

**ATTAINABLE HOMES CALGARY CORPORATION: RISK REGISTER**

**2016**

<b>IMPACT</b>	<b>HIGH</b>	Legal liability (8) Builder partnerships (9) Operating cash management – short term (19) Development cash management – medium term (20) Inventory Scarcity (18a)	Customer base (17)	Shared equity model (2) Market (22) Inventory Surplus (18b)
	<b>MEDIUM</b>	Shareholder alignment (5) Asset protection (14)	Business model (1) Client expectations (6) Recruitment & retention (11) Compensation & benefits (12) Cost management (13) Reputation (21)	
	<b>LOW</b>	Governance (3) Performance monitoring (7) Accountability alignment (10) Financial reporting & planning (15) Records management – privacy / legal docs (16)	Leadership (4)	
		<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
		<b>LIKELIHOOD</b>		

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Risk No.	Risk Type	Risk Description	Risk Impact	Risk Likelihood	Risk Accepted (Y/N)?	Summary Comments
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).	Medium	Medium	Y	<p>Current Mitigation Action:</p> <p>Annually, AHCC's business plan and budgets are reviewed and approved by the Board.</p> <p>On an annual basis, governing documents and agreements with the shareholder are reviewed to ensure ongoing alignment with the AHCC business model.</p> <p>Ongoing consideration by management and the Board of different options and opportunities to further serve community needs.</p> <p>Additional options have been researched and short listed. Now these options are being tested financially and against the mandate.</p>

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2	Shared equity	AHCC's long term sustainability is partially dependent on the success of the shared equity model in 5 – 10 years' time. 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.	High	High	Y	<p>Current Mitigation Action:</p> <p>Contracts have a minimum participation amount repayable in the event that market conditions adversely affect AHCC's equity share.</p> <p>The organization invests in quality inventory, in all quadrants of the city that is expected to increase in value over the long-term and protect AHCC's share of equity.</p> <p>Market values and real estate activity are monitored on an ongoing basis. The equity receivable portfolio is evaluated against the home-pricing-index quarterly.</p> <p>Equity Loan Receivable are discounted to allow for the impact of the time-value of money quarterly.</p> <p>Due to the increased risk of loss for one particular project, an allowance was booked at the end of 2014 and is being reduced as clients in those homes sell and leave the AHCC program.</p> <p>As of April 30, 2016 AHCC had 733 home sales, 703 possessions and 69 households had exited the program. Of the 69 households that exited the program, 14 paid the minimum repayment amount. We continue to analyze resale data to identify trends regarding how, when and why people move through the program to support forecasting and business planning.</p> <p>Twenty-two (22) of our clients will have their mortgages renew in 2016 – we will be watching closely to see how many take the opportunity to pay us out, and remove us from title.</p>

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3	Governance	The Board has the appropriate governance processes in place supporting the corporation's ability to effectively achieve its mission, mandate and strategic plan.	Low	Low	Y	Current Mitigation Action: The mandate of all the AHCC committees requires that all organizational policies be reviewed every 3 years. (1/3 each year). Board policies are being reviewed in 2016. The Board is composed of two City council members and four qualified and experienced business leaders. One director position is currently vacant and recruitment is underway. The City of Calgary Audit department audited AHCC's development process and identified a number of issues that are currently being addressed (or have already been addressed).
4	Leadership	AHCC staff are effectively led or empowered to fulfill the Corporation's mission and mandate and strategic plan.	Low	Medium	Y	Current Mitigation Action: The Corporate Performance and Governance committee of the Board considers succession planning issues as part of its mandate. AHCC welcomed a new CEO in December of 2015.

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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.	Medium	Low	Y	Current Mitigation Action: AHCC reports at least annually at meetings of the shareholder. The City of Calgary Internal Auditor completed an audit of the development process in 2015 and the sales process in 2014. The CEO and Board members meet periodically with City councilors.
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.	Medium	Medium	Y	Current Mitigation Action: In 2015, AHCC partnered with two classes at MRU to explore the impact our program is making. Students interviewed 50 customers and we held a world café for 40 clients/partners. Feedback has been analyzed and will influence future strategies, including offering more education. Customer satisfaction surveys have been improved and are reviewed regularly.
7	Performance monitoring	Appropriate performance measures exist to monitor and enhance the corporation's performance	Low	Low	Y	Current Mitigation Action: Dashboard of sales performance is updated weekly so action may be taken promptly if necessary. Key Performance Indicators are calculated and distributed to board members and managers monthly to assist with decision making. Performance measures are reviewed and reported on at each Board meeting (occur at least once every quarter).

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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.	High	Low	Y	Current Mitigation Action: Expert legal support exists. Appropriate insurance coverage is in place. Appropriate internal controls exist to ensure that all transactions and commitments are adequately reviewed for potential liabilities and loss to the corporation. Oversight of systems of internal control is included in the annual audit committee work plan.
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.	High	Low	Y	Current Mitigation Action: Risk is minimized by working with many builders and by cultivating long term relationships with reliable and proven partners. Improved procurement process includes vendor management tools that help spot critical early warning signs to indicate issues with a project. Mid-term and post-mortem reporting will be done on each project.

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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.	Low	Low	Y	<p>Current Mitigation Action:</p> <p>Job descriptions exist for all positions and are maintained and aligned with the performance management process. Annual goal setting including development plans and performance reviews are completed for all employees.</p> <p>The Corporate Performance and Governance committee have oversight responsibilities in this area.</p> <p>A human resources consultant has been engaged to assist with annual benchmarking and job descriptions.</p>

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11	Recruitment & retention	The right people are effectively attracted, developed and retained, influencing the corporation's ability to achieve its mission and mandate.	Medium	Medium	Y	Current Mitigation Action: Recruitment is conducted in targeted and appropriate industry specific settings. Annual performance and compensation reviews are completed for each member of staff.
12	Compensation & benefits	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.	Medium	Medium	Y	Current Mitigation Action: Corporate Performance and Governance Committee oversees performance management and approves compensation levels for each fiscal year. Compensation offered is benchmarked against not-for-profit salaries for Calgary.
13	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	Medium	Medium	Y	Current Mitigation Action: The annual budget is approved by the Board and City Council. Each development project is approved on its own merits by the Board. Costs are monitored monthly as part of the KPI dashboard. During 2016, a forecast will be revisited quarterly and spending decisions will be made accordingly.
14	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.	Medium	Low	Y	Current Mitigation Action: Internal controls are in place and periodically audited and reviewed.



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15	Financial planning & reporting	Appropriate financial planning and related reporting supports the Corporation in making informed decisions and reporting credible financial and management information to our Board and Shareholder.	Low	Low	Y	Current Mitigation Action: The Board reviews and approved financial statements at every regularly scheduled meeting (at least quarterly). External audits are conducted annually of the financial statements and the related financial reporting controls.
16	Records Management (Privacy and Legal Docs)	Personal information pertaining to customers is collected, used only for appropriate business reasons and protected from disclosure.	Low	Low	Y	Current Mitigation Action: Personal financial information is collected and used only by AHCC banking partners and lawyers. Records management internal controls have been developed. 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.

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17	Customer Base	Customer base and demand may be affected by changes in the market and in legislation.	High	Medium	Y	Current Mitigation Action: Market, social and economic environments are monitored so that proactive steps can be taken to address both positive and negative changes in demand. Interest in the program is the same as 2015, but demand has gone down with diminished consumer confidence in the overall market.
18a	Inventory Scarcity	Insufficient inventory available for sale that meets our eligibility criteria.	High	Low	Y	Current Mitigation Action: Increase to available debt will allow more flexibility to obtain inventory. Internal resources continue to be applied to sourcing appropriate inventory.
18b	Inventory Surplus	Over supply of inventory which we are committed to purchase and therefore incur carrying costs.	High	High	Y	Current Mitigation Action: 2016 market conditions pose a risk of being unable to sell inventory units. Inventory commitments and ability to carry units are monitored monthly.
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.	High	Low	Y	Current Mitigation Action: Revolving credit facility of \$10M is available without notice; an additional 15M of debt is available for asset purchases when appropriate. A daily cash-flow schedule is maintained as well as a rolling 18 month cash-flow forecast in order to monitor future cash flow obligations. Monthly KPI's also serve as an indicator of cash-flow health.

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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.	High	Low	Y	Current Mitigation Action: Revolving credit facility of \$10M is available without notice; an additional 15M of debt is available for asset purchases when appropriate. Prudent agreements are reached with builder partners and joint venture construction partners to ensure that deposits and construction financing outlays are reasonable.

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21	Reputation	As a direct subsidiary of the City, AHCC has a strong brand and higher public exposure than most not for 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.	Medium	Medium	Y	AHCC engages key stakeholders and proactively position the organization through traditional and new media, and monitors and manages any potential issues that could impact AHCC's profile. Our standing within the building and development community is particularly important and is protected by: <ul style="list-style-type: none"> <li>• Partnering with builders and developers, and working on common issues with the broader industry through industry associations;</li> <li>• Working with partners who demonstrate integrity, financial stability and community support; and</li> <li>• Conducting AHCC's business activities with transparency and high ethical standards.</li> <li>• Engaging residents and community associations</li> </ul>
22	Market	AHCC is exposed to market risk due to fluctuations in the Calgary area housing market affecting future land and housing inventory sale prices	High	High	N	Reduced real estate values erode margins and risk the write down of inventory and land. AHCC monitors inventory through a quarterly HPI analysis and other third party data (MLS listings, CREB, CMHC and CHBA reports). The AHCC board and management make all procurement decisions through the lens of the current market and the future value proposition for the client.

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