

AHC ANNUAL REPORT 2023
For City of Calgary Audit Committee
September 19, 2024

This report and accompanying presentation provide information on AHC's board governance, financial and performance reporting, environmental, social and governance practices, risk management, and talent and culture insights from 2023.

Introduction

AHC is a non-profit social enterprise. The Shareholder is The City of Calgary. AHC's mandate and business activity is guided by "Home is Here- The City of Calgary's Housing Strategy", approved by Calgary Council on September 16, 2023. Outcome 3 is to "enable The City's housing subsidiaries to improve service delivery."

Since 2009, AHC has provided attainable homeownership options for moderate-income Calgarians through Down Payment Assistance in the form of loans (DPAL). As of 2023, AHC also delivers Perpetually Affordable Housing (PAH) and purpose built rental units (attainable rental). AHC uses a simple formula to deliver housing:

LAND + MONEY + CERTAINTY = **HOUSING**

Land	without land there can be no housing
Money	every AHC project must be financially self-sustainable
Certainty	predictable processes deliver outcomes

AHC Goals for 2024 reflect efforts to secure land, obtain money (financing) and build certainty into the processes related to creation of affordable housing.

At Attainable Homes Calgary Corporation (AHC), we believe homeownership and attainable rental housing is a great thing; it provides housing stability, security and flexibility. Since 2009, through our down-payment assistance program, AHC has helped over 1,100 families purchase their own homes. Families move through the program, either by selling their home, or by paying out AHC to remove us from title. The funds received from participants exiting the program support future development.

AHC is a public not-for-profit corporation incorporated in 2009 under the Business Corporations Act. Upon inception, AHC received seed funding of one million dollars from The City of Calgary which was matched by the Government of Alberta. In addition, The City of Calgary contributed eight parcels of land at The City's book value, which AHC pays for at the time of development. Of these original eight sites, AHC has two remaining with both planned to have housing projects completed in 2025.

Since the original infusion of funding, AHC operations have been funded through its own business activity with any profits generated reinvested in the program.

Financial and Performance Reporting

1. Brief summary of:

a) **Key strategy initiatives and financial highlights for 2023.** AHC determines key strategy initiatives through the AHC Strategic Plan. This plan, called “Attainable Homes Calgary Strategic Plan 2023-2025,” was approved by the Shareholder at the June 2023 Annual General Meeting of AHC. The plan includes the mandate, mission, vision and value statements of AHC, and key strategic priorities of AHC summarized in a Strategy Map. The 4 strategic priorities for AHC are:

1. The **desired outcome** of directly contributing to affordable housing unit production
2. The **identified problem** of the need for 2000 affordable units per year (now 3000 as per 2023 Home is here)
3. The **solution** of converting vacant land under AHC’s control to housing as soon as possible
4. The **contribution** of working with City partners, other levels of government, and other affordable housing providers and builders to get homes built

The Strategic Plan then informs the annual Business Plan and Budget. This plan is produced every year and presented to the AHC Board of Directors at the final Board meeting of the year, usually held in mid-December, and includes the operations and action plan of the organization organized as core annual goals. This plan is presented to the Shareholder at the AHC AGM for approval. The Business Plan and budget 2024 was approved by the Shareholder on June 21, 2024.

AHC Goals 2024

Action Category	2024 Goal	
Completions	1	1010 6 Av SW near construction completion
	2	DDO first buildings near completion
Operations	3	1007 6 Av SW under construction
	4	Sunnyside Triangle building permit approved
Planning	5	Bridges LUR amendment approved
	6	Miekle & Rehab Society business cases approved
	7	New financing arrangement secured

AHC measures achievement of these annual goals through Key Performance Indicators (KPIs), updated and shared with the AHC Audit & Accountability (“A&A”) committee at quarterly meetings. Those KPIs, produced alongside the quarterly financial statements, are then reviewed with the AHC Board at the quarterly Board meeting.

Attachment 1

Beyond the AHC core Strategic and Business plans, AHC is governed through a hierarchy of other plans and policies. These are:

- the Unanimous Shareholder Agreement
- AHCC Amended and Restated Bylaw #1
- The Board Charter and Committee Terms of Reference
- Board approved Policies and Internal Controls
- The Strategic Plan (typically but not necessarily a 3-year plan)
- The Business Plan (with approved annual operating budget)

The Strategic Plan will be reviewed by the AHC Board in 2025 and updated as Strategic Plan 2026-2028.

Financial Highlights for 2023

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

The 2018 through 2023 audits were completed by RSM Canada, which provided continuity on the audit team. The 2024 audit will be conducted by Deloitte, as the City of Calgary entered into a contractual agreement with that firm to do the audits for all wholly owned subsidiaries.

From the 2023 Financial Statements Balance Sheet; the cash balance decreased to \$493,395 in 2023 due to completion of the Reach Martindale project. Land inventory value decreased as the 1010 6 Avenue SW property converted from land held for future development captured in the “land and site development costs” line to the “rental properties” line. This line also includes project costs related to the start of construction of the 1010 project.

AHC secured a CMHC underwritten construction loan through ATB totalling \$23 million to build this project.

From the 2023 Statement of Operations; the Reach Martindale project sold out in early 2023. Revenues decreased to \$4,556,779 in 2023, as 18 units were sold. There was no inventory for AHC to acquire due to the severe shortage of affordable townhouses across Calgary and the dramatic increase in price.

Operating expenses increased marginally, from \$1,730,706 to \$1,879,432 in 2023, in line with inflation.

Realized gain on equity receivables increased from \$258,904 in 2022 to \$674,633 in 2023. This is important to highlight as this is AHC’s current primary source of revenue. This is the money we earn when people sell their homes and the down payment loan is paid back with an appreciation share included. As home prices go up, so do the payout

Attachment 1

amounts coming back to AHC as clients exit the AHC loan program. Total cash received from payouts in 2023 was \$1,212,224.

Although sales revenue decreased in 2023, AHC was able to contain the operating deficiency to \$719,127. This shortfall is due to 2 circumstances:

1. Inventory that AHC would normally buy and sell to clients (up until spring 2022) is now too highly priced for AHC clients to purchase. This has resulted in no inventory available to buy then sell and generate a profit.
2. AHC is shifting from a “for-sale” only model, to a model wherein we will build rental inventory and for-sale inventory.

Creditor support is in the form of 2 lines of credit from the lender totalling \$20M. AHC is in compliance with its current debt covenant and the results of the 2023 audit were generally positive despite the shortfall. The agreements with the lender are scheduled for their next renewal in 2025.

AHC stabilized annual losses with a small loss of \$27,442 in 2022 and the \$719,127 loss in 2023.

Important to note is that the shortfall does not mean we are a cash flow drain on The City of Calgary. AHC’s healthy unrestricted surplus, earned during the strong market that existed before 2014, has been used to support the company. We do not receive any financial handouts to support operations.

Program exits have been so strong in 2024 thus far, with a high volume of program exits and high value of unit appreciation with each exit, that AHC is showing a **\$371,924 surplus** as of end of Q2 2024. This is a very positive situation as this was expected to be a year with a shortage as we worked on development of three projects to be capitalized in 2025.

The strength of the market, buoyed by the dramatic undersupply of housing product in all areas of the market, has made it impossible for us to acquire inventory, but that does come with a silver lining to the AHC financials as program exits are producing enough revenue to create a healthy financial situation thus far in 2024.

AHC remains focused on running the business without an annual shortfall. This is expected to be achieved in 2024 through loan program exits. These continued exits in 2025, together with profits earned in selling the upcoming Albert Park school site, will see AHC generate a forecast \$1,520,660 surplus to reinvest back into land and inventory acquisitions.

- b) **Disclosure controls and procedures.** AHC employs a comprehensive group of internal controls (ICs) and policies that form the framework of the operations of the business. The ICs and Policies are listed below. ICs are reviewed annually as mandated by the AHC

Attachment 1

Board and Committee workplan. The most recent IC review occurred at the May 30, 2024, meeting of the A&A Committee.

- IC-01 – Account Reconciliation Process
- IC-02 – Employee Expense Authorization Process
- IC-02a – Board Expense Authorization Process
- IC-03 – Invoice Authorization Process
- IC-04 – Credit Card Expense Authorization Process
- IC-05 – Customer Pricing Review Process
- IC-06 – Insurance Policy Review Process
- IC-07 – Land and Inventory Valuation Process
- IC-08 – Protection, Retention, and Destruction of Records Process
- IC-09 – Cash Flow Monitoring Process**
- IC-10 – Sales Process
- IC-11 – Key Performance Indicator Review Process**
- IC-12 – Journal Entry Process**
- IC-13 – Contract and Commitment Process
- IC-14 – Cash and Deposit Process
- IC-15 – Protection of Physical Assets Process
- IC-16 – Payroll Process
- IC-18 – Resale Process

Policies are reviewed (and updated as required) on a 3-year cycle. AHC policies are listed below:

- Information Technology Acceptable Use Policy
- Enterprise Risk Management Policy
- Eligibility Policy
- Privacy Policy
- Development Policy
- Employee Compensation Policy
- Employee Handbook
- Corporate Political Contributions Policy
- Code of Conduct Policy
- Conflict of Interest Policy
- Procurement Policy
- Financial & Authorities Policy
- Attainable Home Ownership Program Policy (“AHOP”)
- In-Camera Record Keeping Policy
- Board Meetings Policy

- c) **Internal control over financial reporting.** The ICs related to financial reporting are shown in bold in the list in 1.b) above.

Attachment 1

2. **The most recent management letter** information is included herein. **Attachment 2- 2023 Audit Committee Reporting Letter** is attached first to provide context for **Attachment 3- 2023 Audit Committee Planning Letter**.

The items highlighted in the 2023 Audit Committee Reporting Letter were reviewed by AHC and any noted deficiencies with a recommendation have been or are in the process of being implemented.

Environmental, Social & Governance Practices

3. **The Board has integrated environmental, social factors and metrics** into its 2024 planning, and beyond, through the project approval process codified in the AHC Development Policy.

Inventory (housing units) and land acquisitions adhere to the process detailed in the Development Policy. From the policy, “quality of life considerations and sustainability of the housing inventory are important factors in determining whether to acquire inventory or not, and they form part of the larger wholistic review process.” The Development Committee and Board review, debate and approve significant acquisitions while considering these integrated environmental and social factors.

4. **AHC is ready to play its part in the Shareholder achieving climate goals**, including achieving net-zero emissions by 2050.

AHC has been active in forwarding sustainability goals, including installation of solar panels at our Reach Martindale project and considering Passive House design at our 1010 6 Avenue SW project. It is important to note that both of these endeavours led to significant cost increases borne by the builder (AHC), and ultimately the resident, our purchaser, on both of these projects.

At Reach Martindale, the cost premium to install solar panels was approximately \$1M, borne by AHC and the individual residents as a condominium fee premium. This is a significant impact to project unit affordability.

At the 1010 6 Avenue SW project, currently under construction, Passive House (an internationally recognized sustainable design standard) principles have been considered as the Development Permit application was developed. Passive House principles, if full certification was pursued, would result in a cost premium in the hundreds of thousands of dollars.

We include these examples to highlight the goal of net-zero is honorable, but it comes with significant costs that exacerbate the challenges AHC faces in providing units that our clients can afford.

AHC designed the project to achieve a minimum of a 25% decrease in energy intensity and a 25% decrease in greenhouse gas emissions relative to the energy requirements of the 2017 National Energy Code for Buildings (NECB) – Part 3 multi-unit buildings, or the 2015 National

Attachment 1

Building Code (NBC), as applicable. This was done to obtain points required to achieve financing support through the CMHC MLI (mortgage loan insurance) Select program.

Future projects will achieve similar results related to energy efficiency benchmarks.

5. **The following Initiatives are currently in progress to improve efficiency of processes:**
 - AHC reviews a Board calendar and work plan at the first Board meeting of the year. These are attached herein as **Attachment 4- 2024 AHC Board, Committee and Shareholder Calendar** and **Attachment 5- 2024 AHC Board & Committee Work Plan**. The work plan for the year is established and shared with the Board and administration. The work plan includes scheduled timing for review of policies, ICs, and other guiding principles of the organization
 - Policies and ICs are all reviewed on a 3-year cycle
 - AHC has recently updated its KPIs and now shares as a dashboard on the Boardspot website portal for Board and staff.

6. **2023 was characterized by significant regulatory and market changes** that impacted the business approach in 2023 that are relevant to share with Audit Committee. See **Attachment 6- AHC Business Plan 2024 Environmental Scan** from Business Plan 2024, for details.

Essentially, the housing market changed from a flat buyer's market during the pandemic to a very low supply seller's in late 2021 and onward. Just three years ago, there was ample inventory in all product categories in the market. Now, we are in the throes of a housing supply crisis. As an example, the average townhouse price in Calgary has increased from \$275,000 in late 2021 to \$464,200 in July 2024.

The regulatory change working alongside this dramatic market shift was the spectre (and then the 2022 implementation) of interest rate increases.

These changes reinforced AHC's focus in finalizing creation of the second attainable homeownership model, Perpetually Affordable Housing, and move to an expanded model of housing delivery with CMHC-supported construction financing for attainable rental housing.

7. **AHC's risk and opportunities for privacy and information security** relate back to City of Calgary Privacy Policy and IT Policy processes. The City of Calgary recently updated its privacy policy. AHC is awaiting guidance from The City of Calgary that will then be used to update our policy, accordingly. The opportunity is that we can use City of Calgary best practice in policy creation to inform (potential) changes to AHC's specific guiding policies.

There is constant ongoing risk around privacy and information management. AHC has adopted 2-factor authentication for all digital access to AHC on-line information and fully migrating the business to the cloud, to manage these risks.

Board Governance

8. **Below is a brief outline of AHC's governance structure** including board committees, term lengths and limits, skills matrix detailing financial expertise and experience required, evaluation, succession and recruitment planning for all positions.

AHC is guided by a strong volunteer board with a diversity in backgrounds and skills. We have eleven Board members. Two of the Board members are council members appointed by The City of Calgary: Mayor Gondek and Councillor Walcott.

The Board has three committees. The Board meeting rhythm has been established so that each committee meets before quarterly Board meetings. There are usually (minimum) 4 meetings of each committee per year and 5 Board meetings per year. Other combined or additional committee meetings are scheduled and held on an as-needed basis. Each committee is made up of at least 2 Board members with the Board Chair acting as an ex-officio member of each committee. The committees are:

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

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

The skills matrix is included in **Attachment 7- AHC Board of Director Profiles (Recruitment Information)**. Attachment 7 is the full board recruitment document shared with the Shareholder at the AGM on June 21. It is a new document and is shared with the Audit Committee here for the first time.

The Committee then goes to the Board with the recommendation to begin the recruitment process. Applicants are solicited through a variety of routes including the Institute of Corporate Directors. Candidates are screened with the aid of a skills matrix and short listed for interviews. Interviews are performed by the CP&G Committee and a short list of candidates is taken to the Board for discussion based on those interviews.

After that discussion, a second interview can be performed, or the CP&G Committee can recommend the nomination of a candidate to join the Board. The Board of Directors must approve the candidate(s) to be brought forward to the Shareholder for election.

9. **Specific to AHC's board committees:**
- a) **Frequency of review of composition and terms of reference.** There are no significant changes to Board composition, the Board Charter, and the terms of reference since the last City of Calgary Audit Committee presentation

The Board and Committees review their Charter and Terms of Reference annually. There have been no significant changes this year. The Board Charter and ToRs for the 3 committees are in **Attachment 8- AHC Board Charter and Committee ToRs.**

- b) **Frequency of CP&G review of board composition** to ensure the board has requisite skills, competencies, diversity and independence to provide oversight required by AHCC.

The CP&G Committee reviews board composition, including director skills, competencies, diversity and independence annually at the first quarter meeting of the committee as per the AHC work plan.

- c) **Specific to A&A committee, the composition of the committee membership** is listed below with relevant financial experience. Details of the committee work plan are included in the AHC Board work plan, in Attachment 5.

MAVIN GILL, Director, Chair – Audit & Accountability Committee

Mavin is a member of MNP's Assurance and Accounting Services team in Calgary. Mavin works closely with private companies and entrepreneurs. He delivers tailored business advisory and financial management advice and solutions to help his clients achieve their business and personal goals. As an entrepreneur himself — he owns and runs a dance academy in Calgary — Mavin understands first-hand the myriad challenges and issues that entrepreneurs face.

Mavin's services include reviews; compilation engagements for private companies; and tax preparation, tax compliance, and strategic tax planning for individuals and corporations. His professional dedication extends to nurturing the next generation of CPAs, serving as a performance manager for aspiring students.

Mavin is deeply involved in community initiatives, serving as a member of the board of directors and audit chair for Attainable Homes Calgary, a wholly owned subsidiary of the City of Calgary. He is a member of the Calgary Stampede promotions committee and a past board member of the Entrepreneurial Chartered Professional Accountants of Calgary.

GREGG CALLANDER, Director – Audit & Accountability Committee

Gregg spent six years as University of Calgary Properties Group's (UCPG) Vice President & Chief Financial Officer before assuming the role of Interim President & Chief Executive Officer in March 2023 from early 2024. Gregg has more than 40 years of financial and leadership experience and has served on both public and private companies in a wide range of industries including commercial, residential, land development, real estate, manufacturing, leisure, and construction. As a University of Calgary graduate, his educational background includes a Bachelor of Commerce with a Major in Accounting and designation as a Chartered Professional Accountant. Before joining UCPG, Gregg was the Executive Vice President of a privately owned real estate company with \$500 million in assets. Gregg was appointed as the Treasurer for the Calgary Winter Club and

Attachment 1

ARBI (Association for the Rehabilitation of the Brain Injured) where he volunteered for both organizations for six years.

GORDON VAN VLIET, Director – Audit & Accountability Committee

Gordon “Gord” Van Vliet is a partner in Field Law’s Real Estate and Business practice groups with nearly 20 years of experience helping public and private developers build and manage many large properties throughout Alberta and British Columbia. He provides strategic counsel on a broad range of complex commercial real estate transactions and structures, including commercial and residential land development, sales and acquisitions, mergers, leasing and property management, co-ownership, partnerships, secured lending, construction and municipal planning.

Enterprise Risk Management

10. **AHC’s Principal Risks are listed below.** These are the Risk Titles from **Attachment 9- AHC Risk Register- Confidential**. A detailed description of these core risks, and other business risks, along with how the risks are identified and monitored, are included in the risk register.

- Market
- Financial Risk
- Inventory Risk
- Political risk
- Operations, Process Risk

11. **Describe AHC risk management policies and procedures** in place to manage Principal Risks, including ICs in place to manage information technology and other systems.

AHC uses an Enterprise Risk Management Policy to identify, rate, measure and mitigate risk. ICs in place to manage information technology and other systems are listed in section 1.b) above. Other policies and procedures in place to manage risks are:

1) **Risk Register updated and review**

- AHC uses The City of Calgary Risk Register template to identify, monitor and report risks. The risks are updated by the President/CEO and reviewed by the A&A Committee. Any changes made to the risk register are reviewed and approved by the AHC Board annually, usually in the Q2 meeting. The current risk register employs The City of Calgary 5X5 matrix format.

2) **Regular (annual) City of Calgary Audit Committee review**

- AHC presents the AHC “Annual Report and Risk Management Process” to The City of Calgary Audit Committee on an as required basis as requested directly by The City Audit Committee, typically annually.
- The AHC A&A Committee Chair, Board Chair, AHC President/CEO and/or Director of Finance are involved in writing the report and presenting to the City committee.

Attachment 1

3) **Monthly reporting of credit facility balances with City Treasury**

- AHC Administration provides a monthly summary of the balances of AHC lines of credit with The City of Calgary Treasury & Finance to keep The City of Calgary apprised of the level of financial exposure through the loan guarantee.

4) **Lender relations**

- AHC meets with the Lender on a monthly basis to provide an update on operations.
- The AHC business model and operations plan are reviewed on an annual basis with the Lender to ensure AHC is compliant with the existing terms of the Revolving Line of Credit and Evergreen line of credit.

5) **Key Performance Indicators (KPIs)**

- KPIs are reviewed and approved by the AHC Board on a quarterly basis.

6) **Business Continuity**

- AHC reviews the Business Continuity Plan and Disaster Recovery Plan to ensure these documents are up to date and relevant to the changing risks in the business environment and aligned with City of Calgary direction.

12. **Principal Risks oversight** is assigned, tracked, and monitored by the Board through review of the AHC Risk Register by the A&A committee at every quarterly meeting. The President/CEO updates the Risk Register quarterly, as required and recommended by the A&A committee.

KPIs are reviewed quarterly by the A&A committee as they form a section of the quarterly financial statements also reviewed by the A&A committee quarterly. The KPIs, reviewed alongside the Risk Register, provide broad and robust risk assessment measurements. Any actions related to risk management are captured in the meeting minutes and expected to be actioned by administration by a pre-determined deadline, usually by the next quarterly committee meeting.

Lastly, the Chair of the A&A committee reports on the topic of risk management in a committee report provided to the Board at each quarterly Board meeting.

13. **The regulatory or internal/external business assessments** that provide assurance on the effective management of the Principal Risks as addressed above are:

- Monthly Quantity Survey reports completed for the Lender on the status of the schedule and budget at the 1010 6 Avenue SW project

Talent and Culture

14. **There have been no significant changes** to AHCC's executive leadership team.

15. **AHC is excited to set diversity goals, and include them, in the organization's corporate governance framework.** The AHC Board of Directors is a volunteer board governed by a

Attachment 1

Board Charter that takes direction from overarching City of Calgary policies and goals. Diversity is ensured and celebrated within the AHC Board and Administration.

16. **AHC's ethics and compliance of corporate policies** are reported regularly to the Board via:

- Annual sign off of the Code of Conduct by each staff member
- Report of semi-annual staff performance reviews to the Board at the fourth quarter meeting every year as mandated by the Board work plan

17. **The mechanisms in place to support concerns of management and employees** are:

- The AHC Employee Handbook (July 1, 2020) which includes sections on performance management, conflict resolution and employee benefits
- The Code of Conduct, reviewed annually by each employee, that includes details of how all staff are expected to engage with one another. This policy also includes a reporting misconduct (whistle-blower section)
- AHC's culture is one of honesty, sharing and safety. We have an open-door policy and all concerns of staff, if they arise, are treated with utmost seriousness and respect.

18. The AHC Board is made of unpaid volunteers, so **Board compensation** is limited to continued professional learning opportunities budgeted for each Board member every year.

The compensation strategy for the administrative team is administered by the CP&G committee. The President & CEO recommends pay increases (if any) at the fourth quarter meeting of the Board. Recommended pay increases are considered in the context of retention, competitiveness in the employment market, and AHC's overall budget.

The AHC Board and President/CEO recognize that staff are generally paid less than what similar roles would be compensated for at a for-profit organization. AHC also does not provide bonuses.

AHC is able to retain exceptional staff members and maintain a high performance and caring culture through the power and clarity of the mission of the organization, a high level of trust to get the work done for the team, and a competitive employee benefits package.