

**ATTAINABLE HOMES CALGARY CORPORATION**  
**2019 Risk Summary**










AC2019-0646  
ATTACHMENT 6








IMPACT	HIGH	Asset protection (13)	Regulatory (23) Customer base (16) Financial Reporting & Planning (14)	Market (22) Inventory (18) Operating cash management – (< 12 months) (19) Development cash management – (1-9 years) (20)
	MEDIUM	Legal liability (8) Builder partnerships (9)	Business Model (1) Client expectations (6) Accountability alignment (10) Employee retention and compensation (11) Inventory Pipeline (17) Brand (21) Shared Equity (2) Performance Monitoring (7) Cost management (12) Leadership (4)	
	LOW	Shareholder alignment (5) Records management – privacy / legal docs (15)	Governance (3)	
		LOW	MEDIUM	HIGH
		LIKELIHOOD		

Updated September 12, 2019

## 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	Improvement Status	Owner
	Risk title	Risk Description:	List the 5 most important controls which are currently in place, add a succinct description where necessary			<div> <div>High</div> <div>Medium</div> <div>Low</div> </div>	Indicate whether risk is: Increasing ↑ Decreasing ↓ Stable ↔	(If Risk Rating is increasing or decreasing, indicate top 3 reasons)	<b>Yes:</b> improvement is required. <b>No:</b> Improvement NOT required <b>NA:</b> 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? <b>Indicate the projected completion date for each activity (ie. 2016 Q3 or 2018)</b>	<div> <div>Completed</div> <div>In Progress</div> <div>Overdue</div> <div>NA</div> </div>	List risk owner
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. Current core model of providing Down Payment Assistance with Equity Appreciation share is challenging in flat market experienced since 2014 3. Inventory Acquisition Hedging Strategy adopted to mitigate risk	Yes	1. Evaluate Perpetual Affordable Housing project for potential inclusion in 2020 budget 2. Acquire inventory through traditional builder partnerships, pocket deals, buying builder standing inventory, develop our own projects	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 in April 2018 2. Loan impairment now calculated at time of issuance 3. Clients that need a portion of the loan forgiven will still be offered that flexibility 4. Fewer opportunities for a client to exploit the program	Medium	Medium		↓	1. Improvements to the model mitigate losses for future transactions. 2. Focus on quality of life targets and quality product when procuring homes increases resale value 3. Program diversification will reduce dependency 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 up to 10 qualified and experienced business leaders. 3. Skill based board that periodically evaluates knowledge gaps. Recently added insurance, sales, construction and development expertise to 2019 Board 4. Added Past chair position to the Board in June 2019	Medium	Low		↓	Expanded, more diverse board	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 completed end 2018 with changes to senior leadership team following in spring 2019	Medium	Medium		↓	1. Highly qualified President & CEO in place. 2. Highly qualified Director of Finance in place	No		Complete	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. 2019- newly established regular relationship with City Treasury/Finance	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 traditionally low.	No	1. Market research completed and informs day to day business 2. Lead management process now in place through sales team	In Progress	Director, Marketing & Communications
7	Performance monitoring	Appropriate performance measures exist to monitor and enhance the corporation's performance	1. Key performance indicators are calculated and distributed quarterly to assist with decision making 2. Forecasts are updated during the year 3. New dashboard being created with early market indicators	Medium	Medium		↑	1. KPIs are being updated to be more reflective of key measure of the organization- this work is being undertaken through A and A committee	Yes		In Progress	Director of Finance

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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	Low	Medium		↔	1. Internal Controls function as true controls AND detailed process documents- they need to be reorganized and modernized 2. Cybersecurity an ongoing risk to be constantly addressed	Yes	1. Internal Controls under review 2. Cybersecurity audit to be completed in late 2019/early 2020	In Progress	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	Low	Medium		↓	1. All agreements with builders are reviewed by AHC committee, Board, and fall under City of Calgary procurement policies	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	President & CEO
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 non-profit salaries for Calgary 5. AHCC offers a highly competitive benefits package with the improved benefits package through SunLife established in June 2019	Medium	Medium		↓	1. Absence of a bonus payment incentive is counter to development industry and is a risk in attraction and retention of talent	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 monthly financial statements provided to President & CEO 4. The budget is developed as part of the Business Plan process starting in Fall 2019	Medium	Medium		↔	1. review of project budgets needs to be formalized through ongoing evolution of the Development Committee	No	1. all individual projects and AHC G&A are allocated individual budgets and reviewed individually then rolled up in to Business Plan	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 planned	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 or Committee reviews financial statements quarterly 2. External audits are conducted annually of the financial statements	Medium	High		↑	This rating changed significantly from last report- AHC completed regular financial planning and reporting prior to jan 2019 that was not addressing significant financial risk	Yes	1. production of monthly financial statements ON TIME 2. production of quarterly financial statements shared with committee and Board, ON TIME 3. ALL individual projects now include a cash forecast related to budget 4. balance sheet and 18 month Business Plan Forecast will appear in Business Plan 2020 for first time 5. new Business Plan workplan instituted for 2019 and beyond 6. monthly meetings now established with lender and shareholder	In Progress	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, Marketing & Communications

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17	Inventory pipeline	Access to appropriate inventory will fluctuate depending on what is available in the market.	1. AHC is continuously looking for new inventory via deep connections in the builder, developer, broker, affordable housing, municipal & provincial government and real estate agent communities	Medium	Medium		↔		No		NA	Development Manager
18	Inventory	Over supply of inventory which we are committed to purchase and therefore incur carrying costs.	1. AHC has acquired inventory without an exit strategy 2. Purchase strategy has been adjusted with a more phased approach and a unit take down provision where a completed unit need not be taken into inventory	High	High		↓	1. Too much inventory remained owned directly by AHC for too long 2. Carrying costs high for finished units	Yes	1. new PSAs with builder partners include conditions wherein unsold units need not be bought by AHC. This reduces risk in owning standing inventory 2. PSAs can be improved to further derisk costs and challenges of owning standing inventory	NA	President & CEO
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 2. Evergreen facility of \$10M of debt is available for asset purchases when appropriate.	High	High		↑	1. Cash flow management represents one of the greatest risk to AHC 2. KPIs have been adjusted to include forward looking indicators to help manage cash flow risk	No	1. Cash flow forecasted on a regular basis for upcoming week, month and year 2. KPIs have been revised to include cash flow metrics and forward looking metrics to help manage and mitigate risk 3. Viability and appropriateness of financing facilities is underway as part of Business Planning process	In Progress	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 2. AHCC is researching partnerships with complementary organizations that have land	High	High		↔	1. Inventory acquisition represents significant challenges to cash flow if risk assessment of timing of projects and take down impact is not reviewed	No	1. New inventory acquisition process is being developed and implemented through Development Committee and Board	In Progress	President & CEO
21	Brand	As a direct subsidiary of the City, AHCC has a strong brand and higher public exposure than most non-profits 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 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, Marketing & Communications
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 and 2018.	High	High		↔	1. Ownership of standing inventory represents a high risk to AHC	No	1. Standing inventory being sold in 2019 2. Working with clients in Rent to Own pilot program	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. Federal government stress test has had huge impact on our business 2. Erosion of grant availability has weakened economic performance of projects	No	1. Ensure all projects are sustainable without reliance on grant funding	NA	President & CEO