



# 2015 Report to Audit Committee

# Meeting agenda



"For a family whose future was once so uncertain, you have given us a place to put our roots down and start focusing on our new life." - Jill

- Program model overview
- Home buying process
- Current market
- What's new?
- Board update
- AHCC audit and accountability committee
- Committee terms of reference
- 2015 audit work plan
- Integrated risk management
- Internal controls
- 2014 audit and financial statements

# Program model overview

Discount to appraised market value

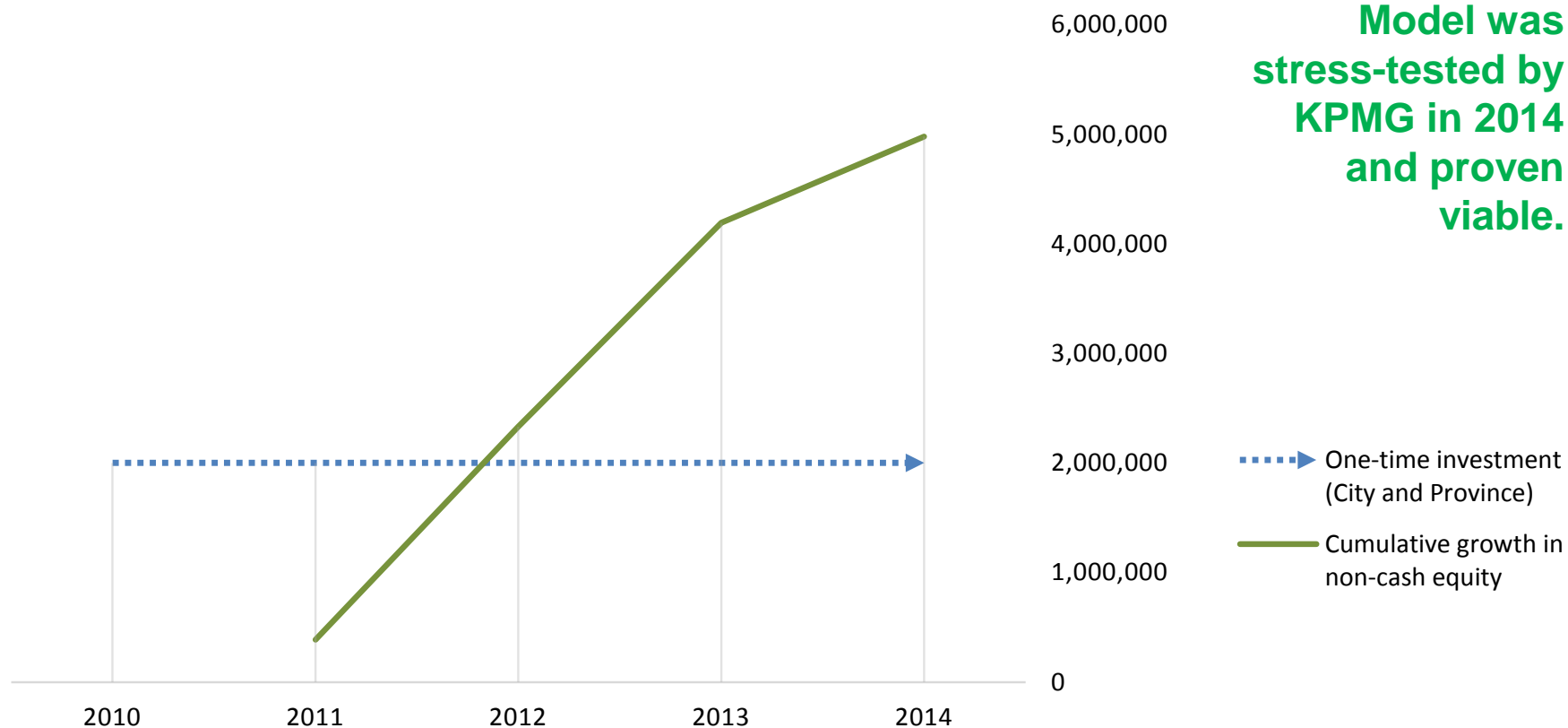
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Non-cash equity loan for  
homebuyers

+

Small margin  
for operating  
expenses

# Program model overview



# Home buying process

**My dream. My home!**  
TAKE POSSESSION IN 2015: EXPLORE TODAY

Act now...these homes are going fast!  
Priced in the low \$200's and with gifted \$5 per cent down payments available to qualified buyers, this ownership opportunity won't last long. [Click here to look closer!](#)

- Ample light and open-concept kitchen
- Granite countertops and many great extras
- Premium carpet, tile and cork flooring

**SKYMILLS**  
— TRICHMAN HOMES —

Our mission is to connect middle-income Calgarians with the homes they aspire to own. If you meet our income criteria, if you can qualify for a mortgage and if you can come up with a down payment of just \$2,000, we can help open one of the most rewarding doors of your life. [Click here to learn how it works and see if you qualify.](#)

**Your journey to homeownership begins with three simple steps.**

- 1. GET IN TOUCH**  
Meet some basic criteria for participation in our Affordable Home Ownership Program (AHOP). [Get In Touch](#)
- 2. GET EDUCATED**  
Take our home education session that covers all the basics of owning your own affordable home. [Get Educated](#)
- 3. GET YOUR MORTGAGE**  
Receive your gifted down payment and choose from one of our amazing affordable homes. [Get Your Mortgage](#)

- All homebuyers must complete an education session.
- All homebuyers must be pre-approved for a mortgage.
- Banks check income, payment history, debt level, types of credit used, length of credit history.
- Mortgages are underwritten by CMHC and Genworth.



# Current market



110 firm home sales

816 education sessions

2,653 website registrations

108,588 web visits

YTD as of July 5, 2015

- Pause in purchases during Q1 2015 as home buyers watched the market.
- Clients are taking more time to make purchasing decisions, compared to last year.
- Balanced market (entry-level).
- YTD average of 4 home sales per week.
- Pipeline of projects is growing.
- Monthly dashboard of Key Performance Indicators is reviewed by the board.
- Sales and development pipelines are monitored by management weekly.
- Project schedules are monitored.



## What's new?

- **Expanded Audit & Accountability Committee terms of reference.**
- **Committee expanded from 2 to 3 members.**
- **Further advancement of internal controls.**
- **Introduction of a whistle blower policy/process.**
- **New auditor: Collins Barrow.**
- **New Finance Manager: Wendy Hennel, CPA, CGA.**



# Board update



Pictured: Westbury Park.

## **Board of directors**

Mayor and 1 City Councillor, 5 citizens;  
Director Elizabeth Huculak appointed in 2015.

## **Audit committee**

3 members, 2 ex-officio.

## **Corporate performance and governance committee**

2 members, 2 ex-officio.

## **Management team**

Finance Manager, Wendy Hennel hired in 2015.

## **External auditor**

Collins Barrow, appointed in 2015.

## **Advisory committee**

7 citizens.



# Audit and accountability committee

## **Lisa Oldridge, Committee Chair, ICD.D. CFA Charterholder, MBA**

Lisa is Principal at Hugessen Consulting, an independent consulting firm that advises boards regarding senior executive compensation, performance and governance. She has extensive knowledge of public and private equity investment and financial markets from 15 years' experience in various capital market roles. She is a CFA charterholder, holds an MBA from the University of Calgary, has been certified by the Institute of Corporate Directors, and is part of the teaching faculty for the Directors Education Program and Human Resources and Compensation Committee Effectiveness courses.

## **Elizabeth Huculak, Committee member**

Elizabeth has over 10 years in senior leadership and executive management positions in dynamic, results-oriented organizations including Homes By Avi and Jayman MasterBuilt. Elizabeth was employed for 15 years at Canada Mortgage and Housing Corporation (CMHC), undertaking roles including Director Risk Management (Insurance and Securitization). She also has experience and expertise in governmental, not-for-profit and entrepreneurial organizations in finance, housing, construction and real estate development, and clean energy development and deployment.



# Audit and accountability committee

## **Councillor Brian Pincott, Committee member**

Brian is currently serving his third term as Councillor for Ward 11 in Calgary. His background includes working in social, economic and environmental justice locally. As a member of Council, he has dedicated himself to fostering a culture of sustainability in the city and has a keen interest in affordable housing as evidenced by his involvement on the Board of Calgary Housing Company since 2007. Brian graduated from Acadia University with a Bachelor of Arts in 1985.

## **Wendy Hannel, CPA, CGA, Finance Manager**

Wendy was hired by AHCC in February, 2015. Wendy was Senior Finance Manager at Climate Change Central, an Alberta based non-profit organization, for 4 years prior and she spent 14 years at Mark's Work Wearhouse Ltd. where she focused on cash-flow, hedging, insurance, leasing, financial reporting and treasury projects. She graduated from the University of Calgary with a Bachelor of Arts in 2000, and then from the Certified General Accountants program in 2009. She currently sits on two not-for-profit boards as Treasurer.



# Detailed review of TOR, internal controls

## **Expanded terms of reference in preparation for further growth:**

- Expanded size of committee from 2 to 3 members.
- Boosted the monitoring of internal controls.
- Elaborated the importance of independence.
- Incorporated a whistle-blower policy.

## **Strengthened internal control policies:**

- Documented all internal controls for consistency.
- Increased oversight over Finance Manager position with monthly reasonableness tests.
- Valuation of equity receivable process being completed quarterly.
- Review of all internal controls with staff and audit committee will be completed by Sept 30, 2015.
- Testing of internal controls will be done in Q4 2015 to ensure compliance and periodically thereafter.

# 2015 committee work plan

	Qtr 1 31-Mar-15	Qtr 2 30-Jun-15	Qtr 3 30-Sep-15	Qtr 4 31-Dec-15
Review audit committee terms of reference		C		
Annual workplan review				*
Review and make recommendations to the Board regarding AHCC risk management procedures and controls		C		
Risk registry review		C		
Assessment of internal control environment		C		
Disaster Recovery Plan			*	
Records Management policy and procedures				*
<b>Annual Audit 2014</b>				
Review Audited Year End Financial Statements	C			
Review results and findings from Annual audit	C			
Evaluate performance of external auditor	C			
<b>Annual Audit 2015</b>				
Appointment of external auditor		C		
Identify areas requiring special attention				*
Review and approve external auditor scope, audit plan and engagement letter.				*
<b>Other</b>				
Annual report to City of Calgary's Audit Committee		*		
Annual report to City of Calgary's Audit Committee - follow-up			*	
<b>Legend</b>				
C - complete * - pending				

# Integrated risk management

## Shared equity model:

- Research into a sunset clause is underway.
- Equity loan receivable are discounted and revalued each quarter.
- Resale data is monitored closely.
- Anticipate risk likelihood will move from high to medium once we hit 200 sales / 200 re-sales a year.

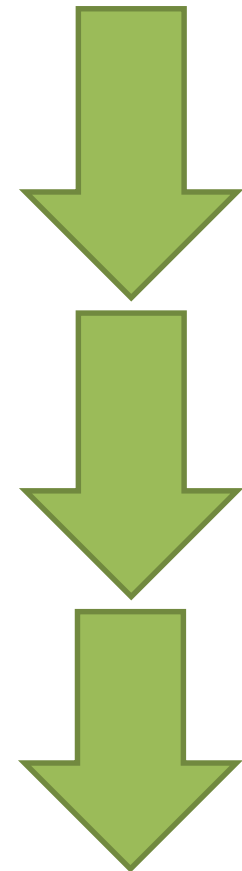
## Inventory:

- Another full-time development position was created in 2015.
- Discussions regarding new land and developments are ongoing.
- As more partnerships are established and development sites are confirmed, this risk will be reduced.

## Development cash management:

- Revolving line-of-credit arrangement was implemented in 2015, reducing the risk of insufficient cash to fund developments.

## Direction of risk:



# Internal controls: a systematic and consistent approach



"I still sometimes catch myself feeling insanely proud of the house being mine and what I have accomplished, which truly would not have been possible without the assistance of AHCC." - Amanda

Internal controls processes are documented in three main areas:

- 1) **Financial reporting**
- 2) **Asset protection**
- 3) **Compliance with laws and regulations**

Examples of key business transactions that have documented internal controls:

- Sales process (execution, recording)
- Resale process (execution, recording)
- Inventory purchase process
- Customer pricing process
- Land and inventory valuation process
- Valuation of equity receivables
- Journal entry review
- Protection, retention and destruction of financial and personal records
- Contract and commitment management and review process
- Expense and payment authorization
- Insurance policy review

# 2014 audit and financial statements

Revenues over \$38M

Operating surplus \$1.68M

Margin covered operating costs

- Grant Thornton LLP issued an opinion without qualification.
- Proactively advancing our integrated approach to internal controls:
  - Internal control processes are documented.
  - Quarterly equity receivable valuations are being done.
  - Monthly KPIs go to the board and management.
  - Cash flow forecasts being monitored daily.
  - Increased oversight over Finance Manager role.
  - Introduction of a whistle-blower policy.
  - Increased size and independence of audit and accountability committee.



# Questions?



"We didn't plan on buying a home. We didn't think it would be possible."  
- Amanda

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