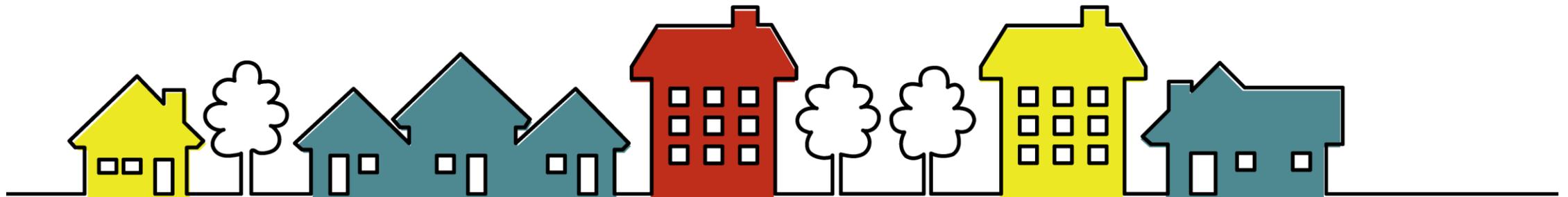




# Annual Report to The City of Calgary Audit Committee

AC2017-0448-ATT7 - JULY 27 2017



*Helping moderate income Calgarian's buy a home*

# 2016 Audit and Financial Statements

96 possessions = Revenues of  
\$29.7M

Operating Surplus before  
non-cash items \$533K

## Financial statements:

- Management of operating expenses resulted in cash surplus
- Non-cash items included impairment of held inventory and allowances booked for two specific projects
- Write-off of builder deposit reversed April 2017 when contract renegotiated
- Organization continues to be 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 three risks

**Shared Equity model** – impacts long-term financial sustainability

**Mitigation :**

- Quarterly evaluation of portfolio against home pricing index
- Foreclosure allowance booked for the first time in 2016
- Increased debt capacity secured April 2017

**Market** – risk impacts inventory revenue and share equity returns

**Mitigation:**

- Incorporate flexibility into contracts with builders / phasing
- Monitor asset values
- Implement new strategic plan which includes expanding program model

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

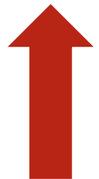
**Mitigation:**

- Communicate quarterly with CMCH on upcoming changes
- Monitor news articles daily
- Skills based board across various sectors

2017 Direction of risk:



2016 Direction of risk:



N/A



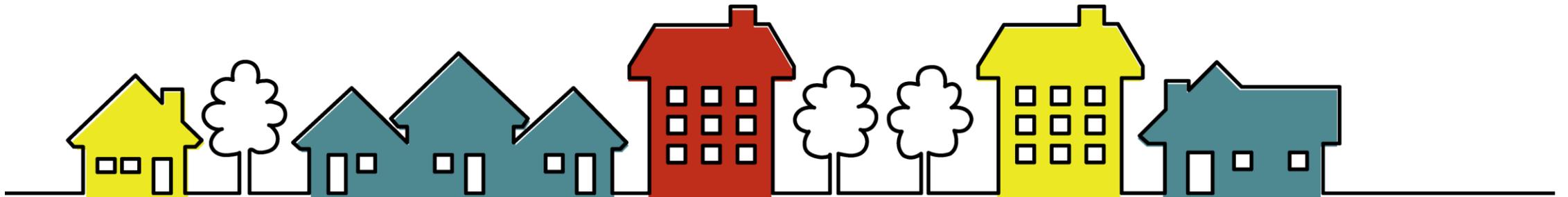
# Major Initiatives in 2017

- Implement 1<sup>st</sup> year of 5-year strategic plan
- Introduction of Enterprise Risk Management
- Create dashboard of early market indicators
- Pilot new program model



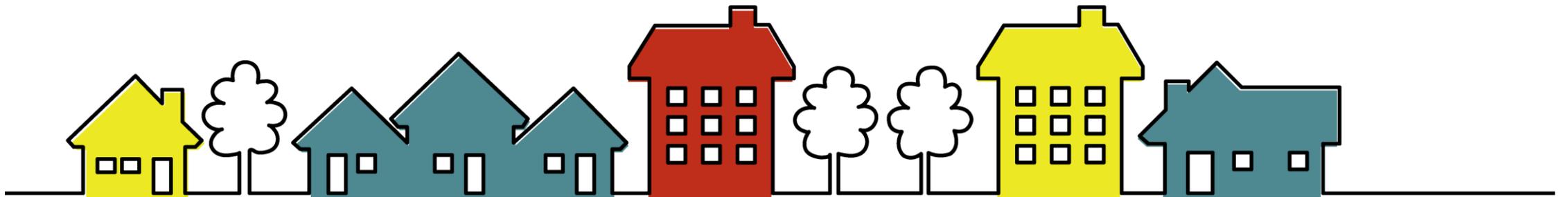


Thank you





# APPENDIX



# Board Structure

- Volunteer board consisted of 7 members in 2016; grew to 9 members in 2017
- Two committees:
  - Corporate Performance & Governance (2 members)
  - Audit & Accountability (3 members)



# Audit & Accountability Committee

Comprised of 3 members:

- 1 City of Calgary Councillor
- 2 citizen members both of whom are financially literate
- Terms of reference reviewed annually (June 2017)

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.



# Changes on the board

## **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.

## **ELIZABETH HUCULAK**, Audit & Accountability Committee Chair

- 10+ years in senior leadership and executive management positions
- 15 years at Canada Mortgage and Housing Corporation (CMHC)
- MBA from Queens University
- BA in Economics from the University of Alberta

## **Two new volunteer Board members:**

### **ROBIN G. LOKHORST, LLB**, Director

- Managing Partner, McLeod Law / Chair of McLeod's Executive Committee
- 25+ years of legal experience - focused exclusively in commercial and residential real estate
- LLB from University of Wales, Cardiff
- BA in economics from the University of Calgary

### **JEFF O'REILLY**, Director

- Director of Development, Royop / Leading development teams for 15 years
- expertise include land development engineering, investment analysis, acquisitions, program management, and organizational leadership
- BAsC, Civil Engineering from the University of Waterloo

