



# Calhome Properties Ltd.

## 2014 Audit service plan

For the year ended December 31, 2014  
Presented to the Audit and Risk Management Committee  
November 10, 2014

Instilling  
confidence



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October 28, 2014

Members of the Audit and Risk Management Committee  
of the Board of Directors of Calhome Properties Ltd.

Dear Committee Members:

We are pleased to present our 2014 audit service plan for Calhome Properties Ltd. ("Calhome"), which describes our audit scope and strategy, our protocols for communication with the Audit and Risk Management Committee (the "Committee") and management, and other services we provide for Calhome.

We are proud of our relationship with Calhome. Our objective at Deloitte is to set the standard of excellence and our team is committed to providing an efficient, high-quality audit. We recognize and are sensitive to your expectations regarding cost management and quality. We will focus our efforts on higher risk areas and coordinate our activities with management and make every effort to achieve audit efficiencies.

We are providing this audit service plan to the Committee on a confidential basis. It is intended solely for the use of the Committee and the Board of Directors to assist them in discharging their responsibilities with respect to the financial statements for the year ended December 31, 2014, prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") (the "Financial Statements") and is not intended for any other purpose.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is stylized, with the "D" being large and looped, and the "LLP" being written in a simpler, more direct hand.

Deloitte LLP  
Chartered Accountants

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# At a glance

As your auditor, we understand that you require Deloitte to perform a high-quality, proactive audit that is delivered with integrity, objectivity and independence.

Our audit addresses financial statement risks through targeted procedures that are responsive to the nature of these risks, including changes in Calhome and the operational environment. Our procedures include identifying and analyzing issues and facts relevant to our audit conclusions and providing objective challenges to management's judgments and assumptions.

Our audit approach involves consideration of the following:

<b>Audit scope and terms of engagement</b>	<p>The scope of this audit will include a full-scope audit as discussed in the Audit scope section.</p> <p>The audit service plan considers several factors which are discussed in detail in the body of the report including:</p> <ul style="list-style-type: none"><li>• Risk assessment, and</li><li>• Internal control matters.</li></ul> <p>The terms and conditions of our engagement, including our responsibilities with respect to any additional audit-related services that we have been asked to provide are included in the engagement letter, which is to be signed on behalf of the board of directors, and is included in Appendix 4.</p>
<b>Independence</b>	<p>We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditors to Calhome.</p> <p>We are independent of Calhome and we will reconfirm our independence in our final report to the Committee.</p>
<b>Materiality</b>	<p>We are responsible for providing reasonable assurance that your Financial Statements as a whole are free from material misstatement.</p> <p>Materiality levels are determined on the basis of budgeted operating expenditures for the year ended December 31, 2014. Our preliminary estimate of materiality for 2014 is \$2,100,000 (2013, \$1,600,000).</p> <p>We will report to the Committee all uncorrected misstatements greater than a clearly trivial amount of \$105,000 (2013, \$80,000) and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS"), we will request that misstatements, if any, be corrected.</p>
<b>Audit risks</b>	<p>We have identified the following areas of significant risk for our 2014 audit:</p> <ul style="list-style-type: none"><li>• Management override of controls, and</li><li>• Revenue recognition.</li></ul> <p>See the Risk assessment section for further discussion of identified risks of material misstatement and related audit responses.</p>
<b>Audit team</b>	<p>Our audit team is led by Harman Gill, the audit engagement partner. Ms. Gill is responsible for all services provided to Calhome and will be supported by a team that includes Leanne Bjalek, audit senior manager and field staff.</p>

<b>Audit fees</b>	<p>We recognize and are sensitive to your concerns about managing costs. Therefore, we will maximize the efficiency of our audit by focusing on risk areas and coordinating our activities with management. Furthermore, our current audit plan builds upon the successes achieved in 2013.</p> <p>We have challenged our professionals to identify engagement efficiencies and considered their suggestions when developing our audit plan.</p> <p>The following fee estimate is preliminary and may be adjusted based on the final scope of our audit and our final determination of the audit procedures that we consider necessary to enable us to express an opinion on the Financial Statements. Our anticipated level of work and the associated fee estimate do not include the effect of any regulatory or other changes to existing auditing and accounting standards yet to be issued.</p> <p>We will seek the Committee's pre-approval before commencing the additional procedures arising from any unexpected changes.</p> <p>We propose audit fees of \$71,000 (2013, \$69,000), excluding the 7% administration charge and GST.</p> <p>In addition to conducting the 2014 audit of the Financial Statements we will also perform specified auditing procedures relating to the special government reports. The fee associated with these reports will be \$3,200 per report (2013, \$3,100 per report), excluding 7% administration charge and GST.</p>
<b>Complete engagement reporting</b>	<p>Upon the satisfactory completion of our audit, including the receipt of written representations from management, we will provide you with an audit report on your Financial Statements.</p> <p>We will also issue other reports to assist you in fulfilling your responsibilities, as required by applicable auditing standards. Appendix 3 summarizes the required communications between Deloitte and the Committee.</p>

# Risk assessment

We compile information from a variety of sources, including discussions with management and the Committee, to identify risks to Calhome's financial reporting process that may require attention. Our preliminary risk assessment took into account:

- Key operational developments and transactions (internal and external),
- Current operational , regulatory and accounting pronouncements and developments,
- Key management strategies and business plans,
- Prior years' audit results,
- Results of procedures relating to internal control, and
- Areas of significant judgment and risk.

During our risk assessment procedures, we identified significant risks that require special audit consideration. These risks, along with our planned responses (including both internal control and financial statement procedures), are listed below. In performing our risk assessment, we have considered the risks identified by management in performing their risk assessment.

Our audit planning activities and our preliminary identification of audit risks enables us to set the scope of our audit and to design audit procedures tailored to the identified risks to financial reporting. The table below sets out significant risks to financial reporting that we identified during our preliminary planning activities. The table also includes our proposed response to each risk. Our planned audit response is based on our assessment of the likelihood of a risk's occurrence, the significance should a misstatement occur, our determination of materiality and our prior knowledge of Calhome.

The results of our audit planning and risk assessment drive the scope and timing of the audit procedures.

## Areas of significant risk for 2014

### Management override of controls

#### Audit risk

Assurance standards include the presumption of a significant risk of management override of controls.

Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively.

#### Our proposed audit response

We will engage in periodic fraud discussions with certain members of senior management and others within Calhome's audit committee. We will consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates. We will evaluate the business rationale for any significant unusual transactions.

We will evaluate Calhome's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process. We will test journal entries that exhibit characteristics of possible management override of controls identified.

## Revenue recognition

<b>Audit risk</b>	<p>Assurance standards include the presumption of a fraud risk involving improper revenue recognition.</p> <p>There may be an increased risk of material misstatement relating to the occurrence and cut off of the following revenue streams: rent revenue, shared cost agreements, the rent supplement and miscellaneous revenue.</p>
<b>Our proposed audit response</b>	<p>We will perform detail testing of revenue transactions to ensure that occurrence and cut off have been appropriately accounted for the year ended December 31, 2014.</p> <p>We will make inquiries of management and test control activities involving management's process for accounting for revenue transactions and determining when the revenue recognition criteria have been met.</p>

As we perform our audit procedures, we will separately communicate any significant changes to the significant risks listed above and the reasons for such changes.

## Consideration of fraud

Misstatements in the Financial Statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the Financial Statements is intentional or unintentional.

The following table explains our respective responsibilities towards fraud.

Your responsibilities	Our responsibilities
<ul style="list-style-type: none"> <li>The primary responsibility for the prevention and detection of fraud rests with management and the Committee, including the responsibility for establishing and maintaining internal controls over the reliability of financial reporting, ensuring the effectiveness and efficiency of operations, the identification of fraud risks and compliance with applicable laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>We are required to obtain representations from management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.</li> <li>As independent auditors, we will obtain reasonable, but not absolute, assurance that the Financial Statements as a whole are free from material misstatement, whether caused by fraud or error.</li> </ul>

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

- Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement,
- Evaluate whether Calhome's selection and application of accounting policies, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings, and
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures.

We will inquire directly of the Committee regarding:

- Its views about the risk of fraud,
- Whether it has knowledge of any actual or suspected fraud affecting Calhome, and
- The role it exercises in the oversight of fraud risk assessment and the establishment of mitigating controls.

We will also inquire if the Committee is aware of tips or complaints regarding Calhome's financial reporting (including those received through the audit committee's internal whistleblower program, if such a program exists) and, if so, the Committee's responses to such tips and complaints.

If we suspect fraud involving management, we will communicate these suspicions to the Committee and discuss the nature, timing and extent of audit procedures necessary to complete the audit.



# Audit scope

## Designed to obtain reasonable assurance and address the risks of material misstatements.

An audit is designed to search for potential misstatements that, individually or collectively, are material. This is done by determining a specific threshold for each engagement and considering other qualitative factors. The threshold amount is also used to evaluate the significance of uncorrected misstatements that are noted during the audit.

The audit enables us to express an opinion on whether the Financial Statements are prepared, in all material respects, in accordance with PSAS. The audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by management, and evaluating the overall presentation of the Financial Statements. Our report on the Financial Statements and communications required by PSAS will be in accordance with our findings.

### Internal control matters

We will inform the Committee and management of any significant deficiencies that are identified in the course of conducting the audit.

### Audit scope uncertainty

Our audit service plan is based on several assumptions. Circumstances may arise during the engagement that could significantly affect the scope and the extent and timing of our audit procedures. These circumstances may include, but are not limited to:

- A deterioration in the quality of Calhome's accounting records during the current year engagement compared to the prior-year engagement,
- The identification of significant deficiencies in Calhome's internal control that result in the expansion of our audit procedures,
- The identification, during our audit, of a significant level of proposed audit adjustments, and
- The occurrence of significant new issues or changes, such as:
  - New accounting issues,
  - Changes in accounting policies or practices from those used in prior years,
  - Events or transactions not contemplated in our budget,
  - Changes in Calhome's financial reporting process or IT systems,
  - Changes in Calhome's accounting personnel, their responsibilities or their availability,
  - Changes in auditing standards,
  - Changes in Calhome's use of experts or the specialists and/or their work product does not meet the qualifications that Canadian GAAS require for us to be able to use their work, and
  - Changes in the audit scope caused by events that are beyond our control.

If any of these or similar such circumstances arise during the course of our audit we will discuss them on a timely basis with management and provide the Committee with a report regarding the impact on our audit at its next scheduled meeting. Matters that we consider to be significant and that may be sensitive from a reporting timing perspective will be communicated immediately to the Chair of the Committee.

# Appendix 1 – The Deloitte risk-based audit approach

## A consistent approach that supports a dynamic environment

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing Calhome.



These steps are not necessarily sequential nor are they mutually exclusive. For example, once we've developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

## 1. Initial planning

The Deloitte audit approach begins with an extensive planning process that includes:

- Assessing your current business and operating conditions,
- Understanding the composition and structure of your business and organization,
- Understanding your accounting processes and internal controls,
- Understanding your information technology systems,
- Identifying potential engagement risks,
- Planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks, and
- Coordinating our activities with external parties and experts.

### Understanding your business and accounting processes

Our audit will take into account specific items of particular interest raised by the Committee as well as areas of concern identified by the Committee or management.

## 2. Assessing and responding to engagement risk

Our audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

### Risk assessment

The risks that we have identified to date, and which will be addressed when conducting the audit, are summarized in the Audit Scope section. As we perform our audit, we will update our risk assessment and will inform the Committee and management of any significant changes to our risk assessment and any additional risks that are identified.

### Consideration of the risk of fraud

Fraudulent acts include the deliberate failure to record transactions, forgery of records and documents, and intentional misrepresentations made to our audit engagement team. Fraud may include intentional acts by management or employees acting on behalf of Calhome, as well as employee fraud if management or employees are involved in actions that defraud Calhome. Deloitte does not assume that management is dishonest nor do we assume unquestioned honesty. Rather, in accordance with Canadian GAAS, we exercise professional scepticism and recognize that the conditions we observe and evidential matter we obtain, including that obtained from prior audit engagements, need to be objectively evaluated to determine whether the Financial Statements are presented fairly in all material respects.

Maintaining an attitude of professional scepticism means that we carefully consider the reasonableness of the responses we receive to our inquiries from those charged with governance, and evaluate other information obtained from them in light of the evidence we obtain during the audit. When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audit, particularly the reliability of management representations.

Because of the inherent limitations of internal control over financial reporting ("ICFR"), including the possibility of collusion or improper management override of controls, it is possible that material misstatements due to error or fraud may not be prevented or detected on a timely basis. Accordingly, the assurance an auditor provides concerning the lack of misstatements arising from fraud is necessarily lower than the assurance provided concerning those arising from an error.

### Information technology

An important part of our audit planning process involves gaining an understanding of:

- The importance of the computer environment relative to the risks to financial reporting,
- The way in which that environment supports the control procedures we intend to rely on when conducting our audit, and
- The computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the Financial Statements. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then conduct tests to support our conclusion on the operating effectiveness of controls considered relevant to the audit.

We will assess the design and effectiveness of general computer controls in the following areas:

- Data centre and network operations,
- System software acquisition, change and maintenance,
- Program change,
- Access security, and
- Application system acquisition, development, and maintenance.

### 3. Developing and executing the audit plan

The performance of an audit includes evaluating the design and determining the implementation of internal controls relevant to the audit, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

#### Audit procedures

The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow us sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

For example, we anticipate performing audit procedures on account balances and disclosures involving significant and complex transactions, such as acquisitions, divestitures, or adoption of new accounting pronouncements, as they occur.

#### Tests of controls

As part of our audit, we will review and evaluate certain aspects of the systems of Internal Control over Financial Reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the Financial Statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of Financial Statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of Financial Statements.

We will inform the Committee and management of any significant deficiencies that are identified in the course of conducting the audit.

## Substantive audit procedures

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls tests and are designed to enable us to obtain reasonable assurance that the Financial Statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the Financial Statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at \$105,000 will be reported to management and the Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

## 4. Reporting and assessing performance

### Perform post-engagement activities

We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- The scope of the audit was sufficient to support our opinion, and
- The misstatements identified during the audit do not result in Financial Statements being materially misstated.

### Complete engagement reporting

After the satisfactory completion of appropriate audit procedures, we will provide an audit report on your Financial Statements.

We also provide reports to the Committee to assist it in fulfilling its responsibilities as required by applicable auditing standards. Appendix 3 summarizes the required communications between Deloitte and the Committee.

Deloitte's client service principles include providing management and the Committee with insights into the condition of the business and offering meaningful suggestions for improvement. We will report these insights and suggestions to the appropriate members of management and/or the Committee for their consideration.

To enable us to determine how well we have achieved our client service objectives, including an assessment of the quality of our audit engagement, we actively solicit feedback from our clients. This feedback will be obtained either through meetings with members of the Committee and management or their completion of questionnaires.

Your feedback enhances our understanding of your expectations of us through your evaluation of our performance. The information you provide helps us refine our client service objectives to ensure that we remain focused, responsive and proactive in meeting your needs while fulfilling our professional responsibilities.

Deloitte enjoys a solid reputation for our **commitment to quality**. Key factors supporting that reputation include:

- A strong tone at the top
- A comprehensive ethics and compliance program
- An uncompromising approach to quality in client service
- Communication of and adherence to professional standards and client service principles
- A mature client feedback program
- A multifaceted approach to monitoring independence
- A robust technical consultation approach
- National office consultation on areas of high risk or that require significant judgment
- Technical training for our professionals
- An annual internal inspection process for audit engagements,
- Continuous improvement based on lessons learned and client feedback.

## 5. Leveraging technology

Our audit approach utilizes fully automated, paperless audit software where information and supporting schedules are prepared and exchanged electronically. Our audit software facilitates leveraging what Calhome already prepares as part of account analysis and financial closings and allows us to share files and work papers with our engagement team members. We use other web-based connectivity tools and file interrogation software to quickly and comprehensively analyze data.

Our audit software supports the full lifecycle of an audit engagement. The proprietary software we use is globally connected and allows for real-time tracking, ultimately providing better status reporting to our clients. Our software leverages industry guidance and knowledge so that we tailor our approach in a meaningful way to reflect the nuances of our clients' businesses. Our ability to customize our software to each client's specific situation enables us to have more engaging business conversations. In addition, our software allows us to track findings and observations noted throughout the course of our audit, enabling us to provide our clients with more meaningful insights and discuss any issues as they arise with fewer surprises.

The tools described in the following table help us determine our audit scope, prepare consistent audit work papers and files, conduct analytical procedures, select data for testing, accumulate audit results, and monitor progress to provide for the timely completion of tasks. In addition, we intend to make full use of Calhome's own technologies to gain further efficiencies.

Technology	Description	Benefits
<b>DeloitteAudit System</b>	Deloitte's audit software, incorporating audit-specific templates, reference materials, support documents, and management insights	Rapid and effective electronic transfer of information among the audit team members
<b>Journal Entry Data Analysis Routines (JEDAR) and Journal Entry Tool (JET)</b>	Exploratory data analysis (JEDAR) and file interrogation procedures (JET) are used to profile journal entry populations, with the objective of identifying journal entries of interest with respect to management override of controls	Helps audit teams focus more effectively on high-risk areas for fraud in journal entry testing analysis; reduces the time necessary to perform profiling and allows for testing that could not have been conducted manually
<b>Audit Command Language (ACL)</b>	Market-leading technology for data inquiry, analysis and reporting	Allows unconstrained analysis of your data files
<b>Deloitte Technical Library</b>	A comprehensive online compilation of accounting and financial disclosure literature that allows Deloitte to research specific accounting issues and functions through access to authoritative literature from pertinent regulatory bodies, as well as our own interpretations and guidance	The extensive accounting and reporting guidance helps support the quick and efficient research of complex accounting matters
<b>Statistical Techniques for Analytical Review (STAR)</b>	A tool that helps us understand relationships between accounts and how they compare and contrast to independent data by use of mathematical regression analysis	Allows effective testing of large data sets where there are historical relationships, such as for sales and cost of sales information; testing with STAR takes a fraction of the time that traditional procedures require
<b>Deloitte OnLine</b>	A secure, interactive knowledge-sharing and project collaboration platform for our engagement teams and clients	Allows information, leading practices, and ideas to be disseminated; supports efficient access, interactive productivity, and communication

# Appendix 2– 2014 Summary Audit Timeline

This calendar indicates our various procedures and meetings as planned throughout the year:

	November	December	January	February	March
<b>Procedures</b>					
Audit procedures performed on significant audit risks and complex transactions	●			●	●
Interim audit procedures related to the Financial Statements	●				
Final audit procedures related to the Financial Statements				●	●
Significant deficiencies in internal control, if any, noted in the conduct of the audit are communicated to management, including those identified by management					●
<b>Meetings with the Committee to</b>					
Discuss audit planning, scope, risks of fraud, and fees	●				
Discuss preliminary results				●	●
Communicate the status of our audit against our plan and any major difficulties encountered					●
Review the result of our audit and provide audit report					●
Release of audit reports					●



# Appendix 2 – Communication requirements

Required communication	Reference	Timing of communication	
		Each period the event occurs	Annually
1. Fraud or possible fraud identified through the audit process	CAS <sup>1</sup> 240.40-.42	●	
2. Our responsibilities under Canadian GAAS	CAS 260.14		●
3. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>• Timing of the audit</li> <li>• Significant risks, including fraud risks</li> <li>• Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk</li> <li>•</li> </ul>	CAS 260.15		●
4. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	●	●
5. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.		●
6. Our responsibility for other information in documents containing audited Financial Statements, any procedures performed, and the results			●
7. Consultation outside the engagement team regarding difficult or contentious matters that we believe are relevant to the audit committee's oversight		●	●
8. Matters related to going concern	CAS 570.23		●
9. Management judgments and accounting estimates	CAS 260.16 a.		●
10. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	●	
11. Significant difficulties, if any, encountered dealing with management related to the performance of the audit,	CAS 260.16 b.	●	●
12. Material written communications between management and us, including management representation letters	CAS 260.16 c.		●

<sup>1</sup> CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada



Required communication	Reference	Timing of communication	
		Each period the event occurs	Annually
13. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16d.	●	
14. All relationships between Calhome and us that, in our professional judgment, may reasonably be thought to bear on independence	CAS 260.17		●
15. A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence	CAS 260.17		●
16. Modifications to our opinion(s)	CAS 260.A18		●
17. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19		●
18. Major issues discussed with management prior to our retention	CAS 260.A.19	●	
19. Illegal or possibly illegal acts that come to our attention	CAS 250.23	●	
20. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the Financial Statements	CAS 265	●	●
21. Uncorrected misstatements and disclosure items	CAS 450.12-13		●
22. Breach of independence	CAS 260.17 and A22	●	

# Appendix 3 – Engagement letter



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November 10, 2014

## **Private and confidential**

The Audit Committee of Calhome Properties Ltd.  
Mr. Moyez Somani, Chair of the Audit Committee  
2340 - 22 Street NE  
Calgary, AB T2E 8B7

Calhome Properties Ltd. operating as Calgary Housing Company  
Mr. Richard Farrell, General Manager  
2340 - 22 Street NE  
Calgary, AB T2E 8B7

Dear Sirs/Mesdames:

Deloitte LLP (“Deloitte” or “we” or “us”) is pleased to serve as your auditors for the year ending December 31, 2014. Ms. Harman Gill will be responsible for the services that we perform for Calhome Properties Ltd. operating as Calgary Housing Company (“Calhome”). She will, as considered necessary, call upon other individuals with specialized knowledge, either in this office or elsewhere in our firm to assist in the performance of our services.

In addition to the financial statement audit we are engaged to provide under this engagement letter, we would also be pleased to assist Calhome on issues as they arise throughout the year. Hence, we hope that you will call Ms. Gill whenever you believe Deloitte can be of assistance. This assistance will require approval by Calhome’s Audit and Risk Management Committee (the “Audit Committee”) in accordance with its pre-approval policies and procedures.

We will perform this engagement subject to the terms and conditions set forth herein and in the accompanying appendices.

**The objective and scope of the audit**

You have requested that we audit the financial statements of Calhome (the "Financial Statements"), which comprise the statement of financial position as at December 31, 2014, and the statements of operations and accumulated surplus, cash flows and changes in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information. You have also requested that we issue specified procedures reports in relation to the Social Housing Portfolio (3 reports), Public Non-Profit Portfolio (1 report) and Federal Fixed Portfolio (1 report) for the year ending December 31, 2014.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the Financial Statements.

Appendix A provides further information about the objective and scope of the audit.

**The responsibilities of the auditor**

We will conduct our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian GAAS.

In making our risk assessments, we consider 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. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the Financial Statements that we have identified during the audit.

The audit of the Financial Statements by Deloitte does not relieve management or the Audit Committee of their respective responsibilities.

Appendix A provides more information about Deloitte's responsibilities in respect of the audit.

### **The responsibilities of management and identification of reporting framework**

Our audit will be conducted on the basis that management, under the oversight of the Audit Committee, acknowledge and understand that they have responsibility:

- For the preparation and fair presentation of the Financial Statements in accordance with Public Sector Accounting Standards (“PSAS”);
- 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; and
- To provide us with:
  - Access to all information of which management is aware that is relevant to the preparation of the Financial Statements such as records, documentation and other matters;
  - Additional information that we may request from management for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

Management's responsibilities in connection with this engagement are further described in Appendix B.

### **Audit Committee’s responsibilities and auditor communications**

As auditors of Calhome, we report directly to the Audit Committee as it is directly responsible for the oversight of our work. We acknowledge that the Audit Committee is also responsible for recommending our appointment and compensation. The Audit Committee is also responsible for reviewing and approving Calhome’s hiring policies regarding current and former partners and employees of Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

In accordance with Canadian GAAS, we are required to communicate with the Audit Committee about various matters in connection with our audit.

The Audit Committee's responsibilities and our communications with the Audit Committee are described in Appendix C.

### **Inclusion of Deloitte reports in documents and public oral statements or references to Deloitte in other documents and on electronic sites**

If Calhome intends to publish or otherwise reproduce in any document our report on Calhome’s Financial Statements, or otherwise make reference to Deloitte in a document that contains other information in addition to the audited Financial Statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular or in a private placement memorandum), thereby associating Deloitte with such document, Calhome agrees that its management will provide Deloitte with a draft of the document to read and obtain our written consent for the inclusion or incorporation by reference of our report, or the reference to Deloitte, in such document before the document is printed and distributed. No other form of document is to be considered to signify our consent. The inclusion or incorporation by reference of our report in any such document would constitute the re-issuance of our report. Management agrees to

provide adequate notice of the preparation of any such public documents. Calhome also agrees that it will notify us and obtain our written approval prior to including our report or financial statements with which we are associated on an electronic site. Further, it is agreed that in any electronic distribution, for example on Calhome's website, management is solely responsible for the accurate and complete reproduction of our report and the subject matter on which we reported.

This engagement letter, and our agreement to perform the services described in this engagement letter, does not constitute our consent to the use of our report in, or our agreement to be associated with any such documents published or reproduced by or on behalf of Calhome. Any request by Calhome to re-issue our report, to consent to its inclusion or incorporation by reference in an offering or other document, or to agree to its inclusion on an electronic site, will be considered based on the facts and circumstances existing at the time of such request.

### **Reporting**

In accordance with Canadian GAAS, we expect to issue a report at the completion of our audit in the form shown in Appendix D. The form and content of our report may need to be amended in the light of our audit findings.

Our ability to express an opinion and the wording of our opinion will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we are unable to complete our audit or if our auditor's report requires modification, the reasons therefor will be discussed with the Audit Committee and Calhome's management.

### **Fees**

We estimate that our total fees for this audit will be \$71,000 and fees for the special government reports are estimated to be \$3,200 per report, plus reasonable expenses, a 7% administrative charge and applicable taxes (such as Goods and Services Tax). These fees are based upon our understanding of the engagement scope as outlined in this letter. All invoices shall be due and payable when rendered.

Deloitte will monitor all work and assess fees (time and expenses) as they are incurred throughout the engagement. If circumstances arise, such as those described in Appendix E, and as a result the fees for any of the services outlined are likely to be greater than indicated due to the need for additional work, we will contact you to discuss the reason and seek your approval for this additional work.

### **Other matters**

This engagement letter, including the appendices A through F attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes all other prior and contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

This engagement letter will continue in force for subsequent audits unless amended by the mutual consent of ourselves and Calhome.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the Financial Statements including our respective responsibilities.

Yours truly,

Chartered Accountants

Enclosure

The services and terms set forth in this letter are acknowledged and approved by the Audit Committee:  
**Calhome Properties Ltd.**

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Signature

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Title

The services and terms set forth in this letter are accepted and agreed to by management:  
**Calhome Properties Ltd.**

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Signature

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Title

## **Appendix A**

### **The objective and scope of a financial statement audit and the responsibilities of the auditor**

**Calhome Properties Ltd.**

**December 31, 2014**

#### **The objective and scope of a financial statement audit**

We will plan and perform the audit to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error. The Financial Statements subject to audit are those of Calhome, prepared by management, with oversight from the Audit Committee. The audit will enable us to express an opinion on whether the Financial Statements are prepared, in all material respects, in accordance with PSAS. The audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements. Our report on the Financial Statements and communications required by Canadian GAAS will be in accordance with our findings.

It is important to recognize that there are inherent limitations of an audit, where most of the audit evidence obtained is of a persuasive, rather than a conclusive nature. These limitations arise from the nature of financial reporting, the nature of audit procedures and the need for the audit to be conducted within a reasonable period of time and at a reasonable cost.

Financial reporting involves judgment by management in applying the requirements of PSAS to the facts and circumstances of Calhome. Many financial statement items will involve a degree of uncertainty, and there may be a range of acceptable interpretations or judgments that may be made.

The audit procedures we perform will be selected based on our judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. Because of the nature of fraud, including attempts at concealment and forgery, an audit designed and executed in accordance with Canadian GAAS may not detect a material fraud.

The performance of the audit within a reasonable period of time and at a reasonable cost requires us to plan the audit so that it will be performed in an effective manner, with audit effort directed to areas most expected to contain risks of material misstatement, whether due to fraud or error, and using selective testing and other means of examining populations for misstatements and drawing conclusions thereon.

#### **Internal control over financial reporting**

An independent audit conducted by Deloitte in accordance with Canadian GAAS is not a substitute for the maintenance of internal control necessary for the preparation of financial statements by management. Management's acknowledgment of its responsibility for the maintenance of internal control necessary for the preparation of financial statements does not imply that Deloitte will find that the internal control maintained by management has achieved its purpose or will be free of deficiencies.

We obtain an understanding of internal control relevant to the audit however, not all controls are relevant to every audit. We evaluate the design of controls relevant to the audit and determine whether they have been implemented. We are not, however, required to determine whether relevant controls are operating effectively. Although it is not required by generally accepted auditing standards, we may decide that for a particular engagement, it makes sense to rely on the effective operation of some controls in determining the substantive procedures we will perform. In this case, we would go beyond evaluating the design of

relevant controls and determining whether they have been implemented, to also test whether the controls on which we intend to rely are operating effectively. Accordingly, while generally accepted auditing standards require us to report to the Audit Committee any significant deficiencies that have come to our attention, we may not be aware of all significant deficiencies in internal control that do, in fact, exist.



## **Appendix B**

### **Management's responsibilities**

**Calhome Properties Ltd.**  
**December 31, 2014**

#### **Financial statements and the effectiveness of internal control over financial reporting**

Calhome's internal control, including its accounting books and records or accounting systems, will reflect the needs of management, the complexity of its businesses, the nature of its risks and relevant laws or regulation. Management must determine what internal control is required, including how it is designed, implemented and maintained to achieve Calhome's objectives. Internal control, no matter how effective, can provide Calhome with only reasonable assurance about achieving its financial reporting objectives due to the inherent limitations of internal control.

The preparation and overall accuracy of the Financial Statements and their fair presentation in accordance with PSAS together with all required disclosures concerning internal control over financial reporting, is the responsibility of Calhome's management. Among other things, management has the responsibility for:

1. Establishing and maintaining effective internal control over financial reporting necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and informing Deloitte of deficiencies identified in the design or operation of internal control over financial reporting;
2. Informing Deloitte of any changes in Calhome's internal control over financial reporting that occurred during the year that have materially affected, or are reasonably likely to materially affect, Calhome's internal control over financial reporting;
3. Identifying and ensuring that Calhome complies with the laws and regulations applicable to its activities and informing us of any known material violations of such laws or regulations;
4. Adjusting the Financial Statements to correct material misstatements;
5. Safeguarding assets;
6. Providing to us all information of which management is aware that is relevant to the preparation of the Financial Statements including, but not limited to, all financial records and related data including information on the recognition, measurement and disclosure of specific items, and copies of all minutes of meetings of shareholders, directors and committees of directors;
7. Providing additional information that we may request from management for the purpose of the audit;
8. Providing us with unrestricted access to persons within Calhome from whom we determine it necessary to obtain evidence; and
9. Informing Deloitte of facts that may affect the Financial Statements, of which management may become aware during the period from the date of the auditor's report to the date the Financial Statements are issued.

#### **Representation letter**

We will make specific inquiries of Calhome's management about the representations embodied in the Financial Statements and internal control over financial reporting. As part of our audit procedures, we will request that management provide us with a representation letter acknowledging management's responsibility for the preparation of the Financial Statements in accordance with PSAS and that the Financial Statements are fairly presented in accordance therewith.

We will ask management to affirm their belief that the effects of any uncorrected financial statement misstatements aggregated by us during the current audit engagement and pertaining to all the periods presented are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole and that management has provided us with all relevant information and access as agreed in this engagement letter and has recorded and reflected all transactions in the Financial Statements.

We will require certain written representations from management in accordance with Canadian GAAS and will request additional representations to support other audit evidence relevant to the Financial Statements or one or more specific assertions therein. Those written representations are to be provided in the form of a representation letter addressed to Deloitte, as near as practicable to, but not after, the date of the auditor's report on the Financial Statements. Such representations will be for all financial statements and periods referred to in the audit report.

The responses to inquiries and related written representations of management required by Canadian GAAS are part of the evidential matter that we will rely on as auditors in forming our opinion on Calhome's Financial Statements.

#### **Process for obtaining pre-approval of services**

Management is responsible for the coordination of obtaining the pre-approval of Calhome's Audit Committee, in accordance with the Audit Committee's pre-approval process, for any services to be provided by Deloitte to Calhome.

#### **Independence matters**

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

#### ***Independence matters as a result of restrictions on providing certain services***

In connection with our engagement, Deloitte, management, and the Audit Committee will assume certain roles and responsibilities in an effort to assist Deloitte in maintaining independence and ensuring compliance with Canadian independence rules. Deloitte will communicate to its partners and employees that Calhome is an attest client. Management of Calhome will ensure that Calhome, together with its subsidiaries and other entities (including variable interest entities) that comprise Calhome for purposes of the Financial Statements, has policies and procedures in place for the purpose of ensuring that neither Calhome nor any such subsidiary or other entity will act to engage Deloitte or accept from Deloitte any service that either has not been subjected to their pre-approval process or that under Canadian independence rules or other applicable rules would impair Deloitte's independence. All potential services are to be discussed with Ms. Harman Gill.

#### ***Independence matters relating to hiring***

Deloitte must assess threats to independence created when a former Deloitte partner or member of the engagement team is employed by management. In order to assist Deloitte in maintaining independence, management should notify Ms. Gill where substantive employment conversations have been had with a former or current Deloitte partner or engagement team member.

#### **Fraud and error**

Management is responsible for:

1. Designing and implementing programs and controls to prevent and detect fraud and error;
2. Informing us about all known or suspected fraud affecting Calhome involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the Financial Statements;

3. Informing us of its knowledge of any allegations of fraud or suspected fraud affecting Calhome received in communications from employees, former employees, analysts, regulators, short sellers, or others;
4. Informing us of any information it might have regarding any concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting Calhome that have been communicated to it by employees, former employees, analysts, regulators, short sellers, or others, whether written or oral;
5. Informing us of its assessment of the risk that the Financial Statements may be materially misstated as a result of fraud; and
6. Communicating its belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole.

**Related parties**

Calhome agrees that it will provide us with the identity of Calhome's related parties, including changes from the previous period, the nature of the relationships between Calhome and these related parties and whether Calhome entered into any transactions with these related parties during the period and if so, the type and purpose of the transactions.

## **Appendix C**

### **Audit Committee responsibilities and auditor communications**

**Calhome Properties Ltd.**

**December 31, 2014**

#### **Audit Committee responsibilities**

The Audit Committee is responsible for the oversight of the financial reporting process, including management's preparation of the Financial Statements and monitoring of Calhome's internal control related to financial reporting and oversight of our work.

#### **Communications with the Audit Committee**

Canadian GAAS require that we communicate with the Audit Committee about a number of matters that are relevant to the financial reporting process.

#### **Significant findings from the audit**

We will communicate our views about significant qualitative aspects of Calhome's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Should the need arise, we will communicate to the Audit Committee why we would consider a significant accounting practice that may be acceptable under PSAS, not to be the most appropriate to the particular circumstances of Calhome.

We will communicate, in writing, any significant deficiencies in internal control that we identify on the basis of the audit work performed. The purpose of our audit is to express an opinion on the Financial Statements. While the audit will include consideration of internal control relevant to the preparation of the Financial Statements in order to design audit procedures appropriate in the circumstances, it was not performed to express an opinion on the effectiveness of internal control.

In addition, we will communicate:

- any significant matters arising from the audit in connection with Calhome's related parties;
- any events or conditions identified that may cast doubt on Calhome's ability to continue as a going concern;
- any significant difficulties encountered during the audit;
- any significant matters arising from the audit that were discussed or subject to correspondence with management;
- written representations we are requesting;
- any material uncorrected inconsistencies or misstatements in fact we identify from reading the financial and non-financial information that are included in a document containing audited financial statements and our auditor's report; and
- any other matters that in our professional judgment are significant to the oversight of the financial reporting process.

#### **Independence communications**

In accordance with Canadian GAAS and professional standards, we will disclose to the Audit Committee, in writing, all relationships between Deloitte and Calhome and its related entities, that in our professional judgment may reasonably be thought to bear on our independence and confirm to the Audit Committee in such letter whether, in our professional judgment, we are independent of Calhome within the meaning of the rules of professional conduct/code of ethics of our profession. For purposes of this paragraph,

“Deloitte” shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

**Fraud, error and illegal acts**

If items of the following nature come to our attention, and in our judgment need to be reported to those charged with governance, we will report them directly to the Audit Committee:

1. Any fraud that involves management;
2. Any fraud involving employees who have significant roles in internal control;
3. Any fraud of which we become aware that has resulted or could result in a material misstatement of the Financial Statements;
4. Any other matters related to fraud, which in our judgment, are relevant to the responsibilities of the Audit Committee;
5. Instances of identified or suspected non-compliance with laws and regulations, other than when the matters are clearly inconsequential;
6. Individual uncorrected misstatements identified by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole;
7. Uncorrected misstatements related to prior periods in the relevant classes of transactions, account balances or disclosures and the financial statements taken as a whole;
8. Questions regarding the honesty and integrity of management;
9. Matters that may cause future financial statements to be materially misstated; and
10. Significant misstatements resulting from error that were corrected by management.

We will also be making inquiries of the Audit Committee of any actual, suspected or alleged fraud affecting Calhome and whether Calhome is in compliance with laws and regulations that may have a material effect on the Financial Statements.

We will inform the appropriate level of management of Calhome and determine that the Audit Committee is adequately informed with respect to illegal acts that have been detected or have otherwise come to our attention in the course of our audit, unless the illegal acts are clearly inconsequential.

The matters communicated will be those that we identify during the course of our audit. Our audit would not identify all matters that may be of interest to management or the Audit Committee in discharging its responsibilities. Communication with the appropriate level of authority in the organization’s management and with those charged with governance will be determined by the type and significance of the matter to be communicated.

We will also make inquiries of the Audit Committee as to whether any subsequent events have occurred that may affect the Financial Statements, including matters discussed at meetings of the Audit Committee after December 31, 2014.

## **Appendix D**

### **Expected form of audit report**

**Calhome Properties Ltd.**  
**December 31, 2014**

We will provide you with our report on the Financial Statements, which is expected to be in the following form. However, the final form will reflect the results of our audit.

#### **INDEPENDENT AUDITOR'S REPORT**

To the Directors of  
Calhome Properties Ltd.

We have audited the accompanying financial statements of Calhome Properties Ltd. which comprise the statement of financial position as at December 31, 2014, and the statements of operations and accumulated surplus, cash flows and changes in net financial assets 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.

#### **Auditor's 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 auditor's 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 Calhome Properties Ltd. as at December 31, 2014, and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

(To be signed Deloitte LLP)

Chartered Accountants

March ●, 2015

## **Appendix E**

### **Circumstances affecting timing and fee estimate**

**Calhome Properties Ltd.**  
**December 31, 2014**

The fees quoted for the audit are based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary. Such circumstances include, but are not limited to, the following:

#### **Audit facilitation**

1. Changes to the timing of the engagement at Calhome's request. Changes to the timing of the engagement usually require reassignment of personnel used by Deloitte in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, Deloitte may incur significant unanticipated costs.
2. All audit schedules are not (a) provided by Calhome on the date requested, (b) completed in a format acceptable to Deloitte, (c) mathematically correct, or (d) in agreement with the appropriate Company records (e.g., general ledger accounts). Deloitte will provide Calhome with a separate listing of required schedules, information requests, and the dates such items are needed.
3. Significant delays in responding to our requests for information such as reconciling variances or providing requested supporting documentation (e.g., invoices, contracts, and other documents).
4. Deterioration in the quality of Calhome's accounting records during the current year engagement in comparison with the prior-year engagement.
5. A completed trial balance, referenced to the supporting analyses, schedules and Financial Statements, is not provided timely by Calhome.
6. Draft Financial Statements with appropriate supporting documentation are not prepared accurately and timely by Calhome's personnel.
7. Electronic files in an appropriate format and containing the information requested are not provided by Calhome on the date requested for our use in performing file interrogation. Deloitte will provide Calhome with a separate listing of the required files and the dates the files are needed.
8. The engagement team, while performing work on Calhome's premises, is not provided with high-speed access to the Internet via Calhome's existing network or through a T1, DSL, or cable connection for purposes of conducting the engagement.

#### **Significant issues or changes**

1. Significant deficiencies are identified in Calhome's internal control that result in the expansion of our audit procedures.
2. A significant level of proposed audit adjustments is identified during our audit.
3. A significant number of drafts of the Financial Statements are submitted for our review or we identify a significant level of deficiencies in the draft Financial Statements.
4. Significant new issues or changes arise as follows:
  - a. New accounting issues.
  - b. Changes in accounting policies or practices from those used in prior years.
  - c. Events or transactions not contemplated in our budgets.
  - d. Changes in Calhome's financial reporting process or IT systems.
  - e. Changes in Calhome's accounting personnel, their responsibilities, or their availability.
  - f. Changes in auditing standards.
  - g. Change in Calhome's use of specialists or the specialists and / or their work product does not meet the qualifications required by Canadian GAAS for our reliance upon their work.
5. Changes in audit scope caused by events that are beyond our control.



## Appendix F

### General business terms

Calhome Properties Ltd.

December 31, 2014

The following general business terms (the “Terms”) apply to the engagement except as otherwise provided in the specific engagement letter agreement (the “engagement letter”) between Deloitte LLP (“Deloitte”) and Calhome Properties Ltd. (“Calhome”) to which these Terms are attached.

1. **Timely performance** - Deloitte will not be liable for failures or delays in performance that arise from causes beyond Deloitte’s control, including the untimely performance by Calhome of its obligations as set out in the engagement letter.
2. **Right to terminate services** - If Calhome terminates the engagement or requests that Deloitte resign from the engagement prior to its completion, Calhome will pay for time and expenses incurred by Deloitte up to the termination or resignation date together with reasonable time and expenses incurred to bring the services to a close in a prompt and orderly manner. Deloitte will not be responsible for any loss, cost or expense resulting from such termination or resignation. Should Calhome not fulfill its obligations set out herein or in the engagement letter, and in the absence of rectification by Calhome within thirty (30) days of notification in writing by Deloitte, upon written notification Deloitte may terminate its services immediately and will not be responsible for any loss, cost or expense resulting from such early termination.
3. **Fees and taxes** - Any fee estimates take into account the agreed-upon level of preparation and assistance from Company personnel. Deloitte undertakes to advise management of Calhome on a timely basis should this preparation and assistance not be provided or should any other circumstances arise which cause actual time to exceed that estimate. Calhome is responsible for the payment of any applicable federal, provincial or other goods and services or sales taxes, or any other taxes or duties, in connection with the services provided by Deloitte.
4. **Expenses** - In addition to professional fees, Calhome will reimburse Deloitte for its reasonable out-of-pocket expenses including travel, meals and hotels incurred in connection with this engagement.
5. **Billing** - Invoices will be rendered periodically as agreed in advance. All invoices shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an invoice which remains unpaid from thirty (30) days after the invoice date to the date on which the outstanding invoice is paid. To the extent that as part of the services to be performed by Deloitte as described in the engagement letter, Deloitte personnel are required to perform the services in the United States of America (“U.S. Business”), Calhome and Deloitte agree to assign performance of the U.S. Business to Deloitte Canada LLP, an affiliate of Deloitte. All services performed by Deloitte Canada LLP shall be performed under the direction of Deloitte which shall remain responsible to Calhome for such services. Deloitte Canada LLP shall invoice Calhome with respect to the U.S. Business and Deloitte will invoice for services performed in Canada (“Canadian Business”). Payment for U.S. Business and/or Canadian Business can be settled with one payment to Deloitte.
6. **Governing law** - The engagement will be governed by the laws of the Province where Deloitte’s principal office performing the engagement is located and all disputes related to the engagement shall be subject to the exclusive jurisdiction of the courts of such Province.
7. **Working papers** - All working papers, files and other internal materials created or produced by Deloitte related to the engagement are the property of Deloitte. In the event that Deloitte is requested by Calhome or required by subpoena or other legal or regulatory process to produce its files related to this engagement in proceedings to which Deloitte is not a party, Calhome will reimburse Deloitte for its professional time and expenses, including legal fees, incurred in dealing with such matters. Deloitte will not return or provide records or information obtained in the course of the engagement to Calhome if it is illegal to do so or if Deloitte is requested to withhold the records or information by

law enforcement or other public or regulatory authorities (regardless of whether the engagement has been terminated).

8. **Privacy** - Deloitte and Calhome acknowledge and agree that, during the course of this engagement, Deloitte may collect personal information about identifiable individuals (“Personal Information”), either from Calhome or from third parties. Deloitte’s services are provided on the basis that Calhome has obtained any required consents for collection, use and disclosure to us of Personal Information required under applicable privacy legislation. Calhome and Deloitte agree that Deloitte will collect, use and disclose Personal Information on behalf of Calhome solely for purposes related to completing this engagement, providing services to Calhome and Deloitte shall not collect, use and disclose such Personal Information for Deloitte’s own behalf or for its own purposes.
9. **Third parties** - Deloitte’s engagement is not planned or conducted in contemplation of or for the purpose of reliance by any third party (other than Calhome and any party to whom Deloitte’s audit report is addressed) or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.
10. **Confidentiality** - To the extent that, in connection with this engagement, Deloitte comes into possession of Personal Information or any proprietary or confidential information of Calhome, Deloitte will not disclose such information to any third party without Calhome’s consent, except:
  - (a) as may be required or permitted by legal authority, the rules of professional conduct/code of ethics; or
  - (b) to the extent that such information shall have otherwise become publicly available.Except as instructed otherwise in writing, each party may assume that the other approves of properly addressed fax, e-mail (including e-mail exchanged via internet media) and voice mail communication of both sensitive and non-sensitive information and other communications concerning this engagement, as well as other means of communication used or accepted by the other.
11. **Assignment** - Except as provided below in paragraph 12, no party may assign, transfer, or delegate any of its rights or obligations relating to this engagement without the prior written consent of the other parties.
12. **Subcontracting** - Deloitte may in performing this engagement use the services of any of its affiliates or any member firm of Deloitte Touche Tohmatsu Limited (“DTTL”) and its respective subsidiaries and affiliates, including those operating outside Canada (“Deloitte Parties”). Deloitte remains responsible to Calhome for services performed by Deloitte Parties under this engagement. Each member firm of DTTL is a separate and independent legal entity operating under the names “Deloitte”, “Deloitte & Touche”, “Deloitte Touche Tohmatsu” or other related names; and services are provided by member firms or their subsidiaries or affiliates and not by DTTL.
13. **Survival of terms** - The agreements and undertakings of Calhome contained in the engagement letter, together with the appendices to the engagement letter including these Terms, will survive the completion or termination of this engagement.
14. **Proportionate liability** - Calhome and Deloitte acknowledge where the audit is conducted pursuant to a statute governing Calhome that contains proportionate liability provisions that apply to an auditor, such as the Canada Business Corporations Act, the terms of the statute shall apply to this engagement. In the event that Calhome and Deloitte are not subject to such statutory provisions regarding proportionate liability, Calhome agrees that in any action, claim, loss or damage arising out of the engagement, Deloitte’s liability will be several and not joint and several and Calhome may only claim payment from Deloitte of Deloitte’s proportionate share of the total liability based on the degree of fault of Deloitte as finally determined by a court of competent jurisdiction.
15. **Client misrepresentation** - Deloitte shall not be liable to Calhome, and Calhome releases Deloitte, for all liabilities, claims, damages, costs, charges and expenses incurred or suffered by Calhome related to or in any way associated with the engagement that arise from or are based on any deliberate misstatement or omission in any material information or representation provided by or approved by any member of management of Calhome, officer of Calhome or member of the Audit Committee of Calhome.

16. **Qualifications** - Notwithstanding anything herein to the contrary, Deloitte may use the name of Calhome, refer to this engagement and the performance of the services in marketing, publicity materials and other material, as an indication of its experience, and in internal data systems.

# Appendix 4 – The Deloitte client service commitment

## Seamless and effective delivery focused on your specific needs

Calhome is important to Deloitte. Your organization is unique and it deserves a customized approach to the services we provide. Our service plan is built on a tailored set of service commitments that guide the delivery of every aspect of our audit services. Our client service assessment, which is central to our philosophy, emphasizes the importance of listening to your expectations, reassessing your needs based on the feedback you provide to us in the assessment process, and responding with actions and results. We strive to continually raise the bar by improving processes and adding value while delivering an effective and efficient audit.

### Our approach to client service excellence

At Deloitte, our objective is to execute our audit in a way that meets our professional standards and also creates a positive client experience.

Our client service principles provide the framework for guiding and coaching members of our engagement team, and identifying our clients' unique preferences regarding the ways they want to work with us. These principles enable our engagement teams to focus on client service excellence.

### Our client service principles

#### We will:

#### **make** and meet our commitments to you by...

- Working with you to clearly define your expectations
- Delivering what is agreed upon
- Being easily accessible to you
- Providing valuable responses to all your inquiries
- Ensuring timeliness and accuracy in our billings

#### **understand** your business and what is important to you by...

- Anticipating your needs
- Understanding the unique characteristics of your business industry and operating circumstances

#### **provide** value and build trust through technical competence and consistent results by...

- Instilling confidence and trust in the quality of our work
- Providing you with up-to-date professional expertise
- Providing value to your enterprise
- Providing insights into the condition of the business and meaningful suggestions for improvement

✔ **demonstrate** professionalism through effective interaction and communications by...

- Keeping you informed of project status
- Performing as a well-organized team
- Working collaboratively with you

✔ provide a **no surprises** experience by...

- Proactively addressing issues
- Providing timely communication of changes to fees
- Effectively managing changes to the service team

At the conclusion of our audit, or at any time during the engagement, we invite you to assess our performance against these principles through our client feedback process.

# Appendix 5 – Deloitte resources a click away

At Deloitte we are devoted to excellence in the provision of professional services and advice and to focusing on client service. To this end, we have developed numerous resources, which contain relevant and timely information accessible by our clients. Provided below is an overview of these resources, which are available through the Deloitte Portal.

Canadian resources	Audience	Description and frequency
<b>Centre for Corporate Governance</b> <a href="http://www.corpgov.deloitte.ca">www.corpgov.deloitte.ca</a>	<ul style="list-style-type: none"> <li>• Audit committee members</li> <li>• Board members</li> <li>• CEO/CFO</li> <li>• Internal auditors</li> <li>• Legal counsel</li> </ul>	Web site specifically designed to help board members with their responsibilities.
<b>DeloitteLINK</b> <a href="http://www.deloitte.com/ca/DeloitteLINK">www.deloitte.com/ca/DeloitteLINK</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Weekly e-newsletter that helps the finance team to stay on top of standard-setting initiatives.
<b>Deloitte Update</b> <a href="http://www.deloitte.com/ca/update">www.deloitte.com/ca/update</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Learning webcasts offered throughout the year featuring Deloitte professionals discussing critical issues that affect your business.
<b>Directors' Series</b> <a href="http://www.deloitte.com/ca/DirectorsSeries">www.deloitte.com/ca/DirectorsSeries</a>	<ul style="list-style-type: none"> <li>• Audit committee members</li> <li>• Board members</li> <li>• CEO/CFO</li> <li>• Internal auditors</li> <li>• Legal counsel</li> </ul>	<p>A program that enables Canadian corporate directors to keep up with their learning requirements in a time of frequent change and new demands.</p> <p>Directors are provided with ready-to-use information and tools to help them discharge their responsibilities.</p>
<b>On the agenda</b>	<ul style="list-style-type: none"> <li>• Audit committee members</li> <li>• CEO/CFO</li> <li>• Internal auditors</li> <li>• Legal counsel</li> </ul>	Bi-monthly e-newsletter for directors that focuses on recent developments affecting their responsibilities, including the points of view of Deloitte professionals.
<b>Standard-Setting Activities Digest</b> <a href="http://www.deloitte.com/ca/standards">www.deloitte.com/ca/standards</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Monthly online updates on recent developments in standard-setting from a comprehensive list of standard-setting organizations.

IFRS resources	Audience	Description and frequency
<b>IAS Plus web site</b> <a href="http://www.iasplus.com">www.iasplus.com</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• Controller</li> <li>• Financial reporting team</li> <li>• Other accounting professionals</li> </ul>	Web site designed by Deloitte Touche Tohmatsu Limited that provides comprehensive information about international financial reporting.
<b>IFRS in Focus</b>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• Controller</li> <li>• Financial reporting team</li> <li>• Other accounting professionals</li> </ul>	E-newsletter that reviews the activities of the IASB, the IFRIC, and the IASC Foundation Trustees, including summaries of recent Standards and Interpretations and proposals.
Private enterprise resources	Audience	Description and frequency
<b>Privately Speaking</b>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• Controller</li> <li>• Financial reporting team</li> <li>• Other accounting professionals</li> </ul>	Important news and relevant commentary for owners and managers of privately owned companies.
Not-for-profit organization resources	Audience	Description and frequency
<b>A state of change</b>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• Controller</li> <li>• Financial reporting team</li> <li>• Other accounting professionals</li> </ul>	Bi-monthly newsletter that discusses changes in accounting standards, rules and regulations on their organizations.
Government resources	Audience	Description and frequency
<b>Public Sector Financial Management Series</b>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• Controller</li> <li>• Financial reporting team</li> <li>• Other accounting professionals</li> </ul>	Seminar series to share thoughts and experiences that you and your finance team can use to navigate the current financial environment.
U.S. resources	Audience	Description and frequency
<b>Accounting roundup</b> <a href="http://www.deloitte.com/us/accountingroundup">www.deloitte.com/us/accountingroundup</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Monthly newsletter that focuses on the activities of the accounting standard-setters and regulators, including the FASB, EITF, IASB, and SEC.
<b>Audit Committee brief</b> <a href="http://www.deloitte.com/us/acbrief">www.deloitte.com/us/acbrief</a>	<ul style="list-style-type: none"> <li>• Audit committee members</li> <li>• CEO</li> <li>• CFO</li> </ul>	Quarterly e-newsletter of key U.S. regulatory, technical and professional developments in corporate governance and accounting.

U.S. resources	Audience	Description and frequency
<b>Technical Library (DART)</b> <i>Note: Subscribing to this service requires Audit Committee's preapproval</i>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Comprehensive online library of accounting and financial disclosure literature. Subscription-based service. New option for PSAS-only standards, thought leadership and resources now available.
<b>Dbriefs webcasts</b> <a href="http://www.deloitte.com/us/dbriefs">www.deloitte.com/us/dbriefs</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Live webcasts that give you valuable insights on important developments affecting your business.
<b>Heads Up</b> <a href="http://www.deloitte.com/us/headsup">www.deloitte.com/us/headsup</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Periodic newsletter that discusses the latest accounting and regulatory developments.
<b>EITF Snapshot</b> <a href="http://www.deloitte.com/us/eitfsnapshot">www.deloitte.com/us/eitfsnapshot</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Quarterly newsletter highlighting key points from Emerging Issues Task Force discussions.
<b>US GAAP Plus</b> <a href="http://www.usgaapplus.com">www.usgaapplus.com</a>	<ul style="list-style-type: none"> <li>• Board members</li> <li>• Audit committee members</li> <li>• CEO/CFO</li> <li>• Controller</li> <li>• Financial reporting team</li> <li>• Other accounting professionals</li> </ul>	US GAAP Plus is a comprehensive source for news, publications, and project updates about U.S. accounting standard setting. It covers the activities of the FASB, the PCAOB, the AICPA, the SEC, and other U.S. accounting and auditing standard setters.



# Appendix 6 – Standard-setting update

## Public sector accounting standards

Final Standards	Effective Date
<p><b>IPSASB Conceptual Framework: Phase I</b></p> <p>On January 11, 2013, the IPSASB completed Phase I of its project to develop a Public Sector Conceptual Framework which is applicable to the preparation and presentation of general purpose financial reports of public sector entities, and issued the first 4 Chapters of this Framework as follows: Chapter 1, <i>Role and Authority of the Conceptual Framework</i>; Chapter 2, <i>Objectives and Users of General Purpose Financial Reporting</i>; Chapter 3, <i>Qualitative Characteristics</i>; and Chapter 4, <i>Reporting Entity</i>.</p> <p>The IPSASB is currently developing other chapters of the Conceptual Framework which will address the definition, recognition, and measurement of the “elements” (or building blocks) of Financial Statements, and presentation in general purpose financial reports. They will be added to the Conceptual Framework when completed.</p> <p>Last updated: January 2013                      Effective date: January 11, 2013</p>	<p>Issued January 11, 2013</p>
<p><b>IPSASB Policy Paper - Process for Considering GFS Reporting Guidelines during Development of IPSASs</b></p> <p>On February 12, 2014, the IPSASB issued a policy paper entitled, <i>Process for Considering GFS Reporting Guidelines during Development of IPSASs</i>. The aim of this document is to set out the IPSASB's process for considering Government Finance Statistics reporting guidelines during the development of IPSASs.</p> <p>Last updated: February 2014                      Effective date: February 12, 2014</p>	<p>Issued February 12, 2014</p>
<p><b>IPSASB - Recommended Practice Guideline 1 (RPG 1), Reporting on the Long-Term Sustainability of an Entity's Finances</b></p> <p>On July 24, 2013, the IPSASB issued Recommended Practice Guideline 1 (RPG 1), <i>Reporting on the Long-Term Sustainability of an Entity's Finances</i>. RPG 1 provides guidance on reporting on the long-term sustainability of a public sector entity's finances. It also provides information on the impact of current policies and decisions made at the reporting date on future inflows and outflows and supplements information in the general purpose Financial Statements.</p> <p>RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not Financial Statements. Unlike IPSASs RPGs do not establish requirements.</p> <p>Last updated: July 2013                      Effective date: July 24, 2013</p>	<p>Issued July 24, 2013; no stated effective date</p>
<p><b>IPSASB - Recommended Practice Guideline 2 (RPG 2), Financial Statement Discussion and Analysis</b></p> <p>On July 26, 2013, the IPSASB issued Recommended Practice Guideline 2 (RPG 2), <i>Financial Statement Discussion and Analysis</i>. Financial statement discussion and analysis assists users to understand the financial position, financial performance, and cash flows presented in an entity's general purpose Financial Statements. It also enables users to gain further insights into the operations of the entity, from the perspective of the entity itself. RPG 2 provides guidance for</p>	<p>Issued July 26, 2013; no stated effective date</p>

## Public sector accounting standards

Final Standards	Effective Date
<p>presenting such information.</p> <p>RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not Financial Statements. Unlike IPSASs RPGs do not establish requirements.</p> <p style="text-align: center;">Last updated: July 2013                      Effective date: July 26, 2013</p>	
<p><b>PSAB Strategic Plan for 2013 – 2016</b></p> <p>At its meeting on June 12-13, 2013, the PSAB approved its Strategic Plan for 2013-2016 after considering responses received from stakeholders. The Strategic Plan includes both a number of strategies that complete initiatives started in the previous plan, and a number of new strategies to address the communications needs of stakeholders. The top priority for PSAB is the completion of its conceptual framework project.</p> <p>On December 18, 2013, the Strategic Plan for 2013-2016 was posted to the PSAB's website.</p> <p style="text-align: center;">Last updated: December 2013                      Effective date: April 1, 2012</p>	<p>April 1, 2013 to March 31, 2016</p>
<p><b>Section PS 3260, Liability for Contaminated Sites</b></p> <p>This new Section PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the PSA Handbook.</p> <p style="text-align: center;">Last updated: May 2010                      Effective date: April 1, 2014</p>	<p>Fiscal years beginning on or after April 1, 2014. Earlier adoption is encouraged.</p>

# Appendix 7 – Deloitte Portal

We strive to exceed your expectations and to leverage Deloitte resources to help you achieve your objectives.

The Deloitte Portal provides our clients and others with fast, direct access to Deloitte knowledge, tools, specialized sites, e-newsletters, webcasts and other external resources in four main areas:

- Financial information,
- Corporate governance,
- Learning resources, and
- Periodicals.

Each section also includes links to comparable sources of U.S. information.

It has been our experience that Calhome's management proactively communicates with us concerning critical issues related to the audit and other matters. We have noted that management takes its financial reporting responsibilities seriously. Our audit plan takes into account management's role in effectively monitoring changes in the business, changes in accounting and financial statement requirements, and other needs as they arise, such as the need for increased attention to International Financial Reporting Standards.

Access to the tools available through the Deloitte Portal, such as the financial reporting disclosure checklists and the accounting standards setting activities digests facilitates the efficient and accurate preparation of Financial Statements. This helps avoid the need for costly, disruptive corrections resulting from audit findings and enables our audit professionals to focus on the required testing. Through the Deloitte Portal, you will also receive timely communication of needed information and quick access to a wide variety of resources to help your organization accomplish a variety of other tasks in addition to those related to your financial reporting.

Appendix 5 presents an illustrative list of the Deloitte Portal materials most frequently accessed. The top sites visited include those shown below:

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**Deloitte Learning Academy** helps you keep up to date with the financial reporting knowledge and tools you need.



**Deloitte Updates** are informative, interactive webcasts conducted by Deloitte professionals to provide executives with new information and discussions about financial reporting and regulatory developments.

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**Deloitte's Directors' Series** events are live satellite broadcasts to locations across the country to help Canadian corporate directors keep up with their learning requirements in a time of frequent change and new demands.



**Centre for Corporate Governance** is a web site specifically designed to help directors with their responsibilities.

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Access to the Deloitte Portal is literally “a click away” using the following link [www.deloitte.com/ca/portal](http://www.deloitte.com/ca/portal).



**[www.deloitte.ca](http://www.deloitte.ca)**

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