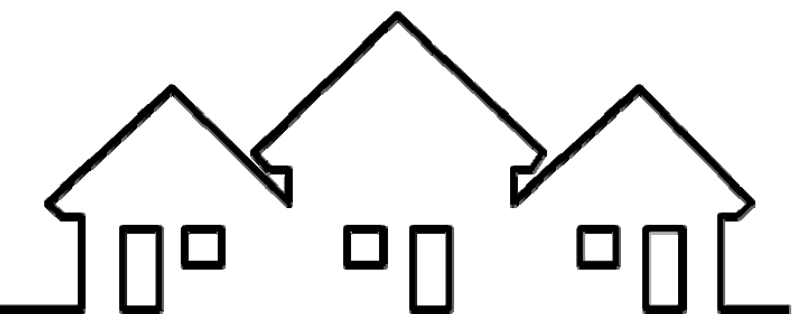


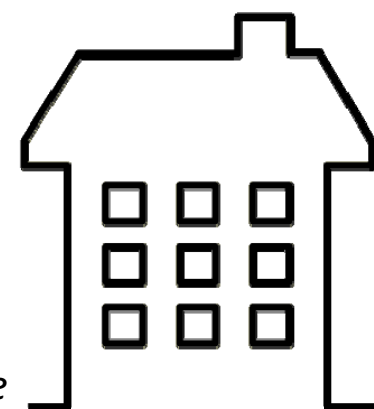


## Annual Report to The City of Calgary Audit Committee

AC2018 -0603– SEPTEMBER 18, 2018



*Helping moderate income Calgarian's buy a home*



# 2017 Financial Statements and Audit

108 possessions = Revenues of \$30M

Operating Surplus before non-cash items \$370K

## Financial statements

- Management of operating expenses resulted in cash surplus
- Inventory carrying costs continued to impact results negatively
- 14 of 47 units held in inventory written down at 2017 year end due to downward pressure in market
- Organization remains self sufficient

## Audit

- Unqualified audit opinion
- No significant internal control weaknesses identified
- In consideration of market conditions, auditors focused on accounting estimates related to equity receivables and inventory valuation



# Top 3 Risks

**Leadership**— execution and fulfillment of mission, mandate and strategic plan

**Mitigation :**

- Highly qualified interim President and CEO in place
- Recruitment for permanent President and CEO underway
- Recruited and hired highly qualified senior staff for development and sales

**Market** — risk impacts revenue from sales and share equity return

**Mitigation:**

- Implement inventory procurement hedging strategy
- Revisions to share equity model to minimize repayment losses
- Diversify inventory acquisition to include development and option agreements
- Implementing new strategic plan which includes expanding program model

**Regulatory (NEW)** — exposure to interest rate policy, federal and insurer regulations

**Mitigation:**

- Skills based board across various sectors
- Build stronger relationships with lenders/brokers and both mortgage insurers
- Develop alternative program models to mitigate regulatory impacts

2017 Direction of risk:



2018 Direction of risk:



# 2018 Context

**Strict lending rules, higher interest rates put brakes on Calgary's housing recovery**

SAMMY HUDES Updated: August 15, 2018

CANADA

July 4, 2018 8:43 am

**Calgary real estate market still suffering from anemic sales: CREB report**

ANALYSIS

**Most homes listed for sale in Calgary this year haven't sold: What that means for prices**



Single-family homes no longer immune as sales-to-new-listings ratio drops below 50% for first time since 2010



Robson Fletcher · CBC News · Posted: Jun 07, 2018 7:00 AM MT | Last Updated: June 7

**Calgary among least affordable places in Alberta to live: report**

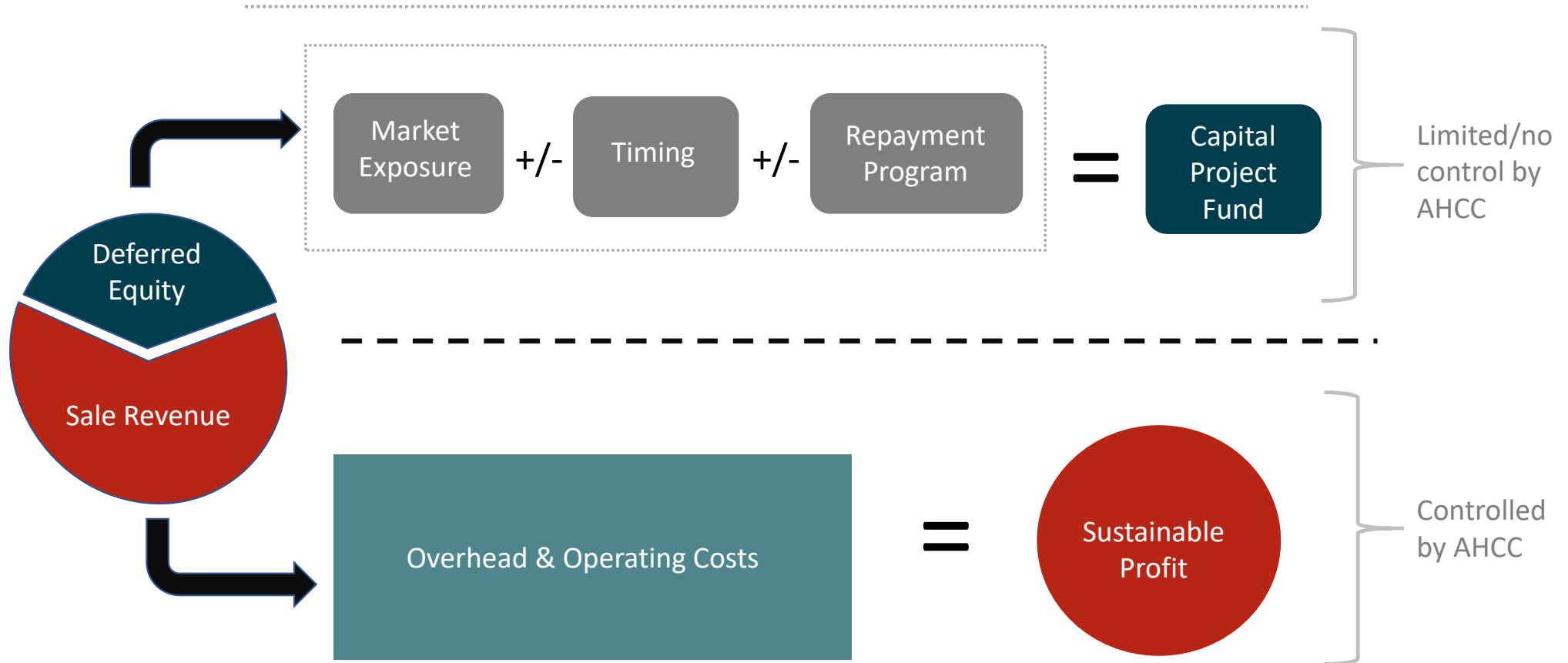
ANNA JUNKER Updated: August 29, 2018

**Calgary's housing glut declines for first time post-recession, census shows**

Calgary's housing glut is beginning to diminish, according to new data confirming the city has reached yet another marker on the road to economic recovery.

AMANDA STEPHENSON, CALGARY HERALD Updated: July 27, 2018

## CURRENT AHCC PROGRAM RISK



## ACCOMMODATING ALTERNATE VALUES

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Housing security

Comfort



Financial security

Build equity



Confidence

Belonging

Flexibility

# Major Initiatives in 2018/2019

- Business plan focused on core business:
  - Buy/Build and Sell in dynamic market
  - Cost management
  - Partnership for risk sharing and innovation
  - Advocacy for healthy housing market
- Program diversification to address market risk
- Implement Quality of Life standards for community development



# The Board of Directors

**SANO STANTE**, Board Chair

- 30 years of direct experience in real estate sales/development
- expertise consulting to governments, businesses and institutions
- assisting builders in developing and marketing real estate in Calgary.

**Brian Pincott**, Audit & Accountability Committee Chair

**Robin Lokhorst**, Corporate Performance, and Governance Committee Chair

**Roger Andrews**, Development Committee Chair

**Two new volunteer Board members in 2017:**

**Brian Pincott**, Director

**Robin Lokhorst**, Director





## Board Structure

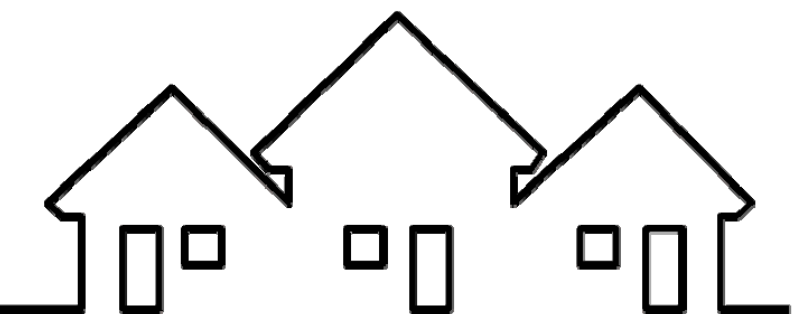
- Diverse volunteer board consists of 11 members in 2018 including Mayor and 1 councillor
- Three committees
  - Corporate Performance & Governance (3 members)
  - Audit & Accountability (3 members)
  - Development (4 members)

## Audit & Accountability Committee

- Comprised of 4 members
  - 3 citizen members with strong financial acumen
  - Terms of reference reviewed annually
- Oversight of the following
  - The integrity of AHCC's financial statements;
  - Annual budgets;
  - Risk register;
  - Financing arrangements; and
  - The adequacy and effectiveness of internal controls.



Thank You



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