



Calhome Properties Ltd.
Report to the Audit and Risk
Management Committee on the 2018
audit

March 13, 2019

March 1, 2019

To 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 2018 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. We are continuing to work with management to complete the outstanding matters summarized on page 2 of this report.

As agreed in our master services agreement dated November 16, 2018, we have performed an audit of the financial statements of Calhome Properties Ltd. as of and for the year ended December 31, 2018, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated March 21, 2019.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit and Risk Management Committee at the meeting on November 16, 2018.

This report is intended solely for the information and use of the Audit and Risk Management 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, at Deloitte, work as one team to provide you with relevant business insights to assist you improving your current practices.

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

Yours truly,



Chartered Professional Accountants

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Our audit explained

This report summarizes the main findings arising from our audit to date. When possible, we have also provided business recommendations on challenging issues that Calhome faces, based on our understanding of your organization and industry.

Audit scope and terms of engagement

We have been asked to perform an audit, which includes Calhome's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2018. 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 master services agreement dated November 16, 2018, which was signed on behalf of the Audit and Risk Management Committee and management.

Significant audit risks

Through our 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.



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, 2018 was \$3,000,000 (2017, \$2,550,000).

We have informed 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 asked that any misstatements be corrected.

Audit fees

Fees for the 2018 audit are as follows:

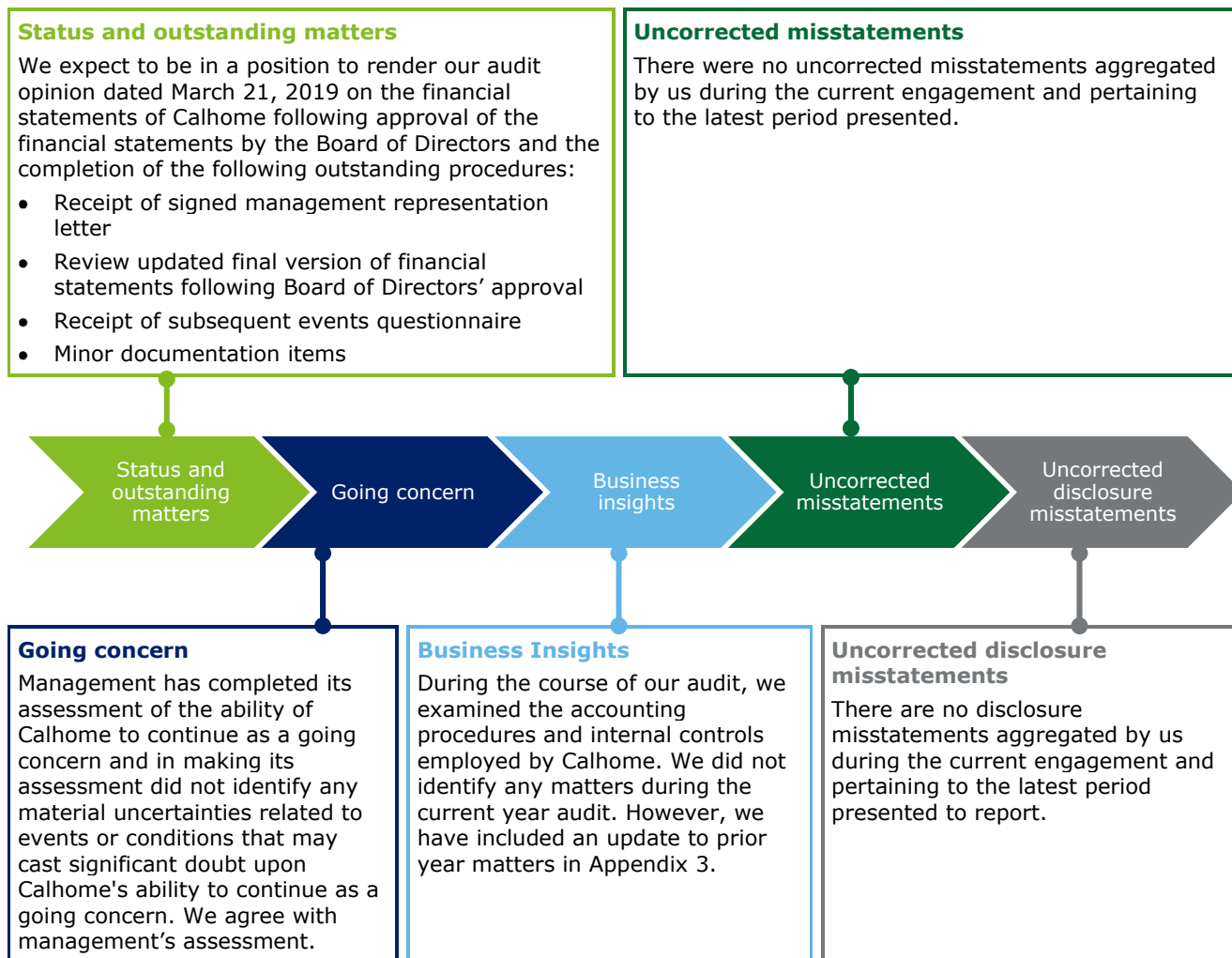
Financial statement audit \$80,400 (2017, \$76,500)

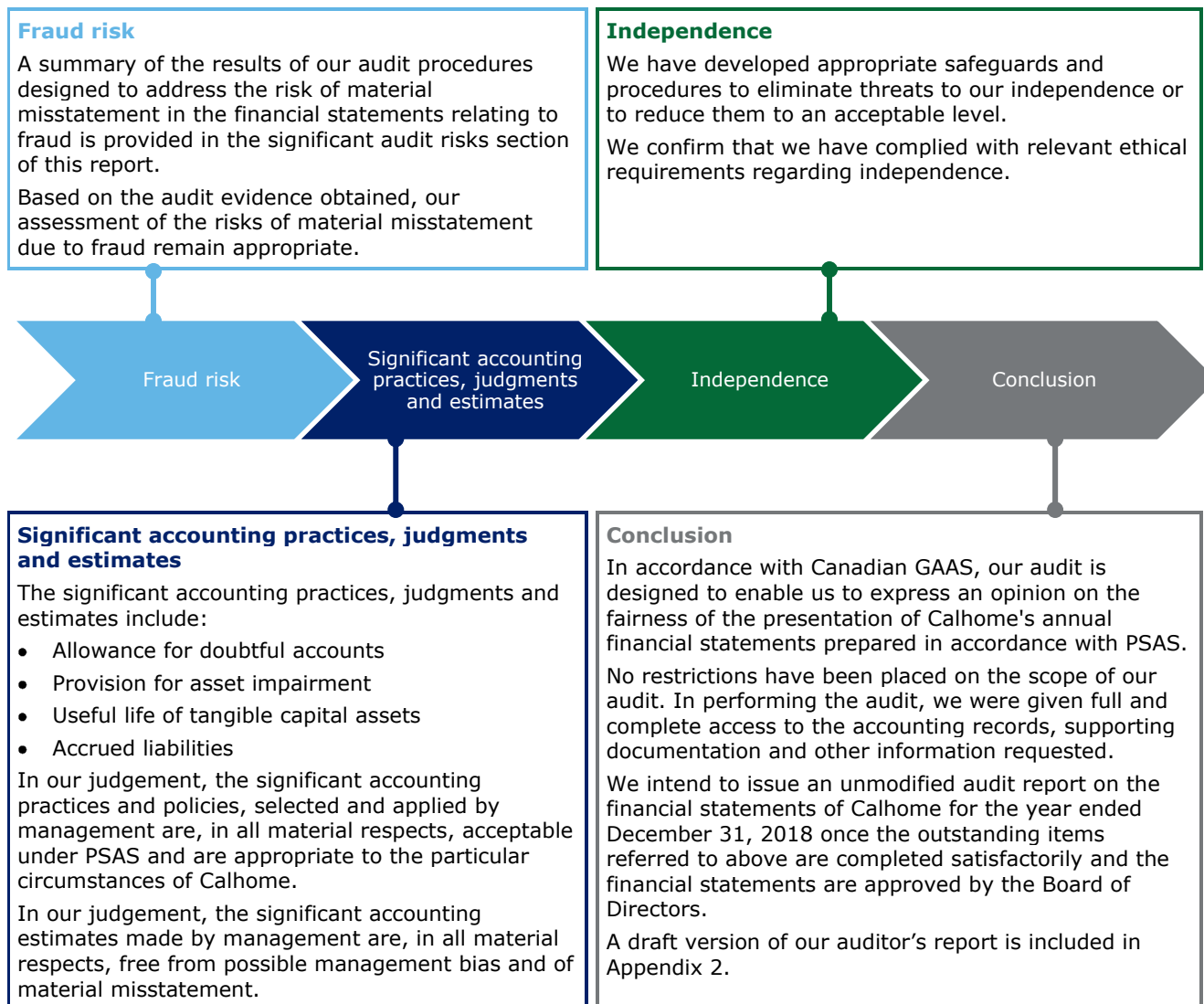
Specified procedures reports: \$3,600 per portfolio x 5 portfolios = \$18,000 (2017, \$3,500 per portfolio = \$17,500)

Adoption of new accounting standards:

\$12,000 (proposed \$12,000 to \$15,000)

These fees are subject to a 7% administration charge and GST.





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

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.

This represents a fraud risk for the 2018 audit.

Our audit response

- We performed substantive testing of revenue transactions to ensure that occurrence and cut-off had been appropriately accounted for during the year ended December 31, 2018.
- We made inquiries of management, tested control activities involving management's process for accounting for revenue transactions, and determined when the revenue recognition criteria had been met.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

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.

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.

This represents a fraud risk for the 2018 audit.

Our audit response

- We discussed fraud with management.
- We asked 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.
- We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.
- We evaluated the business rationale for any significant unusual transactions.
- We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

New Accounting Standards

Risk identified

The following accounting standards are required to be adopted for the year ending December 31, 2018:

- Section PS 2200, *Related Party Disclosures*
- Section PS 3210, *Assets*
- Section PS 3320, *Contingent Assets*
- Section PS 3380, *Contractual Rights*
- Section PS 3420, *Inter-entity Transactions*

There is a risk that the application of these standards is not consistent or compliant with the guidance provided within the standards.

Our audit response

- We reviewed Calhome's methodology and process for application and adoption of each standard, which included a review of position papers prepared by management.
- We audited a sample of the accounting transactions recorded under these standards, including testing of internal controls, if applicable.
- We also reviewed the disclosure in the year-end financial statements to ensure compliance with the applicable accounting standards.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements with regards to the adoption of the new accounting standards.

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 Audit and Risk Management 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 Audit and Risk Management Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	During the course of our audit, we did not encounter any significant difficulties in dealing with management related to the performance of the audit.
Concerns regarding management competence and integrity	We do not have any concerns regarding management's competency and integrity.
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 made by management concerning measurement or disclosure.
Disagreements with management	During the current audit, we did not have any disagreements with management.
Consultation with other accountants	Management has informed us that Calhome has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	<p>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.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by Calhome.</p>
Post-statement of financial position events	At the date of finalizing this report, we are not aware of any significant post-statement of financial position events.

Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication	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	Master services agreement
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the audit procedures related to significant risks 	Audit plan communicated on November 16, 2018
3. Significant transactions outside of the normal course of business, including related party transactions	Nothing to report.
Year End Communication	
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, judgements and estimates
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	Significant accounting practices, judgements and estimates
7. Matters related to going concern	We concluded that there was no substantial doubt about Calhome's ability to continue as a going concern.
8. Management judgments and accounting estimates	Significant Accounting practices, judgements and estimates
9. Significant difficulties, if any, encountered during the audit	No significant difficulties to report.
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	No other matters to report.
12. Modifications to our opinion(s)	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	Nothing to report.
14. Significant matters discussed with management	Nothing to report.

Required communication	Refer to this report or document described below
15. Illegal or possibly illegal acts that come to our attention	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	No deficiencies to report.
17. Uncorrected misstatements and disclosure items	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements and uncorrected disclosure items to report.

Appendix 2 – Draft version of our auditor's report

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 Directors of
Calhome Properties Ltd.

Opinion

We have audited the financial statements of Calhome Properties Ltd. ('Operating as Calgary Housing Company') ('Calhome'), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Calhome as at December 31, 2018, 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 ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Calhome in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unaudited Supplementary Information

The statements of operations by portfolios are presented with the financial statements but are not required by PSAS. Our opinion on the financial statements does not cover this supplementary information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Calhome's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Calhome's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Calhome to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(To be signed Deloitte LLP)

Chartered Professional Accountants
March 21, 2019

Appendix 3 – Letter of recommendations and business insights



Deloitte LLP
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Calgary, AB T2P 0R8
Canada

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March 21, 2019

The Audit and Risk Management Committee of
Calhome Properties Ltd. ('Operating as Calgary Housing Company')

Dear Audit and Risk Management Committee 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, 2018.

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,

A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants

Update to December 31, 2017 recommendations

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.

Management Response (2018)

Management formally presented a report at the June 2018 Audit and Risk Management Committee meeting addressing the posting of one sided journal entries.

The report recommended that proper system controls be put in place for the new ESS system being implemented in 2019. A copy of this report has been provided to our auditors.

In the interim with our current JD Edwards system, Management has introduced an internal control that requires the Corporate Finance and Risk officer and President approval, anytime the JDE flag is removed and reinstated for the purposes of posting one-sided journal entries. There have been no posted one sided journal entries in 2018 and do not foresee there being any in the future.

Auditor Response (2018)

We obtained the copy of the report presented at the June 2018 Audit and Risk Management Committee and agree with management's assessment of ensuring proper system controls are put in place for the new ESS system. Through our audit procedures performed on journal entries, we did not note any instances to which a one-sided journal entry was posted. This recommendation has been satisfactorily addressed.

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.

Management Response (2018)

Management formally presented a report at the June 2018 Audit and Risk Management Committee meeting addressing the forgivable mortgages not recorded in the general ledger.

The report detailed the review and revised procedures adopted by administration to address this issue and to insure all mortgages are recorded and reconciled in the general ledger.

A copy of this report has been provided to our auditors. This new procedure has been adopted in 2018.

Auditor Response (2018)

We obtained the copy of the report presented at the June 2018 Audit and Risk Management Committee and performed controls around the new procedure management has put in place. Through our audit procedures performed on mortgages payable, we did not note any instances to which a forgivable loan amount should have been recorded.

This recommendation has been satisfactorily addressed.

Appendix 4 – Draft independence

March 21, 2019

The Audit and Risk Management Committee
Calhome Properties Ltd. ('Operating as Calgary Housing Company')

Dear Audit and Risk Management Committee 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, 2018.

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.
- 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 23, 2018, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and Calhome and its affiliates, or persons in financial reporting oversight roles at Calhome and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 24, 2018 to March 21, 2019.

The total fees charged to Calhome for audit services were \$86,028 (2017, \$81,855) for the audit, \$19,260 (2017, \$18,375 per portfolio) relating to the specified procedures for the special government reports, and \$12,840 (2017, \$nil) for the adoption of new accounting standards 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 in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of March 21, 2019.

This letter is intended solely for the information and use of the Audit and Risk Management Committee, the Board of Directors, management and others within Calhome and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

Appendix 5 – Draft management representation letter

[Calhome letterhead]

March 21, 2019

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, 2018

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, 2018, 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 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 master services agreement between the Calhome and Deloitte dated November 16, 2018 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, 2018 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, 2018 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. Calhome has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
4. We have determined that the Financial Statements are complete as of the 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, 2018 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.

Internal Controls

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

9. 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.
10. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. 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.
12. 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.

13. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting Calhome.
14. 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.
15. 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.
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.

Independence matters

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

17. 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 the Audit Committee.
18. We have ensured that all non-audit services provided to Calhome have been pre-approved by the Audit Committee. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to Calhome in accordance with applicable laws, regulations and rules that apply to Calhome, including the Audit Committee approval requirements.
19. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Other matters

20. 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.
21. 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.
22. 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.
23. 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*.
24. We have provided to you final versions of the following other information:
 - Statement of Operations by Portfolios

We believe the financial statements and the other information are consistent with one another, and that the other information does not contain any material misstatements.

Fair Value

25. 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, 2018 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

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

Loans and receivables

27. Calhome is responsible for determining the appropriate carrying amount of notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.
28. 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

29. 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.
30. 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.
31. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.

Government transfers

32. We have disclosed to you all correspondence relating to government transfers that Calhome has had with the funding body.
33. We have assessed the eligibility criteria and determined that Calhome is an eligible recipient for the government transfers received.
34. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
35. All government transfers that have been recorded as deferred 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

36. Calhome was aware of the City of Calgary's change in Capital Asset Policy for Vehicles for the year ended December 31, 2018. Management has reviewed and understands the policy and has determined that this policy change does not apply as Calhome does not have a Vehicle category.

Tangible capital assets

37. Tangible capital assets have been recorded properly and consistently according to the standards in CPA Canada Public Sector Accounting Handbook Section PS 3150, *Tangible Capital Assets*.
38. 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.
39. 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

40. We have reviewed the year-end adjusting entries and acknowledge our responsibility for their accuracy.

Communicating a threshold amount

41. We understand that the threshold used for accumulating misstatements identified during the year was \$50,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Section 3260, *Liability for contaminated sites* ("Section 3260")

42. Calhome was required to adopt Section 3260 effective for fiscal 2015 for the purposes of the 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, 2018 PSAS financial statements of this standard.

Use of Deferred Capital Contributions

43. 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

44. Calhome and the Province of Alberta ("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.

Adoption of new accounting standards

45. Calhome has adopted CPA Canada Public Sector Accounting Handbook Section 3210, *Assets* ("Section 3210"), Section PS 3320, *Contingent Assets* ("Section 3320"), Section PS 3380, *Contractual Rights* ("Section 3380"), Section PS 2200, *Related Party Disclosures* ("Section 2200") and Section PS 3420 *Inter-Entity Transactions* ("Section 3420"), as of January 1, 2018 as discussed in Note 2 – *Change in Accounting Policy*.

Contingent assets

46. Calhome has identified all contingent assets in accordance with Section 3320 and, when the occurrence of the confirming future event is considered likely, appropriately disclosed these items in the financial statements, as disclosed in Note 13 of the financial statements.

Contractual rights

47. Calhome has identified and disclosed all contractual rights, as discussed in Note 14 of the financial statements, that will result in both an asset and revenue in the future, once the terms of the contract or agreement are met, in accordance with Section 3380.

Inter-entity transactions

48. Calhome has recognized all transactions involving the transfer of assets or liabilities between public sector entities in accordance with Section 3420.

49. Calhome has recorded all inter-entity transactions properly at exchange or carrying amount in accordance with the criteria in Section 3420.14-.22.

50. Calhome has disclosed all inter-entity transactions in the notes to the Financial Statements whether or not such transactions are recognized in the financial statements, in accordance with Section 2200 as shown in Note 16 of the financial statements.

Assets

Calhome has recognized all assets, which do not fall within the scope of other standards, only when the requirements in Section 3210 have been met. For those assets, which do not meet the recognition criteria in Section 3210, Calhome has appropriately disclosed details of such unrecognized assets in accordance with Section 3210, if applicable. There was no impact to Calhome's financial statements upon adoption of Section 3210.

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 and disclosure deficiencies
Year ended December 31, 2018

No uncorrected misstatements or disclosure deficiencies.