Deloitte.

Year-end communication

Calhome Properties Ltd.

(Operating as 'Calgary Housing Company')

For the year ended December 31, 2014
Presented to the Audit and Risk Management Committee
March 2, 2015

Deloitte LLP
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February 23, 2015

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

Dear Audit and Risk Management Committee Members:

Report on audited annual financial statements

As agreed in our engagement letter dated November 10, 2014, we have performed an audit of the financial statements of Calhome Properties Ltd. ("Calhome" or the "Company") as at and for the year ended December 31, 2014, in accordance with Canadian generally accepted auditing standards ("GAAS") and expect to issue our audit report thereon dated March 6, 2015.

This report summarizes our findings during the audit. Our audit has been conducted in accordance with the Audit Plan that was presented to the Audit and Risk Management Committee (the "Committee") at the meeting on November 10, 2014.

Use of our report

This report is intended solely for the information and use of the Committee, management and others within Calhome and is not intended to be, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from the officers and employees of Calhome with whom we worked to discharge our responsibilities.

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

Yours truly,

Deloitte LLP

Chartered Accountants

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Audit scope matters

Canadian GAAS require that we communicate to the Committee on the following matters:

Status of our audit	We expect to be in a position to render our audit opinion dated March 6, 2015 on the financial statements of the Company following approval of the financial statements by the Board of Directors and the completion of the following outstanding procedures: • Receipt of signed management representation letter and update of subsequent events to audit report date; • Receipt of legal letters; and • Finalization of the Engagement Quality Control review.
Audit strategy and scope	The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope. Refer to our audit plan communicated on November 10, 2014.
Materiality	Materiality is the magnitude of misstatements, including omissions, in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement. Materiality levels were determined on the basis of total operating expenses. For the year ended December 31, 2014, materiality was set at $2,100,000 (2013 - $1,600,000).
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit.
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Committee on November 10, 2014. There were no amendments to the plan which was presented.
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has informed us that Calhome has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Management is responsible for ensuring that Calhome’s operations are conducted in accordance with the laws and regulations applicable to Calhome in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by Calhome.

Post-statement of financial position financial events	Management is responsible for assessing subsequent events up to the date of the release of the financial statements. No post-statement of financial position events have been identified during the course of our audit which would have an impact on the financial statements. We will update subsequent events to the audit report date of March 6, 2015.
Management representation letter	A draft version of the management representation letter to be signed by management is included in Appendix 3.
Independence	We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level. As required under Canadian GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence. We have provided a draft version of the independence letter we intend to use to confirm our independence for the year ended December 31, 2014, in Appendix 2.
Quality control	Our firm's quality control process embraces each of the elements identified in the CPA Canada Handbook sections covering Canadian standards of quality control for firms that perform audits and reviews of financial statements and other assurance engagements.
Fees	We communicated our proposed audit fees of $71,000 (2013 - $69,000) for the audit and $3,200 per portfolio (5 portfolios) (2013 - $3,100 per portfolio) for the specified procedures reports. We incurred additional time with respect to the review of implemented controls relating to the Company's information technology program change to prevent the error identified during the 2013 fiscal audit relating to unearned revenue/tenant rent received in advance (refer to appendix 5) and impairment testing of the assets held for sale balance. As this additional time was not contemplated in our original audit fee, we will also be billing an additional $1,500.These fees exclude the 7% administration fee and GST.
Communications	As a part of our audit plan, we committed to communicate certain matters to the Committee on a regular basis or as specified events occur. A summary of our communications is provided in Appendix 4.

Audit findings

This following summarizes the main findings arising from our audit

Internal control	We obtained an understanding of internal control relevant to the audit, however not all controls are relevant to every audit. We evaluated the design of controls relevant to the audit and determined whether they have been implemented. We are not, however, required in a non-integrated audit to determine whether all relevant controls are operating effectively. Although not required by Canadian GAAS, we may decide that, for a particular engagement, it makes sense to rely on the effective operation of some controls to determine the planned substantive procedures we will perform. In such cases, 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. In our audit of Calhome's financial statements, we applied a substantive audit approach to testing of account balances and as such, we did not rely on internal controls.
Uncorrected misstatements	In accordance with Canadian GAAS, we request that all misstatements be corrected. We are required to report all uncorrected misstatements greater than $105,000 (2013, $80,000), computed as 5% of materiality, and those that are quantitatively insignificant but qualitatively significant. We noted no uncorrected misstatements during the course of the audit. Corrected misstatements are summarized in the appendix attached to the management representation letter.
Unadjusted disclosure deficiencies	In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected. All uncorrected disclosure deficiencies are summarized in the appendix attached to the management representation letter.
Conclusion	In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of Calhome's annual financial statements prepared in accordance with Canadian public sector accounting standards ("PSAS"). No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested. We intend to issue an unmodified audit report on the financial statements of Calhome as of and for the year ended December 31, 2014 once the financial statements are approved by the Board of Directors on March 6, 2015. A draft version of our Auditor's report is included in Appendix 1.

Audit risks

Our audit plan identified certain areas that we refer to as significant risks. The results of our audit work on these risks are set out below:

Significant risks

Areas of significant risk	Our audit response	Our conclusion
Management override of controls Management may be 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.	We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements. We obtained an understanding of the business rationale of significant and unusual transactions that are outside of the normal course of business for the entity, or that otherwise appear to be unusual given our understanding of the entity and its environment. We tested significant management assumptions and estimates for bias and we have performed procedures to understand and test entity level controls. Management has represented to us that they have not identified any fraud or illegal items and our procedures support this assessment. We did not become aware of fraud as a result of our audit procedures.	Based on the audit procedures completed, including discussions with management and assessing the fraud risk factors, we did not identify any issues with regards to management override of controls in the context of the financial statements as a whole.
Revenue recognition Assurance standards include the presumption of a fraud risk involving improper revenue recognition. 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.	We have performed detail testing of revenue transactions to ensure that occurrence and cut off have been appropriately accounted for the year ended December 31, 2014. We made inquiries of management and tested the design and implementation of control activities involving management's process for accounting for revenue transactions to determine if the revenue recognition criteria have been met.	Based on the audit procedures completed, we conclude that revenue recognition is fairly stated, appropriately classified and properly disclosed in the context of the financial statements taken as a whole.

Accounting practices, judgments and estimates

Management judgment and accounting estimates

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of Calhome.

Significant accounting policies

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of Calhome.

Significant accounting estimates and judgments

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of Calhome.

Appendix 1 – Draft version of our Auditor's report

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, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

(To be signed Deloitte LLP)

Chartered Accountants
March 6, 2015
Calgary, Canada

Appendix 2 – Independence

Deloitte LLP
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March 6, 2015

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

Dear Members:

We have been engaged to audit the financial statements of Calhome Properties Ltd. (the "Company") for the year ended December 31, 2014.

Canadian generally accepted auditing standards ("GAAS") require that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Company, Deloitte and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. We are also required to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:

(a) holding a financial interest, either directly or indirectly, in a client;
(b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
(c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
(d) economic dependence on a client; and
(e) provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 7, 2014, the date of our last letter:

We are not aware of any relationships between the Company and Deloitte, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 7, 2014 to March 6, 2015.

The total fees charged to the Company for audit services were $77,575 (includes the additional $1,500 related to the review of implemented controls and impairment testing) (2013 - $77,040 (includes the additional $3,000 related to work on unearned revenue/accounts receivable)) for the financial statement audit and $17,120 (2013 - $16,585) relating to the specified procedures for the special government reports during the period covered by the financial statements.

Canadian GAAS require that we confirm our independence to those charged with governance in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. Accordingly, we hereby confirm that we are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta as of March 6, 2015.

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

Yours truly,

Chartered Accountants

Appendix 3 – Draft management representation letter

[Client Letterhead]

March 6, 2015

Deloitte LLP
700, 850 - 2 Street SW
Calgary, AB T2P 0R8

Dear Sirs:

Subject: Financial statements of Calhome Properties Ltd. (operating as 'Calgary Housing Company') for the year ended December 31, 2014

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Calhome Properties Ltd. (operating as 'Calgary Housing Company') (the "Company" or "we" or "us") as at and for the year ended December 31, 2014, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, changes in net debt and cash flows of the Company in accordance with Canadian Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Company and Deloitte dated November 10, 2014 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Company as at December 31, 2014 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with PSAS.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Company has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2014 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. All final adjusting journal entries have been reflected in the Financial Statements and the Financial Statements have been approved in accordance with our process to finalize financial statements.

4. We have completed our review of events after December 31, 2014 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.

5. The Financial Statements are free of material errors and omissions.

6. The Company has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Information provided

7. We have provided you with:
    a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters. All financial statements and other financial information provided to you accurately reflect the activities and expenses of the Company and do not reflect any activities or expenses of any other person or entity;
    b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

8. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

9. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
   a. Management;
   b. Employees who have significant roles in internal control; or
   c. Others where the fraud could have a material effect on the Financial Statements.

10. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's Financial Statements and all knowledge of concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the Company that have been communicated by employees, former employees or others, whether written or oral.

11. We have disclosed to you all communications from regulatory agencies and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.

12. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.

13. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

14. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

15. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

16. We have disclosed to you, and the Company has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Independence matters

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

17. Prior to the Company having any substantive employment conversations with a former or current Deloitte engagement team member, the Company has held discussions with Deloitte and obtained approval from management.

Accounting policies

18. The accounting policies selected and application of those policies are appropriate.

19. The Company's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2013.

Fair value

20. With regard to the fair value measurements and disclosures of certain assets and liabilities, such as Assets Held for Sale, we believe that:
    a. The completeness and adequacy of the disclosures related to fair values are in accordance with Public Sector Accounting Standards ("PSAS");
    b. No events have occurred subsequent to December 31, 2014 that require adjustment to the fair value measurements and disclosures included in the Financial Statements ; and
    c. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Company when relevant to the use of fair value measurements or disclosures.

Management's responsibilities

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

Receivables

22. The Company is responsible for determining the appropriate carrying amount of accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

Employee future benefits

23. Employee future benefit costs, assets and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances.

24. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.

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

Government transfers

26. We have disclosed to you all correspondence relating to government transfers that the Company has had with the funding body.

27. We have assessed the eligibility criteria and determined that the Company is an eligible recipient for the government transfers received.

28. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.

29. All government transfers that have been recorded as unearned revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

Tangible capital assets

30. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150: Tangible Capital Assets.

31. Contributed tangible capital assets have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed tangible capital assets have been appropriately disclosed.

32. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to the Company's ability to provide goods and services and therefore do not require a write down.

Adjusting journal entries

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

Communicating a threshold amount

34. We understand that the threshold used for accumulating misstatements identified during the year was $105,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Specified procedures reports

35. There have been no communications from Alberta Housing and Urban Affairs and Canada Mortgage and Housing Corporation that could have an effect on the specified procedures reports and the underlying transactions.

36. All transactions have been properly recorded.

37. We have responded fully to all enquiries made of us and have made available to you all financial records and related data in completing your specified procedures.

Yours truly,
Calhome Properties Ltd.

____

Mr. Geoffrey Kneller
General Manager

____

Mrs. Cathy Myres
Finance Manager

Appendix A
Calhome Properties Ltd.
Summary of corrected and uncorrected misstatements and disclosure deficiencies
Year ended December 31, 2014

Summary of corrected misstatements

None identified

Summary of uncorrected misstatements

None identified

Summary of disclosure deficiencies

A transfer for $405,558 from Capital Work in Progress (“CWIP”) to Tangible Capital Assets (“TCA”) was recorded in the wrong period. The in use date for this asset was December 1, 2013; however it was not transferred from CWIP to TCA until 2014. On the Statement of Financial Position, the cut-off misstatement results in a re-classification from CWIP to TCA which is within the same financial statement line item and therefore only impacts the Financial Statement note disclosure. The impact on prior year amortization is not material and the adjustment was recorded in the current fiscal year.

Appendix 4 – Communication requirements

In our audit plan, we committed to communicate certain items to the Audit and Risk Management Committee on a regular basis or as specified events occur. These items are summarized below.

Required communication	Refer to this report or document described below
1. Our responsibilities under Canadian GAAS	Audit plan communicated on November 10, 2014
2. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors	Audit plan communicated on November 10, 2014
3. Management judgment and accounting estimates	Management judgment and accounting estimates
4. Audit adjustments	Uncorrected misstatements
5. Uncorrected and corrected misstatements and disclosure deficiencies	Uncorrected misstatements and unadjusted disclosure deficiencies
6. Our views about significant qualitative aspects of Calhome's accounting practices, including accounting estimates	Management judgment and accounting estimates
7. Disagreements with management	There were no disagreements with management during the audit of the 2014 financial statements
8. Our views about significant matters that were the subject of consultation with other accountants	Consultation with other accountants
9. Significant difficulties, if any, encountered during the audit	No significant difficulties encountered in performing the audit
10. All deficiencies in internal control that existed as of the date of management's assessment that were concluded to be material weaknesses in internal control	No significant deficiencies in internal control were identified
11. Material written communications between management and us	Engagement letter dated November 10, 2014 and this year-end report
12. All relationships between Calhome and us that, in our professional judgment, may reasonably be thought to bear on independence	Independence letter - Appendix 2
13. A statement that, in our judgment, our engagement team and others in our firm as appropriate, our firm itself and, when applicable, network firms have complied with relevant ethical requirements regarding independence	Independence letter – Appendix 2
14. Illegal or possibly illegal acts	None identified based on audit procedures performed for the year ended December 31, 2014

Required communication	Refer to this report or document described below
15. Fraud or possible fraud identified through the audit process	None identified based on audit procedures performed for the year ended December 31, 2014
16. Non-compliance with laws and regulations that come to the auditor's attention	Legal and regulatory compliance
17. Matters that are significant to the oversight of the financial reporting process	All matters are documented within this year end communication document
18. Limitations placed on our scope	Audit strategy and scope. No limitations were placed our audit scope
19. Written management representations the auditor is requesting	Management representation letter – Appendix 3

Appendix 5 – Update: 2013 Management letter points

The following management letters points were issued following the December 31, 2013 audit. We have provided an update on how these points were addressed by management.

1. Financial Reporting to the Alberta Provincial Government (carried forward from prior year recommendation)

Observation and implication:

During the prior year we noted that the Province had requested Calhome to look into an overall consolidation process for financial reporting. As per our discussion with management during the prior year's audit, the Provincial Government had specifically requested budget information for all projects that are administered for The City of Calgary (the "City") and the Province. Calhome's current reporting system does not have the ability to provide such information. As such, the Provincial Government is not receiving the information that was requested for their review.

Recommendation:

It was recommended that management investigate this request further in order to meet the reporting requirements of the Provincial Government.

Management Response:

The Company is in the process of implementing provincially funded and sponsored system (Housing Access Link – HAL) which is expected to meet all reporting requirements by The Province. The Company is scheduled with other Alberta housing management bodies to be operational in HAL by early 2015 and The Province is fully updated on this upcoming system implementation and accepting all financial reports in current format.

2014 Update:

The HAL implementation has been put on hold by the Province indefinitely. Management is in the beginning stages of performing an assessment of alternative systems that will meet the reporting requirements of the Province. The implementation of a new system is part of the work plan within the next few years.

2. Recording of rent paid in advance from tenants

Observation and implication:

Unearned revenue as at December 31, 2013 relating to rent paid by tenants in advance (example January 2014 rent paid in December 2013) is determined by summing all the negative (credit) balances from the Accounts Receivable Tenant Report. There are 4 different companies that are used to track tenant transactions and each company is made up of different business units.

E-payments, automatically populate each company with tenant transactions. However, when a manual entry is made for a tenant who does not utilize e-payments there is a risk that the tenant information may be incorrectly allocated to the incorrect company or allocated to more than one company.

Based on our audit procedures performed on unearned revenue, we noted several tenant transactions for rent paid in advance that were posted in multiple companies. The error is caused by the fact that tenants having a positive accounts receivable balance in one company and a negative unearned revenue balance in another, so when the tenant isn't in the same company, his/her amounts do not net, causing an overstatement of both accounts receivable and unearned revenue by an amount of $513,226 which was subsequently corrected by management.

It should be noted that this error impacted the statement of financial position only and there was no impact on the statement of operations. And as both accounts receivable and unearned revenue were overstated, there was a nil impact on the statement of financial position.

Recommendation:

We recommend that safeguards be placed within the information technology environment that prevent one tenant to be accounted for in more than one accounts receivable account.

Management Response:

The Company's information technology team has initiated a program change to prevent one tenant to be accounted for in more than one accounts receivable account. This change is expected to be implemented by March 31, 2014.

2014 Update:

Based on testing performed, we noted that the information technology program change has been implemented appropriately to prevent tenants from being accounted for in more than one company. No discrepancies were noted in the testing performed. Recommendation has been satisfactorily addressed.