

ANNUAL REPORT AND RISK MANAGEMENT PROCESS
For City of Calgary Audit Committee
July 23, 2020

1.0 Overview of Attainable Homes Calgary Corporation

At Attainable Homes Calgary Corporation (AHCC), we believe homeownership is a great thing; it provides housing stability, security and flexibility. Through our program we work to remove barriers to homeownership for moderate-income Calgarians who are looking to move along the housing continuum. We assist people looking to move from the rental market into homeownership, as well as those who have experienced a dramatic life change and are in need of assistance in order to remain a homeowner, such as recently singled Calgarians with children.

Since 2009, through our down-payment assistance program, AHCC has helped over 1,000 families purchase their own homes. Of those, 270 families have moved through the program, either by selling their home, or by paying out AHCC to remove us from title. The funds received from participants exiting the program supports future development.

AHCC is a public not-for-profit corporation incorporated in 2009 under the Business Corporations Act. Upon inception, AHCC received seed funding of one million dollars from the City of Calgary which was matched by the Government of Alberta. In addition, the City of Calgary contributed eight parcels of land at the City's book value, which AHCC pays for at the time of development. Of these original eight sites, AHCC has two remaining. Since the original infusion of funding, AHCC operations have been funded through its own business activity with any profits generated reinvested in the program.

As AHCC moves forward in the new economic environment, we are revisiting our original mandate to ensure we are meeting the needs of our clients. When established, AHCC's mandate was to move 500 people into homes through the down payment assistance program and another 500 into homes through perpetually affordable housing. The down payment assistance program is a success and we will continue with this program, however going into 2020 we are looking to address the second portion of our mandate and develop housing opportunities under a perpetually affordable model as well.

2.0 Governance Structure

AHCC is guided by a strong volunteer board with a diversity in backgrounds and skills. We have twelve potential board positions, ten of which are filled. Two of the Board members are council members appointed by the City of Calgary; the Honourable Mayor Nenshi and Councillor Jyoti Gondek.

The Board has three committees. The Board meeting rhythm has been established so that each committee meets before each Board meeting. There are usually (minimum) 4 meeting of each committee per year and 5 Board meetings per year. Other combined or additional committee meetings are scheduled and held on an as-needed basis. Each committee is made up of at least

2 Board members with the Board Chair acting as an ex officio member of each committee. The committees are:

- Audit and Accountability Committee
- Corporate Performance & Governance Committee
- Development Committee

2.1 Succession Planning & Recruitment Process

Each board member can serve a maximum of two, three-year terms. A Board/CEO succession and Board term review is performed by the Corporate Performance and Governance Committee (CP&G) in the first quarter of every year. At that time, the current Board is measured against a 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 a 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.

2.2 Terms of Reference

The Board and Committees review their Charter and Terms of Reference at least annually. There have been no significant changes this year.

2.3 Current Board Members

At the Shareholder Meeting in June 2020, the retirement of Board Directors Sano Stante and Brian Pincott was formally recognized.

Gerry Wagner is Chair of the Audit and Accountability Committee, Melanie Ross is Chair of the Development Committee, and John Kozole is Chair of the CP&G committee.

ROBIN LOKHORST, Board 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 of the CBA Managing Partner Subsection and serves as legal counsel to the Canadian Luge Association since 2007.

MAYOR NAHEED NENSHI, Director

Naheed Nenshi is Calgary's 36th Mayor. He is a passionate Calgarian, an accomplished business professional and a community leader. During his term in office, Mayor Nenshi's leadership has resulted in many positive changes in Calgary to build better communities and transform government to reinforce a culture of constant citizen-focused improvement at The City of Calgary. Prior to becoming Mayor, he ran a large non-profit, 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".

COUNCILLOR JYOTI GONDEK, Director, Member

Jyoti Gondek was elected Calgary City Council to serve Ward 3 in 2017. Prior to public service, Jyoti was an active community member through numerous volunteer and board positions. Her experience in urban planning, development, and real estate is evidenced by her four years as a volunteer citizen member of The City of Calgary's Planning Commission as well as board positions with the Urban Land Institute and Design Talks (d.talks). She also served as an advisor on the National Executive Forum on Public Property and the Calgary Economic Development Commercial Real Estate Committee. Immediately prior to taking office, Jyoti was the Director of the Westman Centre for Real Estate Studies at the University of Calgary's Haskayne School of Business. Jyoti's academic training includes an undergraduate degree in sociology and criminology, an MA in organizational sociology and a PhD in urban sociology.

BARB RICHARDSON, Director, Member - Development Committee

Barb is a seasoned business leader in Calgary and is currently the Senior Vice President of Real Estate for Sotheby's International Realty Canada. Barb hopes to leverage her expertise with Calgary's residential real estate market to assist AHCC in selecting and maximizing the value of their real estate investments.

KEN TOEWS, Director, Member

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 buildings 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, Chair – Development Committee

Melanie has over 10 years of experience in the fields of architecture, planning and engineering. She specializes in sustainable building design and currently holds the role of Research Associate and Business Administration Manager on SAIT's Green Building Technologies (GBT). The GBT Lab and Demonstration Centre is Calgary's first net-zero commercial building. Melanie previously led the sustainable building team at Integral Group supporting a wide range of projects ranging from third-party certifications to energy management and building performance. She was appointed to the WELL Building Standard teaching faculty and serves as Chair of the Alberta Chapter Leadership Board of the Canada Green Building Council.

GERRY WAGNER, Director, Chair – Audit & Accountability Committee, Member - Corporate Performance & Governance Committee

Gerry Wagner is a corporate director and advisor. He has over 35 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 Bridgewater Bank.

FRASER de WALLE, Director, Member – Audit & Accountability Committee

Fraser de Walle is the National Residential Construction Product Leader within Marsh Canada's Construction & Surety Practice. He is responsible for product development, market agreements, and the overall residential strategy. Fraser specializes in insurance and surety related products and services required by a residential developer, including but not limited to builders risk, property, casualty, equipment, auto fleet, development bonds and risk management services.

MAVIN GILL, Director, Member – Audit & Accountability Committee

Mavin Gill is a Chartered Professional Accountant with over 7 years of experience in assisting organizations in a variety of industries to meet their accounting, financial reporting, and taxation needs. Industries include manufacturing, retail, auto and equipment dealerships, professional service firms, and real estate and construction companies. Mavin is currently a Senior Manager with KPMG Calgary in the Enterprise private company group. Mavin also serves as a Board of Director with the Entrepreneurial Chartered Professional Accountants of Calgary. He is an active member with the Calgary Chamber of Commerce and was recently appointed to be one of the judges at the Small Business Awards in Calgary.

JOHN KOZOLE, Director, Chair - Corporate Performance & Governance Committee

John has spent the last 12 years in the Home Warranty Industry. Since 2018 he has acted as the CEO of the Saskatchewan New Home Warranty Program and previously held the role of President & CEO of the Alberta New Home Warranty Program (ANHWP) Group of Companies. He has been instrumental in restructuring and evolving both organizations, including creating The New Home Warranty Insurance (Canada) Corporation "NHWIC", a Property and Casualty Insurance company licenced in 4 provinces. NHWIC is part of the ANHWP Group of Companies.

Prior to and concurrently with his involvement in the Home Warranty Industry, John also acts as the President & CEO of Spring Edge Developments Inc. & Spring Willow Development Corporation. He was instrumental in developing the residential communities of Elkton Ridge Estates, The Shire of Spring Valley, and Spring Willow Estates located on the West side of Calgary. John currently sits on the Board of The Canadian Home Warranty Council.

2.4 Current Organizational Leadership

AHCC would like to thank Melody Nikleva, Director of Finance, for the excellent work that she completed for AHCC in 2019. Melody moved on from her position in December 2019 and was replaced by Jaycee Ho as the new Director of Finance. Below is the current leadership team of AHCC.

Jaydan Tait, President & CEO

Jaydan joined AHCC in December 2018. Jaydan is a Registered Professional Planner and has a Masters Degree in Urban Planning from the University of Calgary. Jaydan worked for the City of Calgary early in his career before embarking on a career path in the Development Industry. Since 2003, he has worked for several development companies active in Calgary and across North America, working on land development and building construction projects and communities.

He has specialized in infill multi family and mixed-use product design, delivery and project organization, from land acquisition to project completion. Jaydan has volunteered for BILD Calgary as a member of the Board of Directors and has been active in his community as a volunteer member of his Community Association Board of Directors. Jaydan has deep experience in both development and planning and brings a holistic approach to project development through an understanding of the forces at play in the enterprise of city and community building.

Jaycee Ho, Director of Finance

Jaycee joined AHCC in November 2019. As a Chartered Professional Accountant and Certified Management Accountant (USA), Jaycee brings over 28 years of accounting and finance experience to the organization. Jaycee completed his MBA in 1995. Jaycee spent several years working in the finance group for multinational corporations in Asia and USA, followed by twenty years working with manufacturers, and a leading residential land developer and homebuilder in Canada. Jaycee has a strong background in accounting, treasury and forecasting.

Cathy Wolski, Director of Sales

Cathy joined AHCC in September 2019. Cathy brings over 25 years of administrative and management experience to the organization. Cathy began her career as an administrator within the oil and gas industry progressing to a management position. This was followed by nine years at a leading residential land developer and homebuilder as Executive Assistant and Area Sales Manager. Cathy has a strong background in land administration and sales management.

Jennifer McCarron, Director of Marketing & Communications

Jennifer joined AHCC in October 2016. She brings over 20 years' experience in communication, marketing and stakeholder relations. Jennifer began her career as a communications consultant to all orders of government. She spent five years writing news and producing television before entering the field of non-profit communications and marketing where she has remained for nearly 13 years. Jennifer completed her MA in Communication in 2010. She provides expertise in strategic communications and messaging to connect with program clients and partners.

Justin Seguin, Development Manager

Justin joined AHC on June 15, 2020 as Development Manager. Justin has been a part of the residential construction industry here in Calgary for over 24 years. Justin has extensive hands on experience on site, either working with his hands as a Journeyman Carpenter, directing site activities as a Superintendent, working with all stakeholders as a Project Manager. Justin is passionate about his community and community building. He has volunteered on residents associations, school committees and industry committees; always looking for ways to get involved.

3.0 Recent Financial Highlights

The 2019 fiscal year was challenging as multi-family real estate prices continued to be subject to downward pressure. AHCC closed 82 units with a gross margin of 2.4% in 2019, compared to 48 closings in 2018 with a gross margin of 3.3%. Although the number of units closed has increased, the gross margin has further deteriorated. Marketing and selling expenses were increased due to more units sold in 2019 vs 2018. Inventory carrying costs decreased steadily over the year as inventory was sold. As a result of higher sales, reduced impairment of inventory and no further unrealized loss on equity receivables, AHCC has reduced its operating loss as of December 31, 2019.

Units held in inventory decreased greatly during the year as the standing inventory sales strategy was implemented. The Reach Martindale townhome project provided more units to sell starting in the spring of 2019. The result of selling the standing inventory and units completed at the Reach Martindale project was a significantly lower balance of the credit facilities than in 2018. AHCC reports that the balance on the revolving credit line was reduced from \$10 million to under \$4 million currently. AHCC continues to limit carry of standing inventory in an ongoing effort to limit carrying costs and interest expenses.

3.1 2019 Audit Results

AHCC reports its financial results in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Both the 2018 and 2019 Audits were completed by RSM Canada. AHCC had the same Audit Partner (Terry Booth), which provided continuity on the audit team.

While an unqualified audit opinion was issued, the audit report referenced a "Material Uncertainty Related to Going Concern". AHCC included this going concern note mainly due to

the net loss for the year ended December 31, 2019 of \$2,150,150 which included asset impairments of \$375,180. Should losses continue and AHCC be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.

The net loss was the result of:

- Continued reduction in value of the, now sold, standing inventory and accrual of higher than budgeted interest and carrying costs
- Declining values and slower than forecast sales pace at 2 projects, Winston and Sage Meadows
- Downward revenue adjustment to the Reach Martindale budget on sold units

i) Covenants

AHCC is in compliance with its debt covenant, the Debt equity ratio. Since our last presentation to City of Calgary Audit Committee in 2019, AHCC negotiated with its lender the removal of the Interest Coverage Ratio as a covenant which had become less relevant.

ii) 2019 Financial Results

In 2019, AHCC leadership has made significant progress in reducing inventory levels. In order to do so, the inventory had been sold at below targeted margins. AHCC believes that reducing the number of inventory units carried by the organization is key to maintaining financial strength and flexibility. AHCC has used the proceeds from the sale of this aged inventory to reduce debt levels and fund the townhouse project.

Although AHCC held significant inventory at the first half of year 2019, which incurred higher interest expense and carrying cost in 2019, standing inventory was significantly reduced. As a result, interest expenses and carrying cost has been trending downward since Q4 2019 and Q1 2020.

AHCC has also imposed an internal pre-sales test relating to construction of buildings in its townhouse project. AHCC will only commence construction once a reasonable number of units have firm sales; this is a key risk management approach which will ensure AHCC does not invest significant funds into construction before having firm revenue in place.

Overall the operating deficiencies in 2019 was \$2,150,150, compared to \$2,845,820 in 2018, an improvement of \$695,670. AHCC is forecasted to further reduce such operating deficiencies in 2020 to \$815,690.

iii) Purchase Commitments

At December 31, 2018 AHCC had entered into purchase agreements with third party builders to purchase over \$16M/68 units in housing inventory. AHCC has since

reduced their obligations and managed the associated risk of these commitments in two ways:

- Reducing purchase obligations through negotiation
 - In several projects, the builder partners have been willing to reduce the number of units AHCC was committed to acquire.
- Exercising right to defer purchase clauses
 - In two of the significant purchase agreements, AHCC has the option to defer purchasing units if we do not have a firm sale to an end customer in place. AHCC had exercised this option in two of our projects.
 - This is a strong cost management approach for AHCC as we only pay carrying costs until we have an end purchaser and do not have to finance the units on our credit facilities.

As of May 31, 2020, AHCC's commitment has been reduced to \$5.5M/22 units. Of the unpurchased units, 8 have firm sales in place and will be closed before the end of Q3 2020.

4.0 Internal Controls

During the 2019 Audit, RSM identified two areas of significant deficiency in internal controls, primarily due to turnover in leadership during the year. AHCC is confident that with a new, stabilized leadership group in 2019 and 2020, these issues are being addressed. Below are management's responses to the items noted in the Audit Findings report as included in this submission.

AHCC completed a review of all Internal Controls in late 2019 with all Internal Controls updated, reviewed and approved by the Audit & Accountability Committee on November 21, 2020.

Segregation of Duties

AHCC continues to identify opportunities to better segregate duties where possible while considering the size of the organization. The review of financial results by senior leadership, Audit & Accountability Committee and Board is key to reducing errors and preventing/detecting misappropriations.

Journal Entries

AHCC management has implemented appropriate review and approval of journal entries in 2020. In addition, AHCC has improved its process surrounding journal entries and requires appropriate source documents to be included.

4.1 Internal Controls & Improvements in Efficiency

AHCC staff sign off annually that they are familiar with the internal control documents. The documents are frequently used as a basis for process development and have been an essential part of staff training given the number of new staff at the organization during the past year. In addition, as part of AHCC's Committee workplan and Terms of Reference, the Audit and Accountability Committee reviews internal controls annually.

The current leadership group is committed to a strong internal control environment and encourages staff to review and suggest improvements in internal control documentation.

AHCC moved all core business functions to the cloud, via Microsoft Teams, in Q1 2020. This was a benefit as the impacts of COVID-19 affected working from the centralized office space in March. AHCC information has been secure as we migrated to cloud based work. We will complete a cyber-security review and audit in 2020 identifying any risks or gaps in our current processes related to remote working.

The new management team at AHCC has developed a revised dashboard of key indicators in Q1 2020 which are provided to the Audit & Accountability committee as well as the Board. AHCC's management is placing renewed focus on its forecasting approach, putting greater emphasis on leading indicators and proactive risk management. In addition, AHCC is looking at opportunities to diversify its program through new programs such as down-payment assistance transactions where AHCC does not have to purchase inventory and perpetually affordable housing, ensuring the organization remains relevant into the future.

5.0 Key 2020 Initiatives & Strategy

For the first time, AHCC presented three separate plans for review and approval to the Shareholder as part of the Annual General Meeting on June 22, 2020. In previous years, AHCC would have presented the annual business plan and budget at this AGM for approval only.

As AHCC worked on the business plan in 2019, it was realized that the AHCC Strategic Plan 2017-2022 was inadequate in setting the overarching strategic direction of the organization. The plan was updated through the first half of 2020 and approved by the Board at the June 2020 meeting. Through the work, it was determined that the core business model would be best broken out into a separate business plan. Then, the Operations Plan 2020 was produced, which includes the 2020 tactics, goals and budget. The 2020 Goals are included below.

The plans, including the business plan and budget, were approved by the Shareholder at the AGM.

AHCC Goals 2020 from the Operations Plan 2020

Engage shareholder & stakeholders	<hr/> 1. Prove Return on Investment to Shareholder <hr/> 2. Develop a communications plan for each key stakeholder and specifically: <ul style="list-style-type: none"> a. Achieve Board approval of Business Plan outlining the current business model b. Achieve Shareholder support of Strategic Plan 2017-2022 Update c. Achieve lender support of operations plan <hr/> 3. Assist 3% of directly generated leads into homeownership & assist 100 clients into homeownership with the DPAL <hr/>
Develop financial metrics	<hr/> 4. Reduce Operating Deficit by 50% in 2020 <hr/> 5. Finalize Key Performance Indicators <hr/> 6. Develop minimum return threshold to achieve REACH Martindale construction completion <hr/>
Develop mechanisms to secure land	<hr/> 7. Gain Board approval for value generation plan for 3 development sites (AHC owned & controlled land) <hr/> 8. Secure Inventory and enter into next inventory acquisition agreement for DPAL (secure inventory) <hr/>
Leverage Partnerships	<hr/> 9. Create funding relationship with CMHC and/or other partners for development/construction financing on next development site(s) <hr/> 10. Align with non-profit sector allies (e.g. Calgary Housing Company (CHC)) on housing developments (to assist clients emerging from rental in the housing continuum) <hr/> 11. Expand roster of builder partners by 3 to grow capacity in Affordable Housing Continuum (tied to #9) <hr/>

6.0 Key Operating and Strategic Risks

AHCC utilizes the City of Calgary's risk register format to identify, monitor and evaluate key operating and strategic risks. The Risk Register is updated by Management on a regular basis, at least annually, and reviewed with the Audit and Accountability Committee and Board.

The top three risks for AHCC are as follows:

- 1) **The Business Model.** AHCC underwent a comprehensive strategic plan and business plan review starting in December 2019. This culminated in the production of the three plans described in section 5.0 above. The business model, anchored by the down-payment assistance loan, has been articulated in the approved Business Plan 2020. Careful deployment of the down-payment assistance loan tool and development of the perpetually affordable housing program are forecast to meet ongoing market demand and reduce risk for AHCC.
- 2) **Shared Equity Model.** This model, whereby AHCC participates in equity surplus gained when program participants exit the AHCC program, does not generate surpluses as program exits in 2019 did not generate surplus. In fact, program exits resulted in minimum loan repayment to AHCC in the majority of cases. Risk to AHCC was limited by adjusting the minimum repayment amount of the loan to the loan value itself, in 2018. The down-payment assistance loan program remains an effective tool to assist clients into homeownership, but the shared equity component of the program cannot be relied upon, from a business planning perspective, to grow the AHCC surplus. The business plan and budget for 2020 reflects this accordingly.
- 3) **Performance Monitoring.** The completion and approval of the AHCC plans now establishes meaningful and measureable goals for 2020. These goals will form the basis of a re-instituted robust and regular performance monitoring and review process. This process will be implemented in Q3 2020.

6.1 Regulatory & Market Changes

The top three regulatory and market changes and external influences that impact the AHCC's business are:

- 1) **Real Estate in Calgary.** The Calgary real estate market has yet to recover from the cratering of the price of oil experienced in fall 2014, and the market continues to be challenged amidst the impacts of the COVID-19 pandemic. AHCC has put in place a strong sales team, appropriate pricing and a properly designed well-built product in good locations. A key for AHCC's future success is partnering with strong builder groups

who have financial stability and build a well constructed product at a good price point and who share our values as articulated in the Strategic plan 2017-2022 Update.

- 2) **The Multi-Family Housing Market.** AHCC operates exclusively in the multi-family real estate market. AHCC is exposed to market risk due to fluctuations in the Calgary area housing market. Reduced real estate values erode margins, slows sales pace, impacts the valuation of the equity receivables, and increases the risk of value write-downs of inventory and land. To manage this risk, AHCC is minimizing the amount of inventory it carries, ensuring current product is priced appropriately for the current market, and managing pricing risk on future purchase commitments.
- 3) **Government Regulations related to lending and other measures that erode affordability.** Changes in regulations from all levels of government and other policy regulators (CMHC, OSFI, banks, etc.) can have dramatic effects on the AHCC business model. The stress test effectively reduced the buying power of approximately one-third of AHCC's clients. Any future regulatory changes, from local land use policies to federal CMHC initiated down payment policies will be constantly monitored and analyzed for impact to the business model.

The mortgage rules do not take into consideration the kind of program like ours that already provides safe, secure and structured entry into homeownership. Of concern are modest-income families and single-parent families for whom appropriate rental options are less plentiful and security-of-place is paramount.

7.0 Effective Risk Management Assessments

There are multiple results of internal/external business assessments that provide assurance on the effective management of risks as addressed in this presentation, including:

- 1) **Risk Register updated and review**
 - AHCC uses the City of Calgary Risk Register to identify, monitor and report risks.
 - The risks are updated by the President/CEO and reviewed by the A&A Committee of AHCC. Any changes made to the risk register are reviewed and approved by the AHC Board annually, usually in the Q2 meeting.
- 2) **Regular (annual) City of Calgary Audit Committee review**
 - AHCC presents the AHCC "Annual Report and risk Management Process" to the City of Calgary Audit Committee on an as required basis as requested directly by the City Audit Committee, typically annually.
 - The Chair, AHCC A&A Committee, Board Chair, AHC President/CEO & Director of Finance are involved in writing the report and presenting to the City committee.

3) Risks listed in the Business Plan 2020

- Key business risks have now been identified in the AHCC Business Plan 2020. A high level risk register is also included in the Plan.

4) Monthly reporting of credit facility balances with City Treasury

- AHC Administration provides a monthly summary of the balances of AHC lines of credit with the City of Calgary Treasury & Finance as a direct result of the financial challenges experienced in Q1 and Q2 2019 at the Reach Martindale project.

5) Lender relations

- AHCC meets with the Lender on a monthly basis to provide an update on operations.
- The AHCC business model and operations plan are reviewed on an annual basis with the Lender. This supports AHCC's continuing operations under the existing terms of the Revolving Line of Credit and Evergreen line of credit.

6) Revised Key Performance Indicators (KPIs)

- Recently completed KPIs (that provide a snapshot of current business health and act to signal future risks) are included in quarterly Financial Statement review by AHCC A&A Committee.
- KPIs are reviewed and approval by the AHCC Board on a quarterly basis.

7) Enterprise Risk Management Policy

- The Enterprise Risk Management Policy for AHCC was last updated on July 12, 2013 by the then President/CEO. The Policy will undergo a full review for completion in Q3 2020.
- The President/CEO will complete a detailed review of this Policy in Q3 2020 and recommend any changes to the A&A and CP&G committee at the Q4 2020 meeting(s).

8) Internal Controls updated and approved in Q4 2019

- All Internal Controls for AHC were reviewed by Administration and updated in 2019. All ICs were submitted to the A&A Committee for review and approval. The Internal Controls were approved by A&A committee on November 21, 2019. This suite of documents provides sufficient control and guidance for the ongoing operations of the business