ISC: UNRESTRICTED
AC2018- 0603
Attachment 5

COLLINS BARROW

Attainable Homes Calgary Corporation

Audit Findings Report

For the Year Ended December 31, 2017

February 22, 2018

TABLE OF CONTENTS

Purpose 1

Status of the Audit 1

Significant Audit Findings 1

Misstatements and Adjustments 5

Appendices 6

Purpose

This report summarizes certain key audit findings and responses to assessed audit risks which we believe to be of interest to assist the Audit and Accountability Committee in discharging their responsibilities in connection with the audited financial statements of Attainable Homes Calgary Corporation (the "Corporation") for the year ended December 31, 2017.

We would like to express our appreciation for the cooperation we received from the officers and employees of the Corporation with whom we worked during our audit. We look forward to meeting with the Audit and Accountability Committee to discuss the content of this report and answering any questions you may have.

Status of the Audit

We have substantially completed our audit of the financial statements of the Corporation for the year ended December 31, 2017.

Outstanding Items

The following items require completion prior to issuing our auditors' report:

- receipt of City of Calgary mortgages confirmation;
- receipt of management representation letter (Appendix C);
- subsequent events review to audit report date;
- receipt of legal enquiry response; and
- approval of the financial statements by the Board of Directors.

Independent Auditors' Report

Our draft independent auditors' report is attached (Appendix B).

Significant Audit Findings

Materiality

Final overall materiality was $589,000 based on 2% of cash expenditures. This was changed from overall planning materiality of $456,000, as communicated in our Audit Services Plan upon receipt of final numbers.

Accounting Policies

Management is responsible for selecting and applying appropriate accounting policies. The Audit and Accountability Committee is responsible to review accounting policies adopted by the Corporation and where alternative policies are available, determine the most appropriate policies to be adopted in the circumstances. If the Audit and Accountability Committee believes that the adoption of or change in accounting policies may produce inappropriate or misleading financial reporting, this concern must be discussed with management and us.

Our views on the qualitative aspects of accounting practices used in the Corporation's financial reporting are intended to assist the Audit and Accountability Committee in its review of the financial statements. Policies affecting the understandability, relevance, reliability and comparability of the financial statements are:

Changes in significant accounting policies, including adoption of new standards.	There were no new accounting policies adopted or changes to the application of accounting policies of the Corporation during the year.
Accounting policies unique to the industry, or relate to controversial or emerging areas.	No significant items to report.
Existence of alternative policies and methods.	No significant items to report.
Effect of timing of occurrence and recognition of transactions relating to when accounting policies are adopted.	No significant items to report.

Conclusion:

We reviewed the significant accounting policies selected and applied by management and in our judgment, we believe that the accounting policies are, in all material respects, acceptable under Canadian public sector accounting standards and are appropriate to the particular circumstances of the Corporation.

Accounting Estimates, Unusual Transactions and Financial Statement Disclosures

Our risk-based audit approach focused on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriate level.

The following is a summary of key issues and significant risks of material misstatement, whether due to fraud or error, encompassing areas of estimates and related judgments and assumptions, significant or unusual transactions and sensitive financial statement disclosures, identified during the audit:

Issue/risk area	***Valuation of inventory*** *Valuation of inventory, specifically homes (units), due to the nature of units held, the length of time units have been held, and current economic conditions.*
Management's approach	The Corporation tested impairment of units held at December 31, 2017 and concluded that, based on management's estimates of net realizable value, an impairment charge of $416,100, mostly related to Sunalta and Skymills 2000 units, was required at December 31, 2017.
Our response	We have reviewed the inputs, techniques and assumptions used by management, including comparing to recent appraisals, recent sales of comparable units in the developments, and property tax assessments, and are in agreement with management's assessment of the valuation of inventory units held at December 31, 2017.
Issue/risk area	***Valuation of land and site development costs*** *Valuation of land inventory, due to current economic conditions and the fact that the downtown sites had not being appraised since 2015.*
Management's approach	The Corporation reviewed land and site development costs at December 31, 2017 for indicators of impairment and concluded that the 2015 impairment of $94,150 should be reversed due to the Avison Young Valuation & Advisory Services' ("Avison Young") Appraisal Report of the downtown sites totalling $8,300,000.
Our response	We have reviewed the December 4, 2017 Avison Young Appraisal Report and obtained reliance letters from Avison Young regarding our reliance on their December 4, 2017 Appraisal Report for our December 31, 2017 financial statement audit. We agree with management's assessment of the valuation of land and site development costs at December 31, 2017.

Issue/risk area	***Equity Receivables - Allowance*** *Valuation of equity receivables, due to the significant assumptions used in the calculations to assess fair value, as well as current economic conditions.*
Management's approach	In previous years, management assessed indicators of impairment on equity receivables relating to the Beacon Heights, Skyview 4000 and Skyview 5000 developments, as the expected appreciation of the properties was not sufficient to recover the full amount of outstanding equity receivables. Given current market conditions which contributed to losses on equity receivables settled in 2017, there continues to be indicators that equity receivables in these and all other developments may not be fully recoverable. In addition, over the past few years, the Corporation has realized a few losses on equity receivables as a result of foreclosures. Therefore, it was determined by management that an allowance should be recorded on outstanding equity receivables relating specifically to estimated foreclosures of units in the future. Based on the above factors, management has recorded an allowance totalling $2,947,917 on equity receivables to December 31, 2017. Significant assumptions used in these allowance calculations include expected future market pricing and appreciation of units to be resold, expected timing of unit sales and estimated foreclosure rates. Changes to these assumptions can have significant impact on the calculation of the valuation on equity receivables.
Our response	We have reviewed management's assessment of the collectability of equity receivables, their estimation processes and calculations and conclude that they are reasonable and the allowance recorded to December 31, 2017 is appropriate.
Issue/risk area	***Equity Receivables - Discount*** *Valuation of equity receivables, due to discounting of estimated future repayments.*
Management's approach	Management has discounted equity receivables to account for the repayment of the receivables over an extended time frame using a discount rate of 2.45%. Significant assumptions in the discounting calculation include the estimated year of sale of units, expected future market prices, and the interest rate used in the present value calculations. Changes to these assumptions can have significant impact on the calculation of the discount on equity receivables.
Our response	We have reviewed management's estimate processes and assumptions used in the present value calculations and conclude that they are reasonable.

Issue/risk area	***Occurrence of Revenue*** *Occurrence of revenue, due to the nature and timing of the recording of revenue.*
Management's approach	Revenue is recorded on possession of units.
Our response	We agreed a sample of amounts recorded in revenue to purchase and sale agreements, final statements of adjustments, and certificates of title and agree that the criteria for the recognition of revenue has been met.
Issue/risk area	***Management Override of Controls*** *Management override of controls is, by definition, a significant risk.*
Our response	During the course of our audit, we designed and performed audit procedures to respond to the risks of management override of controls. Our procedures included assessing appropriateness of general journal entries and other adjustments on a test basis, reviewing accounting estimates for biases and evaluating business rationale for transactions outside the normal course of business. These procedures did not reveal any evidence of management override of controls and, as such, no additional audit procedures were performed

Conclusion:

We reviewed all significant accounting estimates and agree that they are, in all material respects, free of possible management bias and of material misstatement. The audit procedures performed in the areas noted above were consistent with those set out in our Audit Services Plan. The accounting treatment of the items noted above and related disclosures are appropriate and in accordance with Canadian public sector accounting standards. We were able to obtain sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriate low level.

Misstatements and Adjustments

Adjustments

During our audit, we identified accounting differences that required adjustment. These differences were adjusted by management after discussion with us (Appendix C). In addition, management incorporated various changes to the financial statement disclosure and presentation as recommended by us.

Misstatements

During our audit, we did not identify any uncorrected financial statement misstatements.

APPENDICES

Other Required Communication ..... A

Draft Independent Auditors' Report ..... B

Draft Management Representation Letter C

Summary of Adjustments ..... D

Appendix A

Other Required Communication

Illegal Acts, Fraud, Intentional Misstatements and Errors	Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of financial information.
Related Party Transactions	We conducted tests and procedures to identify related parties and transactions. Our audit did not reveal any related parties or significant related party transactions that were not disclosed to us by management, nor did it reveal any significant related party transactions which give rise to suspected fraud. There has been no disagreement between management and ourselves regarding the accounting for and disclosure of related party transactions.
Disagreements with Management	During our audit, we did not have any significant disagreements with management.
Consultations with Other Accountants	We are not aware of any consultations that have taken place with other accountants.
Cooperation of Management	We received full cooperation of management and other personnel during our audit and we had full and unrestricted access to all records and personnel required to complete our audit. We encountered no significant difficulties during our audit that should be brought to the attention of the Audit and Accountability Committee.

Appendix B

Draft Independent Auditors' Report

Independent Auditors' Report

To the Shareholder of
Attainable Homes Calgary Corporation

We have audited the accompanying financial statements of Attainable Homes Calgary Corporation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Attainable Homes Calgary Corporation as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED PROFESSIONAL ACCOUNTANTS

Appendix C

Draft Management Representation Letter

ATTAINABLE HOMES CALGARY CORPORATION

(•)

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

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Attainable Homes Calgary Corporation as at December 31, 2017 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Attainable Homes Calgary Corporation in accordance with Canadian accounting standards for not-for-profit organizations.

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

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

We confirm, to the best of our knowledge and belief, as of (•), the following representations were made to you during your audit.

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 16, 2017, for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations; in particular, the financial statements are fairly presented in accordance therewith.

2. The Corporation's significant accounting policies are disclosed in the financial statements and:

   (a) there have been no changes in the Corporation's accounting policies.

   (b) the accounting policies selected and applied are appropriate in the circumstances.

   (c) significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

ATTAINABLE HOMES CALGARY CORPORATION

3. Significant matters have not arisen that would require a restatement of the comparative financial statements.

Completeness of information

4. We have provided you with:

   - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from us for the purpose of this audit;
   - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
   - all minutes of the meetings of shareholders, directors and committees of directors, or summaries of recent meetings for which minutes have not yet been prepared.

5. The minute books of the Corporation are a complete record of all meetings and resolutions of the Corporation throughout the year and to the present date.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory agencies, applicable securities commissions or governmental authorities, including their financial reporting requirements.

8. We are unaware of any instances of non-compliance or suspected non-compliance with laws or regulations the effects of which should be considered when preparing financial statements.

9. We have identified to you all known related parties and all known related party relationships and transactions, including guarantees, non-monetary transactions and transactions for no consideration.

10. We have communicated to you all deficiencies in internal control of which management is aware.

Fraud and error

11. We have no knowledge of fraud or suspected fraud affecting the Corporation involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.

12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix C
Draft Management Representation Letter

ATTAINABLE HOMES CALGARY CORPORATION

13. We believe there were no non-trivial uncorrected financial statement misstatements aggregated by you during the year, both individually and in the aggregate, to the financial statements taken as a whole.

Recognition, measurement and disclosure

14. We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

15. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

16. All related party relationships and transactions have been appropriately measured and disclosed in the financial statements.

17. We are aware of the environmental laws and regulations that impact on our Corporation and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the financial statements.

18. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

19. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel. Any such items have been accounted for and disclosed in accordance with Canadian accounting standards for not-for-profit organizations.

20. We confirm that there are no derivative or off-balance sheet financial instruments held at the year ended December 31, 2017.

21. We confirm that we have made the appropriate determination, accounting and disclosure in the financial statements of the costs, assets and obligations associated with employee future benefits.

22. All liabilities, both actual and contingent, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

23. The Corporation has satisfactory title to, or control over, all assets, and there are no liens or encumbrances on the Corporation's assets or assets pledged as collateral that are not disclosed in the notes to the financial statements.

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

Appendix C
Draft Management Representation Letter

ATTAINABLE HOMES CALGARY CORPORATION

25. We confirm the appropriateness of accounting policies and the application thereof for complex areas of accounting and areas involving management's judgment and estimates, for example:

- valuation of inventory;
- valuation of land and site development costs; and
- valuation of equity receivables.

26. There have been no events subsequent to the statement of financial position date up to the date hereof that would require recognition or disclosure in the financial statements other than that disclosed in the notes to the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.

27. The terms of your engagement, as set out in your letter to us dated October 16, 2017, are still in effect and we agree with the terms as set out.

Yours very truly,

____

Wendy Hennel, CPA, CGA, Director of Finance

____

John Harrop, President and CEO

/kil

C:\OUTOFOFFICE\ATTAINABLE HOMES YE17 (SYNC)\E45 A

Attainable Homes Calgary Corporation
Year End: December 31, 2017
Journal Entries
Date: 1/12/1999 To 12/31/2017

Prepared by	Detailed Rev	General Review	Senior Rev
KIL 2/8/2018	CDM 2/9/2018	JAT 2/11/2018	

APPENDIX D

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
CB01	12/31/2017	Cash Held in Trust	1012	L2-2		1,450,410.00		
CB01	12/31/2017	Other Deposits	1486	L2-2	1,450,410.00			
		To reclass second deposit for Martindale Land purchase to deposits, not cash held in trust.						
CB02	12/31/2017	G/L - Equity Loan Receivable BH	8681	H90-19		33,306.16		
CB02	12/31/2017	Equity Loan - BH	1699-1702	H90-19	33,306.16			
		To adjust BH equity loan account for prior year allowance reversal.						
					1,483,716.16	**1,483,716.16**		