



Calhome Properties Ltd.

For the year ended December 31,
2017

Report to Audit and Risk Management
Committee

March 9, 2018

March 2, 2018

Private and confidential

To the Members of the Audit and Risk Management Committee of Calhome Properties Ltd. ('Operating as Calgary Housing Company')

Report on audited annual financial statements

Dear Audit and Risk Management Committee Members:

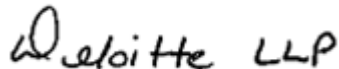
We are pleased to submit this report on the status of our audit of Calhome Properties Ltd. ('Operating as Calgary Housing Company') ("Calhome") for the 2017 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our engagement letter dated November 17, 2017, we have performed an audit of the financial statements of Calhome Properties Ltd. as of and for the year ended December 31, 2017, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated March 23, 2018.

This report is intended solely for the information and use of the Audit and Risk Management Committee (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.

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

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

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Our audit explained

This report summarizes the main findings arising from our audit.

Audit scope and terms of engagement

We have been asked to perform an audit of Calhome's financial statements (the "financial statements") in accordance with Public Sector Accounting Standards ("PSAS") as at and for the year ended December 31, 2017. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). The terms and conditions of our engagement are described in the engagement letter dated November 17, 2017, which was signed on behalf of the Committee and management.

Significant audit risks

Through our risk assessment process, we have identified significant audit risks. These risks of material misstatement and related audit responses are discussed in the significant audit risks section of this report.



Materiality

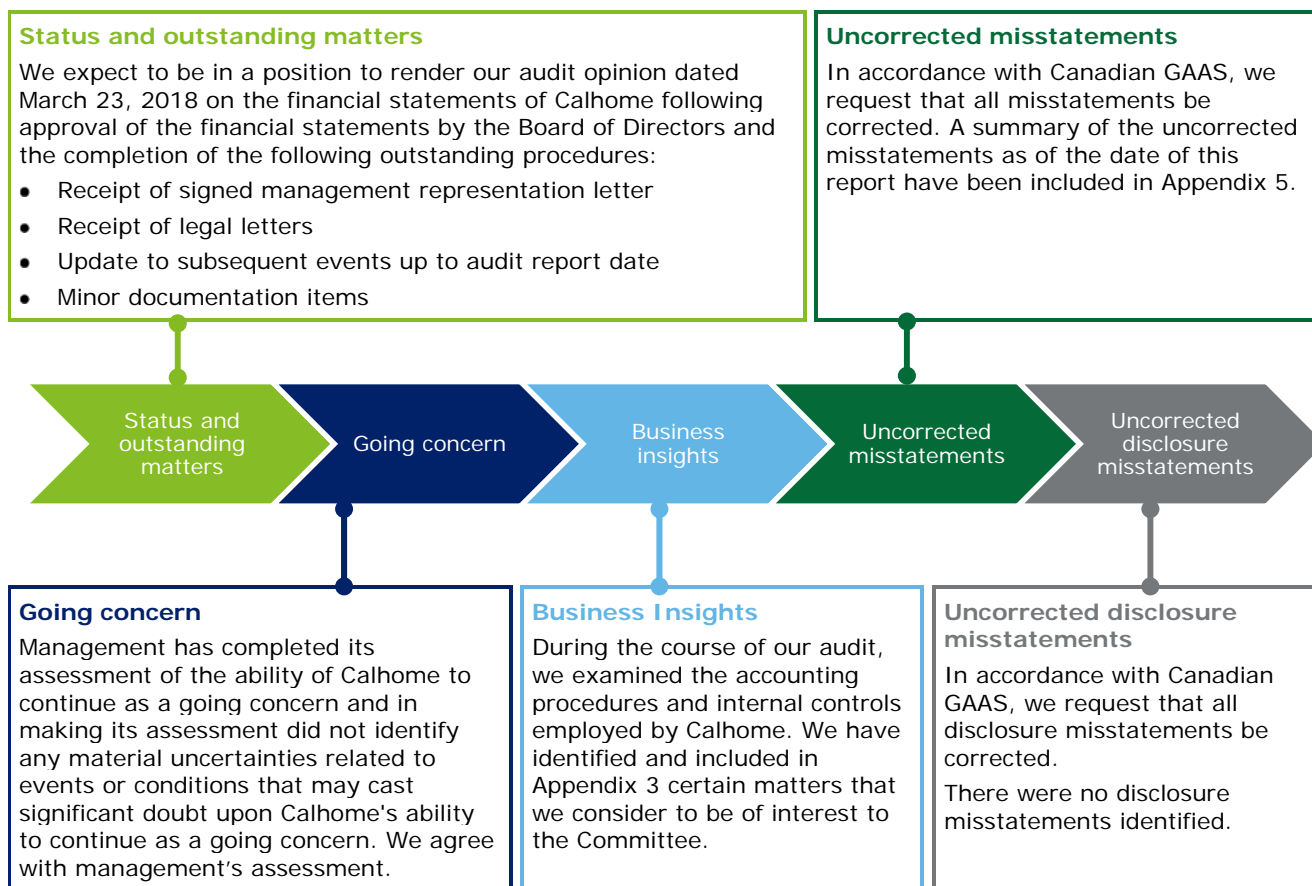
We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

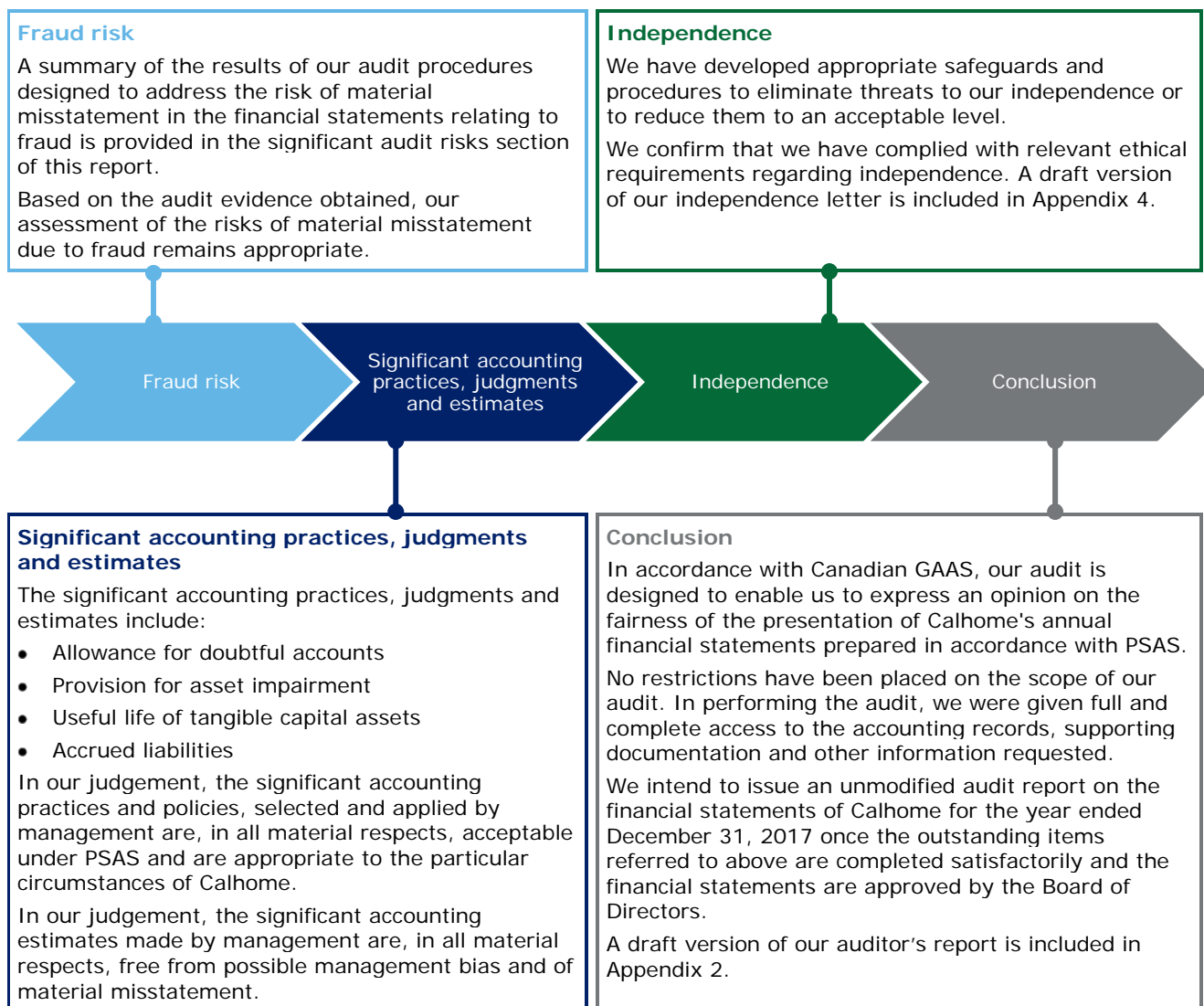
Materiality levels are determined on the basis of total actual operating expenditures. Our materiality for the year ended December 31, 2017 was \$2,550,000 (2016, \$2,400,000).

We have informed the Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

Audit fees

We communicated our proposed audit fees of \$76,500 (2016, \$74,620) for the audit and \$3,500 per portfolio (5 portfolios) (2016, \$3,400 per portfolio) for the specified procedures reports. These fees exclude the 7% administrative fee and GST. There have been no changes to our proposed fee.





Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below. As a result of an evaluation of our risk assessment undertaken during the conduct of the fiscal 2017 audit, we determined there to be some changes in the areas of significant risk with respect to revenue recognition originally presented to the Committee in our Audit Plan on November 17, 2017. Specifically, the occurrence and cut-off of rent revenue and rent supplement are no longer assessed as areas of significant risk.

Revenue recognition

Audit risk

Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition. We have determined revenue recognition related to restricted funds revenue as a significant risk.

There may be increased risk of material misstatement relating to the occurrence and cut-off of the restricted funds revenue.

Our audit response

- We have performed substantive testing, including review of various funding agreements for restricted funds revenue transactions to ensure that occurrence and cut-off have been appropriately accounted for in the year ended December 31, 2017.
- We made inquiries of management and tested control activities involving management's process for accounting for revenue transactions and determining when the revenue recognition criteria had been met.

Audit results

Based on the audit procedures completed, we conclude that restricted funds revenue is fairly stated, appropriately classified and properly disclosed in the context of the financial statements taken as a whole.

Management override of controls

Audit risk

Under Canadian Auditing Standards, it is the responsibility of management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Potential management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.

Our audit response

- We engaged in periodic fraud discussions with certain members of senior management and with the chair of the Committee.
- We considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- We evaluated the business rationale for any significant unusual transactions.
- We evaluated Calhome's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process.
- We tested journal entries that exhibited characteristics of possible management override of controls identified.

Audit results

Based on the performance of our audit procedures, we have not identified any instances of management override of controls.

However, we did identify one matter relating to journal entry testing as discussed in Appendix 3.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Committee as part of the audit plan.

	Comment
Changes to the audit plan	As discussed on page 4, as part of our audit process we further reevaluated significant risks around revenue and pinpointed significant risks to the cut-off and occurrence of restricted funds revenue. There were no other significant changes to the audit plan.
Significant difficulties encountered in performing the audit	During the course of our audit, we did not encounter any significant difficulties while performing the audit.
Related party transactions	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.
Disagreements with management	During the current audit, we did not encounter any disagreements with management.
Consultation with other accountants	Calhome consulted MNP LLP to review Calhome's procurement related policies.
Legal and regulatory compliance	<p>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.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by Calhome.</p>
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events. We will update subsequent events with management up to the audit report date of March 23, 2018.

Appendix 1 – Communication requirements

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements.	CAS ¹ 260.14	Engagement letter
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit. b. Significant risks, including fraud risks. c. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit. 	CAS 260.15	Audit plan communicated on November 17, 2017
3. Significant transactions outside of the normal course of business, including related party transactions.	CAS 260 App. 2, CAS 550.27	Nothing to report.
Year End Communication		
4. Fraud or possible fraud identified through the audit process.	CAS 240.40-.42	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions.	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	CAS 260.16 a.	Nothing to report.
7. Matters related to going concern.	CAS 570.23	We concluded that there was no substantial doubt about Calhome's ability to continue as a going concern.
8. Management judgments and accounting estimates.	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
9. Significant difficulties, if any, encountered during the audit.	CAS 260.16 b.	No significant difficulties to report.
10. Material written communications between management and us, including management representation letters.	CAS 260.16 c.	Management representation letter
11. Other matters that are significant to the oversight of the financial reporting process.	CAS 260.16d.	No other matters to report.

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

Required communication	Reference	Refer to this report or document described below
12. Modifications to our opinion(s).	CAS 260.A18	We will issue an unmodified opinion.
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns.	CAS 260.A19	None identified.
14. Significant matters discussed with management.	CAS 260.A.19	None identified.
15. Illegal or possibly illegal acts that come to our attention.	CAS 250.23	We are not aware of any illegal acts.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements.	CAS 265	No deficiencies to report.
17. Uncorrected misstatements and disclosure items.	CAS 450.12-13	In accordance with Canadian GAAS, we request that all misstatements be corrected. Uncorrected misstatements were noted. Please refer to Appendix 5 for further details.

Appendix 2 – 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, 2017, and the statements of operations, change 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, 2017, 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.

Chartered Professional Accountants
March 23, 2018

Appendix 3 – Letter of recommendations and business insights



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

Tel: 403-267-1700
Fax: 403-213-5791
www.deloitte.ca

March 9, 2018

The Members of the Audit and Risk Management Committee of
Calhome Properties Ltd. ('Operating as Calgary Housing Company')

Dear Members:

We have recently completed our audit of the financial statements of Calhome Properties Ltd. ('Operating as Calgary Housing Company') ('Calhome') for the year ended December 31, 2017.

Our audit was designed to provide a cost-effective basis for formulating an opinion on your financial statements. As part of our examination, we reviewed and evaluated relevant aspects of the systems of internal control and the accounting systems to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian GAAS.

The main purpose of our systems review was to assist in determining the nature, extent and timing of our audit tests and to establish the degree of reliance, which we could place on selected controls; it was not to determine whether internal controls were adequate for management's purposes.

While the audit did not include an in-depth evaluation of all systems or all aspects of any individual system and should not, therefore, be relied upon to identify all significant internal control deficiencies, or all errors, irregularities or inefficiencies that might occur, we undertake to report such matters to you when they come to our attention. Our comments relating to these and other matters are attached.

Yours truly,

Chartered Professional Accountants

1. Posting of journal entries

Observation: During the course of the audit, it was observed that the JD Edwards system allows posting of unbalanced one-sided entries within the general ledger. We noted through our journal entry reconciliation process that an unbalanced entry for the net amount of \$4,051 was posted in order to balance the accounts receivable sub-ledger and general ledger. In order to accomplish this, the flag in JD Edwards that does not allow unbalanced entries to be posted was able to be removed by a Calhome staff member upon consultation with Oracle. Once the entry was posted, the flag that does not allow unbalanced entries was reinstated. It should be noted that immaterial unbalanced amounts between the sub-ledger and general ledger are not uncommon, and often an entity can balance the general ledger through posting of an additional journal entry. It should also be noted that this journal entry was appropriately reviewed and our testing of journal entries did not identify any other issues. However, the following matters were identified for consideration by management:

- System limitation of JD Edwards – this system itself should not allow for an override of this nature.
- Management consider reviewing the general ledger and journal entry details to ensure that no other instances of this nature have occurred.

Implication: Use of this practice to balance the general and sub ledgers may increase the risk of posting inaccurate or possibly inappropriate journal entries and may lead to possible management override of controls.

Recommendation: Management review the current system and if possible request the service provider to deactivate the ability to remove the flag that does not allow unbalanced entries. In the rare event that this option has to be taken, the decision to unset a control flag in the system should involve discussion with senior management, and should not be taken by team leads. If possible, instead of creating a one-sided entry, management should have written off the corresponding amount to any expense account.

Management Response: In response to this finding, Management has identified a requirement to put in place proper system controls in the new financial system that will be implemented in 2018. In the interim, Management has introduced an internal control that requires Corporate Finance and Risk Officer approval any time the JDE flag is removed and reinstated for the purpose of posting one-sided journal entries. Management recognizes that this was a one-time, extraordinary circumstance as a result of a system error and does not foresee a necessity for any such entries in the future.

2. Forgivable mortgages not recorded in the general ledger

Observation: During the course of the audit, the mortgage confirmation received from Canada Mortgage and Housing Corporation (“CMHC”) included a forgivable mortgage in the original amount \$32,000 which was not included in the mortgage payable balance by Calhome. We understand that although this mortgage was issued in 2010, this is the first time CMHC has included this mortgage in the confirmation for audit purposes. Management or Deloitte are unaware of why CMHC has not confirmed this mortgage previously. Further investigation by management confirmed that as the original amount of \$32,000 was a forgivable loan and although was required to be recognized as revenue at the maturity date of 2020, it was recorded as revenue in the year it was received resulting in revenue being recognized earlier than it should have been. We note that the impact of recognizing the loan early as revenue on the 2017 and prior year financial statements is not material.

It is also to be noted that all other mortgages held by Calhome have been recorded in the financial statements accurately.

Implication: Missing an outstanding liability can result in material misstatement in the liabilities.

Recommendation: While the impact on the 2017 and prior financial statements is not material, it is recommended that Calhome perform a review of their existing process and policies which monitor and reconcile their mortgage amounts against CMHC issued mortgage documents to determine if any changes need to be implemented within the existing process to prevent future occurrences of this nature.

Management Response: In response to this finding, Management will perform a review of the existing process to monitor and reconcile the Company's mortgage amounts. Management will implement any needed changes that result from that review.

Appendix 4 – Independence matters

March 23, 2018

The Members of the Audit and Risk Management Committee and Board of Directors of Calhome Properties Ltd. ('Operating as Calgary Housing Company')

Dear Members:

We have been engaged to audit the financial statements of Calhome Properties Ltd. ('Operating as Calgary Housing Company') ("Calhome") for the year ended December 31, 2017.

You have requested 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 Calhome, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us 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, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator / 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 10, 2017, the date of our last letter.

We are not aware of any relationships between Calhome and Deloitte, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 11, 2017 to March 23, 2018.

The total fees charged to Calhome for audit services were \$81,855 (2016, \$79,458) for the financial statement audit and \$18,375 (2016, \$18,190) relating to the specified procedures for the special government reports during the period covered by the financial statements. These fees include the 7% administration charge but not GST.

We hereby confirm that we are independent with respect to Calhome within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta as of March 23, 2018.

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

Yours truly,

Chartered Professional Accountants

Appendix 5 – Draft management representation letter

[Calhome letterhead]

March 23, 2018

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, 2017

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') ("Calhome" or "we" or "us") for the year ended December 31, 2017, including the comparative financial statements for the year ended December 31, 2016, 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, and cash flows of the Calhome in accordance with 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 Calhome and Deloitte dated November 17, 2017 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 Calhome as at December 31, 2017, and the results of its operations 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. Calhome 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, 2017 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. All related party relationships and transactions have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of PSAS.
4. We have determined that the Financial Statements are complete as of date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2017 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.
6. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

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.
 - 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. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
9. 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.
10. 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.

11. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Calhome.
12. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices 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.
13. 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.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. 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.
16. Calhome 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.
17. 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.
18. We have disclosed to you, and Calhome 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.
19. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

Independence matters

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

20. Prior to Calhome having any substantive employment conversations with a former or current Deloitte engagement team member, Calhome has held discussions with Deloitte and obtained approval from management.
21. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit and Risk Management Committee in accordance with its established approval policies and procedures.

Fair value

22. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
- a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS;
 - b. No events have occurred subsequent to December 31, 2017 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 Calhome when relevant to the use of fair value measurements or disclosures.

Management's responsibilities

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

Loans and Receivables

24. Calhome 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.
25. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

Employee future benefits

26. 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. Actuarial gains [losses] have been amortized to the liability [asset] and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group.
27. 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.
28. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.

Government transfers

29. We have disclosed to you all correspondence relating to government transfers that Calhome has had with the funding body.
30. We have assessed the eligibility criteria and determined that Calhome is an eligible recipient for the government transfers received.
31. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.

32. 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.

City of Calgary Capital Asset Policy

33. The Company was aware of the City of Calgary's change in Capital Asset Policy for Land and Land Improvements for the year ended December 31, 2017. Management has reviewed and understands the policy and has determined that this policy change does not apply as Calhome does not have any Land and Land Improvement category.

Tangible capital assets

34. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150: *Tangible Capital Assets*.
35. 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.
36. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to Calhome's ability to provide goods and services and therefore do not require a write down.

Adjusting journal entries

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

Communicating a threshold amount

38. We understand that the threshold used for accumulating misstatements identified during the year was \$127,500 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Section 3260, *Liability for contaminated sites*

39. Calhome was required to adopt Section 3260, *Liability for contaminated sites* effective for fiscal 2015 for the purposes of PSAS. Management has determined the impact of this standard on the year-end financial statements, and based on management's assessment, there is no impact on the adjustments for the December 31, 2017 Financial Statements of this standard.

Use of Deferred Capital Contributions

40. Management has the authority to use funds from the Deferred Capital Contributions balance (Note 10 of the Financial Statements) without formal approval by the Board of Directors.

Agreements with the Province of Alberta

41. Calhome and the Province of Alberta (the "Province") entered into an interim social housing agreement ("Interim Agreement") dated October 1, 2001. The Interim Agreement set out, among other things, the terms and conditions under which Calhome would manage and administer certain lands and housing on behalf of the Province.

The Interim Agreement was to expire on December 31, 2001 as the intention of the parties, as set out in the Interim Agreement, was for Calhome and the Province to enter into a final agreement ("Final Agreement") prior to the expiry date. The Interim Agreement was extended on a number of occasions while a Final Agreement was being negotiated. In 2010, the parties had not entered into a Final Agreement and no further extension of the Interim Agreement was executed. Since that time the parties have continued to operate under the same general principles as set out in the Interim Agreement.

Yours truly,
Calhome Properties Ltd.

Sarah Woodgate
President

Jana Tchinkova
Corporate Finance and Risk Manager

Appendix A

Calhome Properties Ltd.

Summary of uncorrected financial statement misstatements

Year ended December 31, 2017

Uncorrected financial statement misstatements

	Assets Dr (Cr)	Liability Dr (Cr)	Retained Earnings – Beg of Year Dr (Cr)	Income Statement Dr (Cr)
At fiscal 2017 year end, Calhome over accrued for an expense and recognized the related restricted grants by \$15,395. This resulted in the following:		Factual \$15,395 <u>\$(15,395)</u> \$-		Factual \$15,395 <u>\$(15,395)</u> \$-
<ul style="list-style-type: none"> - Overstatement of restricted revenue - Understatement of unearned restricted grant - Overstatement of expenses - Overstatement of accrued payables 				
Deloitte has extrapolated the error over the entire restricted grant population, resulting in a likely error of \$117,085.		Likely \$117,085 <u>\$(117,085)</u> \$-		Likely \$117,085 <u>\$(117,085)</u> \$-
Even though individual balances for revenue, expenses, unearned revenue and accrued payables are incorrect, there is a nil impact on net income and total liabilities.				

Corrected financial statement misstatements

None noted

Appendix B
Calhome Properties Ltd.
Summary of disclosure items passed
Year ended December 31, 2017

None noted

Appendix 6 – New and revised auditor reporting standards

On April 11, 2017, the Canadian Auditing and Assurance Standards Board (AASB) approved new and revised Canadian Auditing Standards (CASs) on auditor reporting which will be effective for audits of financial statements for periods ending on or after December 15, 2018 with earlier application permitted.

While a number of CASs were impacted, the most significant changes made relate to the following four standards:

- Revised CAS 700, Forming an Opinion and Reporting on Financial Statements
- New CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report
- Revised CAS 720, The Auditor's Responsibilities Relating to Other Information
- Revised CAS 570, Going Concern

These CASs are based on the International Auditing and Assurance Standards Board's (IAASB) new and revised International Standards on Auditing (ISAs) that were effective for periods ending on or after December 15, 2016 however there are two significant differences:

1. Deferral of the effective date for application by one year, and
2. Amending the scope of reporting Key Audit Matters so that such matters are communicated in the auditor's report only when required by law or regulation or the auditor decides to do so.

The following sets out the enhancements made to the new Independent Auditor's Report

Changes to the Auditor's Report and new reporting requirements

For all audits	
Auditor's opinion	<ul style="list-style-type: none"> • Auditor's opinion moved from the end of the auditor's report to the very beginning.
Auditor's independence and ethics	<ul style="list-style-type: none"> • An explicit statement of the auditor's independence in accordance with relevant ethical requirements and the auditor's fulfilment of other ethical responsibilities.
Going concern	<ul style="list-style-type: none"> • A separate section under the heading "Material Uncertainty Related to Going Concern", when a material uncertainty exists related to an entity's ability to continue as a going concern and is adequately disclosed in the financial statements.
Other information	<ul style="list-style-type: none"> • A separate section under the heading "Other Information", when an entity prepares other information (e.g., an annual report) containing or accompanying the entity's financial statements and auditor's report thereon, to explain management's and the auditor's responsibilities for the other information and the auditor's conclusion from reading and considering the other information.

Changes to the Auditor's Report and new reporting requirements

For all audits	
Roles and Responsibilities	<ul style="list-style-type: none"> • An enhanced description of management's responsibilities for assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. • Identification of those charged with governance (when applicable) and their responsibility for the oversight of the financial reporting process. • An enhanced description of the auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting. • An enhanced description of the auditor's responsibilities in an audit of group financial statements.
For audits of entities where the auditor decides or law or regulation requires reporting of key audit matters	
Key audit matters	<ul style="list-style-type: none"> • A separate section under the heading "Key Audit Matters", when law or regulation requires the auditor, or the auditor decides, to communicate key audit matters in the auditor's report to those charged with governance that, in the auditor's judgment, were of most significance to the audit.

We will work to provide the Audit and Investment Committee with guidance on the implications of the new and revised auditor reporting standards.

Benefits

- **Transparency** into the audit and discussions between the auditor, those charged with governance, and management
- **More robust** discussions between auditors and those charged with governance
- **Enhanced** communications between all stakeholders including regulators
- **Relevant** auditor's reports and insights into the complexities of the entity
- **Comparability** across industries and audit firms
- **Improved** audit and financial reporting quality

Highlights of Changes to Performance Requirements with respect to Going Concern

Auditors are now required to evaluate the adequacy of management's disclosure in the financial statements for "close calls" related to going concern (i.e., when events or conditions were identified that may cast significant doubt of an entity's ability to continue as a going concern but due to management's plans, the auditor concluded that no material uncertainty exists).

The following are some considerations for those charged with governance to start discussing with their auditor.

Implementation considerations for those charged with governance

- **Key Audit Matters ("KAMs")**: If applicable, this commentary in the audit report will have a significant impact on the timing of:
 - Meetings between the auditor and the Audit and Investment Committee to discuss risks, which will form the basis of KAMs
 - Meetings with the auditor to identify, discuss and challenge KAMs as early as possible, and
 - Review of the auditor's report as the process will likely be more rigorous.

- **Going Concern:** Increased auditor focus may heighten your scrutiny of management's process for assessing the entity's ability to continue as a going concern and the relevance and completeness of related disclosures in the financial statements, particularly for "close calls".
- **Other information:** Discuss with the auditor which documents will be within the scope of "other information", evaluate timeframes for drafting and finalizing these documents, and assess documents for consistency with financial statements to ensure factually correct and reasonable.

Resources

The AASB is currently working with CPA Canada and other groups to drive the effective implementation of the new standards through a broad range of communications, tools and guidance materials for stakeholders. CPA Canada has issued a number of [Audit and Assurance alerts](#) in June 2017 discussing key features of the changes and will be releasing a web portal devoted exclusively to the topic of implementing auditor reporting. Webinars and other publications will be issued throughout the remainder of the year, including an update expected in December incorporating the changes to the new auditor's report into a revised reporting guide, "[Reporting Implications of New Auditing and Accounting Standards](#)."

- Keep abreast of the Canadian project at www.cfr.deloitte.ca.
- Information relating to the new and revised CASs and conforming amendments to other CASs can be found on the [AASB website](#).

We encourage you to engage your engagement partner or any other member of the Deloitte Team with any questions or enquiries related to the new and revised auditor reporting standards.