



Report to the Audit Committee - Communication of Audit Results

Attainable Homes Calgary Corporation
For the year ended December 31, 2013



March 12, 2014

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To the members of the Audit Committee of
Attainable Homes Calgary Corporation

We are pleased to report that we have now substantially completed our audit of the financial statements of **Attainable Homes Calgary Corporation** ("AHCC" or the "Corporation") for the year ended December 31, 2013. We enclose our *Report to the Audit Committee-Communication of Audit Results* to continue our dialogue with the committee on the audit of AHCC. This report provides an overview of the results of our audit including comments on misstatements, significant accounting policies, sensitive accounting estimates, and other matters that may be of interest to the committee.

This communication has been prepared to comply with the requirements outlined in CAS 260 *Communication with those Charged with Governance*. The information in this document is intended solely for the information and use of the Audit Committee, Board of Directors and management. It is not intended to be distributed or used by anyone other than these specified parties.

We express our appreciation for the cooperation and assistance received from the management and staff of AHCC during the course of our audit.

If you have any particular comments or concerns, please do not hesitate to raise them at our scheduled meeting.

Yours sincerely,
Grant Thornton LLP

A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

Dale A. Brown, CA
Partner*

* A Partner through Dale Brown Professional Corporation

cc: David Watson, President and CEO
Marion Shill, Finance Manager

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Status of the audit

Outstanding items

We have substantially completed our audit of the financial statements of AHCC for the year ended December 31, 2013 and the results of that audit are included in this report.

We have attached our draft auditor's report as **Appendix A**. We will finalize the report once the Board of Directors has approved the financial statements. The following items were outstanding as at the date of this report:

- Receipt of signed management representation letter (draft to be provided under a separate cover);
- Final inquiries regarding subsequent events;
- Receipt of response to legal letter; and
- Approval of the financial statements by the Board of Directors.

Planned audit approach

We have successfully executed our audit strategy in accordance with the plan presented to the committee on January 27, 2014.

Audit results

Our audit identified the adjusted and unadjusted non-trivial misstatements noted below.

Summary of misstatements

Misstatements identified during the course of our audit and adjusted in the financial statements by AHCC as a result of our audit procedures were as follows:

Adjusted misstatements	DR/(CR) statement of:			
	Financial assets	Liabilities	Non-financial assets	Operating surplus
To record development cost in inventory for work performed in December 2013.	\$ 138,596	\$ (138,596)	\$ -	\$ -
To record an allowance on equity receivables.	(150,000)	-	-	150,000
To correctly account for the Westbury Park Co-ownership.	(442,996)	(442,996)	-	885,992
Total adjusted misstatements	\$ (454,400)	\$ (581,592)	\$ -	\$ 1,035,992

Non-trivial misstatements noted during the course of our audit but not adjusted in the financial statements were as follows:

Unadjusted misstatements	DR/(CR) statement of:			
	Financial assets	Liabilities	Non-financial assets	Operating surplus
To correct depreciation on leasehold improvements.	\$ 7,044	\$ -	\$ -	\$ (7,044)
Total unadjusted misstatements	\$ 7,044	\$ -	\$ -	\$ (7,044)

We have discussed the unadjusted misstatement with management and requested that the identified amounts be adjusted. The amounts have not been adjusted for the following reason:

- The amount is not material to the financial statements.

Subject to the approval of the Audit Committee, we are in agreement with management's assessment that this unadjusted misstatement is not material to the December 31, 2013 financial statements.

Summary of disclosure matters

The following is a description of disclosure adjustments made by the entity as a result of the audit of the financial statements:

- Additional disclosures with respect to the Westbury Park Co-Ownership and the related Vendor Take-Back mortgage;
- Additional disclosures with respect to the Mount Pleasant Vendor Take-Back mortgage;
- Additional disclosure on disposal of land;
- Addition of accounting policy note for inventory and joint ventures;
- Other financial statement presentation and disclosure formatting edits.

Reportable matters

Internal control

Management is responsible for the design and operation of an effective system of internal control that provides reasonable assurance that the accounting system provides timely, accurate and reliable financial information, and safeguards the assets of the entity.

The audit is designed to express an opinion on the financial statements. Our understanding of internal control is sufficient to enable us to plan the audit and to determine the nature, timing and extent of tests to be performed. However, if we become aware of a deficiency in your internal controls systems, auditing standards requires us to communicate to the audit committee those deficiencies we consider significant or material. However, a financial statement audit is not designed to provide assurance on internal control.

During the course of performing our audit, we have identified weaknesses in internal control. Discussion on these issues and our recommendations on these matters have been provided in an internal control letter under a separate cover. Summary of the weaknesses are as follows:

- Monitoring of internal controls – based on the size of the Corporation, it is not unusual to not have a process to monitor internal controls;
- Journal entry review process for journal entries prepared by the Finance Manager – based on the size of the Corporation, there are limited number of individuals that can review the journal entries prepared by the Finance Manager; and
- Process for valuation of equity receivable – As the amount of the equity receivable increases, the participation amount recoverable decreases and therefore, management should have a process to ensure that the amount recoverable is not overstated in the financial statements.

Significant new accounting policies

The Corporation's critical accounting policies are disclosed in Note 2 of the financial statements for the years ended December 31, 2013. New accounting policies adopted by the Corporation include accounting policies for inventory and joint ventures.

Significant transactions

The following significant transactions were noted during the course of our audit of the financial statements:

Significant transaction	Considerations and results
Acquisition and disposal of lands and related mortgage payable	<ul style="list-style-type: none"> On August 30, 2012, the Corporation and the City of Calgary entered into a purchase and sale agreement for parcels of land in Parkdale, Varsity, Glenbrook, and Bowness. The Bowness land transfer was delayed until May 2013, hence, this has been received in the current year. This has resulted in an increase in land, with a corresponding increase to mortgage; During the year, the Corporation sold off the Parkdale land for net proceeds of \$3.1 million, resulting in a net gain of \$2.7 million; During the year, the Corporation transferred land and related site developments to the Westbury Park Joint Venture in return for a Vendor Take-Back mortgage of \$3.4 million; During the year, the Corporation transferred land to Mount Pleasant 1740 Inc. in return for a Vendor Take-Back mortgage of \$1.1 million. <p>We have reviewed the accounting treatment for the above noted transactions and agree with management's assessment.</p>
Westbury Park Co- Ownership	<p>The Corporation has entered into the Westbury Park Co-Ownership agreement (the "Agreement") for the purpose of developing, constructing and selling units (the "Project") to qualified middle income Calgarians. In order to complete this Project, the Co-Owners have created a separate legal entity whereby the Co-Owners have equal shares in the entity, with the rights and obligations of each Co-Owner being several and proportionate to their respective Co-Owner interest.</p> <p>We have reviewed the accounting treatment for the Co-ownership and agree with management's assessment.</p>

Sensitive accounting estimates and disclosures and factors affecting disclosure values

During the course of our audit, we noted the following sensitive accounting estimates and disclosures or factors impacting disclosure values:

Factor	Considerations and discussion
Equity receivables	<p>The equity receivables are financial instruments that can be assigned to one of two measurement categories: fair value or cost. Based on Public Sector Accounting Standards ("PS") 3050, Loans and Receivables, since the equity receivables are concessionary, in that they are interest free, management should calculate a grant portion based on the present value of the loan. However, management has determined that due to unknown timelines of repayment of the equity receivables, the amounts are recorded at cost. The value of the equity receivables could be different if management made an assumption on the timeline of repayment.</p> <p>During the current year, the Corporation has incurred a loss on equity receivables, which is indicative that equity receivables are potentially impaired. Hence, management has recorded an allowance of \$150,000.</p>
Land and site development costs	<p>The land and site development costs have been recorded on the financial statements at cost. Based on the valuation of the lands per the City tax assessment and the location of the lands, there are no indicators of impairment. It has been determined by management that the land and site development costs are not impaired as at December 31, 2013.</p>
Tangible assets	<p>Management has estimated useful lives of three to five years for the tangible assets purchased. The value of the tangible assets would differ if management were to change the estimate.</p>

Related party transactions not in the normal course of operations

During the course of our audit, we did not note any related party transactions that were not in the normal course of operations that involve significant judgments made by management concerning measurement or disclosure. There were related party transactions with City of Calgary and with the formation of the Westbury Park Co-Ownership.

Cooperation during the audit

We report that we received full cooperation from management and the employees of AHCC. To our knowledge, we were provided access to all necessary records and other documentation and any issues that arose as a result of our audit were discussed with management and have been resolved to our satisfaction.

Consultations with other accountants

To our knowledge, management did not seek the advice or opinion of other external accountants on financial reporting or accounting matters.

Fraud and illegal acts

Our procedures and inquiries of management did not reveal any fraud or illegal acts.

Independence

As external auditors of AHCC, we are required to be independent in accordance with Canadian professional standards. These standards require that we disclose to the audit committee all relationships that, in our professional judgement, may reasonably be thought to bear on our independence. We have provided a letter to the audit committee, dated January 9, 2013, which confirms our independence with respect to AHCC.

As of today's date, we re-confirm our independence.

Technical updates

Canadian standards in transition

Accounting and auditing standards

Recent changes in accounting and auditing standards were communicated to the Audit Committee in the Report to the Audit Committee – Initial Communication on Audit Planning dated January 9, 2013. We are not aware of any other significant accounting and auditing standards that affect the Corporation at this time.

Appendix A – Draft independent auditor's report

To the Directors 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, 2013, and the statements of operations and accumulated operating surplus, change 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.

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 judgement, 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 in our audit 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, 2013 and the results of its operation and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Calgary, Alberta
March •, 2014

Chartered Accountants

