flags. Compliance with data protection laws and policies.	Yes	Recommendation #7
5	Data is not useable or high quality and does not lend itself for reuse or analysis for internal and external users.	H	Data is published as open data, i.e. machine-readable, with metadata (adequately describes the data), under an Open License. Data is maintained and updated on a regular basis.	Yes	

#	Risk	Inherent Risk	Key Criteria -Open Data Blueprint by ODX	Criteria in Place	Recommendation (if applicable)
6	Users misinterpret or misuse the data to cause scandal or cause harm to City's Assets and Infrastructure.	H	The terms of use for the data are accessible from the open data portal.	Yes	
7	Data is difficult to understand and use, or not relevant to users.	M	Feedback mechanisms and internal/external communication to improve Open Data Initiative.	Yes	Recommendation #5
8	Unclear/undefined roles and responsibilities of data owners, stewards and SMEs which may impact the success of the Open Data Initiative.	H	Roles and responsibilities assigned to the Open Data Initiative are clear.	No	Recommendation #6
9	The initiative does not add value for taxpayers and the City does not realize any value either.	H	The financial costs and benefits associated with the publication and consumption of open data are tracked and monitored. Reporting the benefits of open data, such as KPIs and cost savings to senior management. Reporting suggestions or challenges to Open Data Initiative governance committees.	Partial	Recommendation #2 and #3

City Auditor's Office Report to
Audit Committee
2018 September 18

CITY AUDITOR'S OFFICE 2019-2020 AUDIT PLAN

EXECUTIVE SUMMARY
This report provides the City Auditor's Office (CAO) 2019-2020 Audit Plan for Audit Committee approval. This plan represents a two year span of activity to provide greater transparency and support efficiencies in audit delivery to Council. The 2019-2020 Audit Plan consists of 26 audits (including five initiated in 2018), representing compliance, IT, operational and formal follow-up audits determined using a defined risk-based approach. The 2019-2020 Audit Plan is a critical deliverable provided by the CAO to ensure audit resources are directed to the most significant areas of The City of Calgary (The City) to support our audit mission to add value and enhance public trust.

RECOMMENDATIONS:
That Audit Committee:
1. Approve the City Auditor's Office 2019-2020 Audit Plan and forward to Council for formal presentation; and
2. Recommend that Council receive for information Report AC2018-0998 and the formal presentation of the City Auditor's Office 2019-2020 Audit Plan;

and further, that Report AC2018-0998 be placed in the Regular portion of the Council Agenda under the section "Committee Reports".

PREVIOUS COUNCIL DIRECTION / POLICY
Schedule C of Bylaw 48M2012 states that Audit Committee "reviews and approves the City Auditor's Office annual work plan and forwards to Council for information; the Audit Committee or Council may not remove items from the City Auditor's work plan but may direct items be added to the plan". Schedule C of Bylaw 48M2012 also states that the City Auditor "must formally present the annual audit work plan to Council for information."

BACKGROUND
The CAO's mission is to provide independent and objective assurance, advisory and investigative services to add value to The City and enhance public trust. The CAO Charter (AC2016-0247 Attachment 2) states that the City Auditor is responsible for assisting Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement of value for money in City operations. The CAO carries out this responsibility through the completion of an Audit Plan.

INVESTIGATION: ALTERNATIVES AND ANALYSIS
The CAO utilizes a two year rolling Audit Plan, which is updated annually and presented to Audit Committee for approval and to Council for information. The 2019-2020 Audit Plan is a new plan aligned with the One Calgary budget cycle preparation and premised on a four year 2019-2022 assurance road map. Audits planned for 2019 have greater clarity regarding anticipated timing and scope. During 2019, the CAO will continue the annual update process by providing greater clarity regarding timing and scope for 2020 planned audits, and by determining 2021 audit topics. It is anticipated that the City Auditor will present the next two year rolling plan in October 2019.

Stakeholder Engagement, Research and Communication
The City Auditor conducted separate engagements on potential audit topics with members of Council, and with citizen members of Audit Committee, and reached out to General Managers and Directors via an internal survey to gather stakeholder input. In addition, the City Auditor held individual meetings with the Mayor, Chair of Audit Committee, City Manager, Chief Financial Officer, and members of Administration impacted by proposed audits.

Strategic Alignment
The CAO's annual audit planning process ensures that audit resources are focused on areas of significant risk and value to The City. The Audit Plan is aligned to support all five Citizen Priorities, which in turn supports the Citizen Priority of A Well-Run City.

Social, Environmental, Economic (External)

Financial Capacity
Current and Future Operating Budget:
The City Auditor's 2019-2020 Audit Plan is based on the CAO's current budget and retention of existing staff positions.

Current and Future Capital Budget:
N/A

Risk Assessment
The activities of the CAO serve to promote accountability, mitigate risk, and support an effective governance structure. The CAO conforms to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, which states the plan of audit engagements must be based on a documented risk assessment, undertaken at least annually, and must consider the input of key stakeholders.

REASONS FOR RECOMMENDATIONS:
1. Bylaw 48M2012 states that Audit Committee reviews and approves the City Auditor's Office annual work plan and forwards to Council for information; the Audit Committee, or Council, may not remove items from the City Auditor's work plan but may direct items to be added to the plan.
2. Bylaw 48M2012 states that the City Auditor must formally present the annual audit work plan to Council for information.

ATTACHMENT
City Auditor's Office 2019-2020 Audit Plan - AC2018-0998

AC2018-0998
Attachment

Calgary

City Auditor's Office

City Auditor's Office
2019-2020 Audit Plan

September 18, 2018

ISC: Unrestricted

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Table of Contents

The City Auditor's Office completes all projects in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Overview

The City Auditor's Office (CAO) provides objective assurance and insight on the effectiveness and efficiency of governance, risk management and internal control processes. This assurance helps The City of Calgary (The City) achieve its strategic, operational, financial, and compliance objectives. Overall the audit and advisory work provided by the CAO is intended to act as a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analysis and assessments of data and business processes. The annual presentation of our Audit Plan outlines where those audits and assurance activities will take place.

The CAO Charter requires the City Auditor to prepare annually a risk-based Audit Plan for approval by Audit Committee and for information to Council. The CAO Charter is aligned with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing which require the establishment of a risk-based plan to determine the priorities of the audit activity, consistent with the organization's goals.

The 2019-2020 Audit Plan consists of 26 formal audits (including five audits initiated in 2018) on services and processes within City operations and third-party organizations that have an operating agreement with The City. Additional resource time has been reserved to allow the CAO the flexibility to respond and provide advice, insight and formal audit assurance on new risk priorities and/or City initiatives. This plan has been designed to support our audit mission to provide independent and objective assurance, advisory and investigative services to add value to The City and enhance public trust.

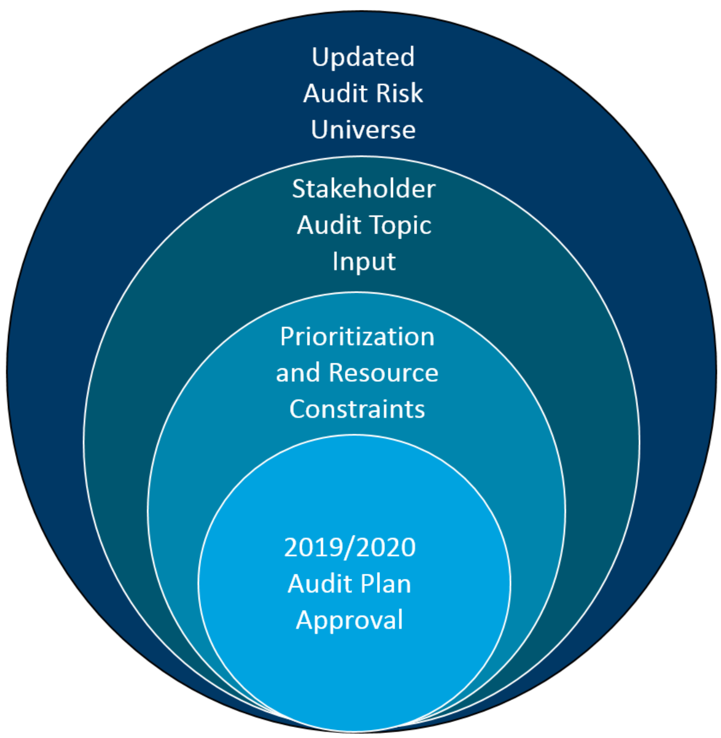
1.0 Audit Planning Process

The CAO utilizes a two year rolling Audit Plan, which is updated annually and presented to Audit Committee for approval and to Council for information. The 2019-2020 Audit Plan is a new plan reflecting the One Calgary budget cycle preparation and premised on a four year 2019-2022 assurance road map. The intent of presenting a two year plan is to provide additional transparency on future audits and provide greater agility for the CAO to utilize available resources to support earlier initiation of 2020 audits where efficiency gains have been realized through early completion of 2019 audits. The CAO utilizes a risk-based planning approach, and as such, projects in 2019 have more certainty than those listed in 2020. The intent of the audit planning process is to focus audit resources on those higher risks that could impact the achievement of Citizen Priorities and Council Directives.

1.1 2019-2020 Audit Plan Creation

The 2019-2020 Audit Plan creation process involved:

- Update of the audit universe, including creation of the 2019-2022 four year assurance road map;
- Stakeholder engagement;
- Assessment of resourcing; and
- Plan approval.



Update Audit Risk Universe

The CAO updated the audit risk universe, and created a new risk-based four year assurance road map utilizing City 2018 budget and FTE information, as well as information on IT risks. The four year assurance road map guides where the CAO focuses audit effort to ensure that all City Business Units receive a level of assurance activity on a regular risk frequency (expectation within a minimum seven year cycle).

Stakeholder Engagement

The CAO created a provisional list of audit topics based on the four year assurance road map, supplemented by stakeholder input on potential audit topics solicited through surveys, forums and one-on-one meetings. The City Auditor conducted separate engagements on potential audit topics with members of Council, and with citizen members of Audit Committee, and reached out to General Managers and Directors via an internal survey to gather stakeholder input. In addition, the City Auditor held individual meetings with the Mayor, Chair of Audit Committee, City Manager, Chief Financial Officer, and members of Administration impacted by proposed audits.

Resourcing

The provisional list of audit topics was assessed to determine the resource and skill requirements for each project, as well as the anticipated budget and cycle time required to complete each audit. Total anticipated audit hours were reconciled against a resource calculation of available and appropriate internal resources and calendar availability. The CAO also assessed budget availability to contract external resources. A significant portion of the CAO approved budget supports a dedicated audit staff plan of eight professionals (auditor and senior auditors) to conduct the audits, as well employing an audit manager IT to support data analytics initiatives and supervision of IT audits, a data strategist, and two Deputy City Auditors to support audit supervision and advisory functions.

Scope and timing of the audits planned for 2019 were defined and confirmed utilizing:
- Stakeholder input, including City of Calgary Senior Management; and
- Availability of CAO staff.

A contingency block of time is allocated to provide flexibility for the CAO to respond to emerging risks across The City via advisory projects.

Plan Approval

The CAO shared the draft plan with other assurance groups operating within The City including The City team overseeing the Zero-Based Reviews, the internal audit function of Calgary Police Service and The City's External Auditor. We openly share our plan with these supporting groups to reduce the potential of duplication of resourced effort and, where possible, minimize the level of business interruption to a particular business area during a given year.

The CAO considers all audits performed to be classified as performance audits. Under this broad title, audits in the 2019-2020 Audit Plan are further classified as:

- Compliance Audits
  Review the systems established to ensure compliance with policies, plans, procedures, ethical and business norms, as well as laws, regulations, and contracts which can have a significant impact on operations and reports and determining whether the organization is in compliance.

- Follow-up Audits
  Review the effectiveness of the corrective action implemented in response to previous audit recommendations to ensure the underlying risk was mitigated as intended to support achievement of the objective. This type of audit is generally more limited in scope, but may still identify efficiency opportunities resulting from operational changes and/or redundant control structures.

- IT Audits
  Review and evaluation of automated information processing systems, related non-automated processes and the interfaces among them to ensure business risks are minimized appropriately.

- Operational Audits
  Utilizing a risk-based approach, review operations, services, processes and/or systems to determine whether they are effective and implemented as planned to achieve their objectives. This type of audit may include assessing the efficiency with which resources are utilized.

The 2019-2020 Audit Plan (Appendix) is presented for Audit Committee approval, and to Council for information.

1.2 2020-2021 Audit Plan

The City Auditor presents a two year Audit Plan for approval, with this plan covering 2019 and 2020. The audit risk-based planning cycle will continue annually to ensure the plan remains relevant, with scope and timing of audits planned for 2020 clarified during 2019, and a 2020-2021 Audit Plan presented to Audit Committee for approval during Q4 2019 in accordance with the approved Audit Committee Work Plan.

2.0 Audit Plan Execution

The CAO audit process utilizes a risk-based approach throughout all phases of the audit. In particular, the planning phase includes a detailed risk identification and assessment phase. The purpose of this phase is to identify the most significant risks within the area and focus the allocated audit resources on those areas. The result is an audit project that does not address all risks, but focuses on the most significant risks that could impact the achievement of City objectives. In line with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, the planning of an audit considers (dependent on the audit topic) the risks to achievement of the organization's strategic objectives; reliability and integrity of financial and operational information; effectiveness and efficiency of operations and programs; safeguarding of assets; and compliance with laws, regulations, policies, procedures, and contracts.

In delivering the Audit Plan, the CAO focuses on key values:

- Risk reduction: audit and advisory activities and associated recommendations cost-effectively address risks to The City, and our active follow up supports timely implementation;
- Reliability: audit and assurance activities add value and are completed by skilled, experienced staff within expected timelines;
- Responsiveness: the CAO has the ability to address emerging risks, Council and Administration requests; and
- Resiliency: the CAO is supported by structure and protocols which enable the team to remain adaptable and agile in supporting The City through audit and advisory activities.

The City Auditor monitors progress against the approved 2019-2020 Audit Plan and re-assesses risk decisions pertaining to individual project scope and emerging issue requests within the approved plan. The City Auditor is committed to supporting an agile team which can re-prioritize audit and assurance activity.

In accordance with Bylaw 48M2012, the City Auditor communicates progress towards completion of the approved plan to the Audit Committee as part of the CAO's quarterly reports. Audit Committee reviews and forwards these reports to Council for information.

3.0 Appendix: 2019-2020 Audit Plan

2019-2020 Audit Plan			
#	**Title**	**Description**	**Report Target**
	2018 Anticipated In-Progress Audits		
1	Community Planning/Calgary Approvals	An operational audit to assess the effectiveness of processes to improve permit timelines.	Q1, 2019
2	Calgary Community Standards – Livery Transport Services	An operational audit assessing the effectiveness of internal controls that support public and driver safety.	Q1, 2019
3	Annual Control Environment Assessment	An operational audit assessing the design effectiveness of the Annual Control Environment Assessment, and assessing the operating effectiveness of control activities which support COSO Principle 3: Establishes Structure, Authority and Responsibility.	Q1, 2019
4	Calgary Parking Authority	An operational audit of Calgary Parking Authority's asset management processes for the parkade portfolio that they own and operate.	Q1, 2019
5	Emergency Management	An operational audit of emergency preparedness and related business continuity plans.	Q2, 2019
	Risk Assessed Priority: 2019		
6	Green Line – Governance	An operational audit of Green Line Project organization/governance framework. *Citizen Priority – A City that Moves*	Q2, 2019
7	Pensions Compliance	A compliance audit as required by Alberta Pension Services providing independent triennial assurance over three City pension plans (LAPP, LAPP Fire, and SFPP). *Citizen Priority – A Well-Run City*	Q2, 2019
8	Off-site Levy Administration	An operational/IT audit of the effectiveness of City processes (including calculation practices) and system controls that support capital cost recovery and use of collected levies governed by the 2016 Off-site Levy Bylaw. *Citizen Priority – A Well-Run City*	Q3, 2019

9	Waste and Recycling Services – Cart Contamination Prevention	An operational audit of the effectiveness of contamination prevention activities supporting the Waste and Recycling Services cart programs. *Citizen Priority – A Healthy and Green City*	Q3, 2019
10	Warehouse/Inventory Systems	An operational audit of warehouse and inventory systems supporting significant City assets. *Citizen Priority – A Well-Run City*	Q3, 2019
11	Budget Management	An operational audit of processes and reporting tools available to DeptID owners to support effective management of their operating budget. *Citizen Priority – A Well-Run City*	Q4, 2019
12	Corporate Issue Management Program	An operational audit on the maturity of The City's Corporate Issue Management Program. *Citizen Priority – A Well-Run City*	Q4, 2019
13	Calgary Fire - Inspections	An operational audit of the efficiency and effectiveness of Calgary Fire's inspection activities. *Citizen Priority – A City of Safe and Inspiring Neighbourhoods*	Q1, 2020
14	Roads – Pothole Remediation	An operational audit of the efficiency and effectiveness of pothole remediation. *Citizen Priority – A City that Moves*	Q1, 2020
15	Elections Follow-up	A follow-up audit to review action plans implemented in response to the 2017 Municipal Election Review (AC2018-0852). *Citizen Priority – A Well-Run City*	Q2, 2020
	Risk Assessed Priority: 2020		
16	Opportunity Calgary Investment Fund[1]	An operational audit of Opportunity Calgary Investment Fund's grant administration. *Citizen Priority – A Prosperous City*	TBD
17	Assessment Complaints	An operational audit of the processes utilized by The City to efficiently prepare for, and improvement incorporated in response to, the assessment complaints process. *Citizen Priority – A Prosperous City*	TBD

[1] This audit may start in Q4 2019 based on the level of grant activity occurring.

18	Transportation Infrastructure – Construction Project	An operational audit of a Transportation Infrastructure capital construction project underway in 2020. *Citizen Priority – A City that Moves*	TBD
19	Calgary Transit Ridership	A follow-up audit on Calgary Transit Fare Revenue (AC2017-0341) specific to ridership. *Citizen Priority – A City that Moves*	TBD
20	Recreation Initiatives	An operational audit of initiatives implemented by Calgary Recreation to support equitable service provision. *Citizen Priority – A Healthy and Green City*	TBD
21	Diversity Initiatives	An operational audit of the effectiveness of The City's internally focused diversity initiatives. *Citizen Priority – A Well-Run City*	TBD
22	Safety Management	An operational audit of the effectiveness of the Environmental & Safety Management Business Unit's monitoring and risk mitigation of safety incidents. *Citizen Priority – A Well-Run City*	TBD
23	Integrated Risk Management	A follow-up audit on Integrated Risk Management (AC2014-0295). *Citizen Priority – A Well-Run City*	TBD
24	IT SCADA System Security	An IT security audit of the complex supervisory control and data acquisition (SCADA) systems that support critical City infrastructure. *Citizen Priority – A Well-Run City*	TBD
25	311 Response	A City-wide operational audit of the response to citizen concerns received through 311. *Citizen Priority – A Well-Run City*	TBD
26	24 Hour/Special Purpose Vehicle Policy (Fleet Services)	A compliance audit of the 24 Hour/Special Purpose Vehicle Administration Policy. *Citizen Priority – A Well-Run City*	TBD