

**Report to the Audit and Accountability
Committee**

Attainable Homes Calgary Corporation

Audit Findings Report

Year Ended December 31, 2015

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February 24, 2016

To the Members of the Audit and Accountability Committee of
Attainable Homes Calgary Corporation

We have substantially completed our audit of the financial statements of Attainable Homes Calgary Corporation (the "Corporation") for the year ended December 31, 2015 and are pleased to enclose a copy of our Report to the Audit and Accountability Committee - Audit Findings Report.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the Audit and Accountability Committee. This report has been prepared in accordance with the assurance recommendation issued by the Chartered Professional Accountants Canada entitled "*Canadian Auditing Standard 260 - Communication with Those Charged with Governance*". This report should be read in conjunction with the draft financial statements and our draft independent auditors' report thereon, as well as our Audit Services Plan previously forwarded to you.

This report is intended solely for the use of the Audit and Accountability Committee and should not be distributed without our prior consent. We accept no responsibility to a third party who uses this communication.

If you have any particular comments or concerns regarding the content of this report, please do not hesitate to raise them with us.

We look forward to meeting with the Audit and Accountability Committee to discuss the content of this report.

Yours very truly,

Collins Barrow Calgary LLP

Chartered Accountants
Calgary, Canada

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STATUS OF THE AUDIT

We have substantially completed our audit of the financial statements of Attainable Homes Calgary Corporation for the year ended December 31, 2015, and the results of that audit are discussed in this report.

Outstanding items

We have attached our draft independent auditors' report as Appendix A. The following items need to be addressed or completed before we sign that report:

- receipt of the signed management representation letter (draft has been attached as Appendix B);
- receipt of the legal enquiry letter;
- approval of the financial statements by the Board of Directors; and
- update of our subsequent events review to the audit report date.

Independent Auditors' Report

We intend to issue our independent auditors' report (draft has been attached as Appendix A) without modification.

SIGNIFICANT AUDIT FINDINGS

Summary of Likely and Aggregate Misstatements

During the course of our audit, we have not identified any uncorrected financial statement misstatements.

Summary of Adjustments

During the course of our audit, we may identify accounting differences that require adjustments to the recorded amounts. These differences are discussed with management, who, in conjunction with us, determine if an adjustment should be recorded. During the course of our audit, we did not identify any significant audit adjustments.

Final Materiality

Final overall materiality was \$569,000 based on 1% of cash expenditures. This was changed from overall planning materiality of \$934,000 as previously communicated in our Audit Services Plan upon receipt of final numbers.

Significant Weaknesses in Internal Controls

Audits include a review and evaluation of the system of internal controls to assist us in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken. However, a financial statement audit is not designed to provide assurance on internal controls. Professional standards require us to communicate significant deficiencies and material weaknesses in internal controls that have come to our attention in the course of our audit.

During the course of our audit, no significant internal control weaknesses were identified.

Significant Accounting Policies

Management is responsible for the appropriate selection and application of accounting policies. Our responsibility as auditors is to review the appropriateness and application of these accounting policies. The significant accounting principles and policies are disclosed in the notes to the financial statements.

As described in the notes to the financial statements the corporation adopted PSA 3260 *Liability for Contaminated Sites*, which had no impact to the Corporation.

Significant Accounting Estimates

Management is responsible for the accounting estimates included in the financial statements. Estimates, and the related judgments and assumptions, are based on management's knowledge of the business and past experience. Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole.

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes. The most significant and sensitive accounting estimates are as follows:

- valuation of inventory and land; and
- valuation of equity receivables.

The most significant of these estimates are discussed below:

Inventory and land - Valuation

During the year ended December 31, 2015 specific properties showed signs of impairment. Given this, the Corporation tested impairment of its Downtown West End Development Lands at December 31, 2015 and concluded that, based on the Appraisal of Downtown West End Development Lands prepared by Outlook Realty Advisors Inc. ("Outlook"), and the location of the lands, an impairment charge of \$94,150 was required at December 31, 2015.

The Corporation also reviewed for indicators of impairment of its Bowness Land at December 31, 2015 and concluded that based on the Appraisal of Medium Density Residential Development Land prepared by Outlook, recent sales of comparable land and units, and the Corporation plans for the related properties, there were no indicators of impairment. The properties for which site development costs have been incurred are expected to be used for future AHCC developments. Management has determined that the land and site development costs are not impaired as of December 31, 2015.

We have reviewed inputs and techniques used by the professional appraisers, as well as management assumptions and are in agreement with management's assessment of the valuation of inventory and land at December 31, 2015.

Equity Receivables - Allowance

In the prior year, it was identified that the equity receivables relating to the Beacon Heights development indicated signs of impairment as the expected appreciation of the property was not sufficient to recover the full amount of the outstanding equity receivables. Due to current market conditions, there continues to be indicators that the equity receivables on this development may not be fully recoverable.

Based on these factors, management has taken an additional allowance of \$15,640 receivables during the year ended December 31, 2015, resulting in a total allowance of \$495,510 as at December 31, 2015.

Significant assumptions used in this calculation include expected future market prices and expected timing of sale units in the development. Changes to these assumptions can have significant impact on the calculation of the allowance on equity receivables.

We have reviewed management's assessment of the delectability of equity receivables relating to this development, their estimation process and conclude that they are reasonable.

Equity Receivables - Valuation

Equity receivables on other properties during the year were assessed by management to determine if there were any valuation issues. Due to the expected appreciation of the properties in proportion to their participation percentage, recent resales in comparable areas and assumptions relating to future market conditions, it was determined by management that the equity receivables are not impaired as at December 31, 2015.

Significant assumptions used in this calculation include expected future market prices and expected timing of sale units in the development. Changes to these assumptions can have significant impact on the calculation of the valuation on equity receivables.

We have reviewed management's assumptions related to valuation and collection of equity receivables of the other properties, and conclude that they are reasonable.

Equity Receivables - Discount

Equity receivables are financial instruments that are measured at cost or amortized cost in accordance with the Corporation's accounting policy for financial instruments. Management has discounted the equity receivables to account for the repayment of the receivables over an extended time frame. Significant assumptions in the discounting calculation include the estimated year of sale of units and the interest rate used for the present value calculations.

Significant assumptions used in this calculation include expected future market prices and expected timing of sale of units in the development. Changes to these assumptions can have significant impact on the calculation of the discount on equity receivables.

We have reviewed management's estimate process and assumptions used and conclude that they are reasonable.

MATTERS TO BE COMMUNICATED

Auditor Independence

We are not aware of any relationships between the Corporation and ourselves that may reasonably be thought to bear on our independence. We hereby reaffirm our independence, as previously communicated, in our Audit Services Plan dated September 11, 2015.

Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of the Corporation's accounting records, were limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of financial information.

Related Party Transactions

During the course of our audit, we conduct various tests and procedures to identify related parties and transactions considered to involve related parties. Testing during our audit did not reveal any related parties or significant related party transactions that were not disclosed to us by management, nor did it reveal any significant related party transactions which give rise to suspected fraud. There has been no disagreement between management and ourselves regarding the accounting for and disclosure of significant related party transactions.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are, individually or in aggregate, significant to the Corporation's financial statements or to our independent auditors' report thereon. During the course of our audit, we did not have any significant disagreements with management.

Consultations with Other Accountants

We are aware of consultations that have taken place with other accountants in relation to preparation of a report on the Corporation's debt capacity. We are not aware of any other consultations that have taken place with other accountants.

Cooperation of Management

Cooperation of management and other personnel received during our audit was excellent and we had full and unrestricted access to all records and personnel required to complete our audit. We encountered no significant difficulties during our audit that should be brought to the attention of the Audit and Accountability Committee.

APPENDIX A - DRAFT INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Shareholder
Attainable Homes Calgary Corporation

We have audited the accompanying financial statements of Attainable Homes Calgary Corporation, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Attainable Homes Calgary Corporation as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of Attainable Homes Calgary Corporation for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on March 16, 2015.

CHARTERED ACCOUNTANTS

Calgary, Canada
March 9, 2016

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APPENDIX B - DRAFT MANAGEMENT REPRESENTATION LETTER

ATTAINABLE HOMES CALGARY CORPORATION

March 9, 2016

Collins Barrow Calgary LLP
Chartered Accountants
#1400, 777 - 8 Avenue S.W.
Calgary, Alberta
T2P 3R5

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Attainable Homes Calgary Corporation as at December 31, 2015 and for the year then ended, 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 Attainable Homes Calgary Corporation in accordance with Canadian public sector accounting standards.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal control to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of March 9, 2016, the following representations were made to you during your audit.

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 11, 2015, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
2. The Corporation's significant accounting policies are disclosed in the financial statements and:

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- (a) there have been no changes in the Corporation's accounting policies.
 - (b) the accounting policies selected and applied are appropriate in the circumstances.
 - (c) significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
3. Significant matters have not arisen that would require a restatement of the comparative financial statements.

Completeness of information

4. We have provided you with:
- 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;
 - additional information that you have requested from us for the purpose of this audit;
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - all minutes of the meetings of shareholder, directors and committees of directors, or summaries of recent meetings for which minutes have not yet been prepared.
5. The minute books of the Corporation are a complete record of all meetings and resolutions of the Corporation throughout the year and to the present date.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory agencies, applicable securities commissions or governmental authorities, including their financial reporting requirements.
8. We are unaware of any instances of non-compliance or suspected non-compliance with laws or regulations the effects of which should be considered when preparing financial statements.
9. We have identified to you all known related parties and all known related party relationships and transactions, including guarantees, non-monetary transactions and transactions for no consideration.
10. We have communicated to you all deficiencies in internal control of which management is aware.

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Fraud and error

11. We have no knowledge of fraud or suspected fraud affecting the Corporation involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, analysts, regulators or others.
13. We believe there were no non-trivial uncorrected financial statement misstatements aggregated by you during the year, both individually and in the aggregate, to the financial statements taken as a whole.

Recognition, measurement and disclosure

14. We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
15. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
16. All related party relationships and transactions have been appropriately measured and disclosed in the financial statements.
17. We are aware of the environmental laws and regulations that impact on our Corporation and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the financial statements.
18. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, 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.
19. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel. Any such items have been accounted for and disclosed in accordance with Canadian public sector accounting standards.
20. We confirm that there are no derivative or off-balance sheet financial instruments held at the year ended December 31, 2015.
21. We confirm that we have made the appropriate determination, accounting and disclosure in the financial statements of the costs, assets and obligations associated with employee future benefits.

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22. All liabilities, both actual and contingent, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
23. The Corporation has satisfactory title to, or control over, all assets, and there are no liens or encumbrances on the Corporation's assets or assets pledged as collateral that are not disclosed in the notes to the financial statements.
24. We have disclosed to you, and the Corporation 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.
25. We confirm the appropriateness of accounting policies and the application thereof for complex areas of accounting and areas involving management's judgment and estimates, for example:
 - valuation of inventory and land;
 - valuation of equity receivables; and
 - occurrence and completeness of gain (loss) on equity receivables.
26. There have been no events subsequent to the statement of financial position date up to the date hereof that would require recognition or disclosure in the financial statements other than that disclosed in the notes to the financial statements.
27. The terms of your engagement, as set out in your letter to us dated September 11, 2015, are still in effect and we agree with the terms as set out.

Yours very truly,

Wendy Hennel, CPA, CGA, Finance Manager

John Harrop, President and CEO

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