

Financial Statements

Western Sky Land Trust Society
December 31, 2021

Independent auditor's report

To the Members of
Western Sky Land Trust Society

Opinion

We have audited the accompanying financial statements of **Western Sky Land Trust Society** [the "Society"], which comprise the statement of financial position as at December 31, 2021 and the statement of operations and changes in fund balances and the statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for audit of the financial statement* section of our report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matter, the planed scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Canada
May 25, 2022

Ernst & Young LLP

Chartered Professional Accountants



Western Sky Land Trust Society

STATEMENT OF FINANCIAL POSITION

As at December 31

	2021		2020
	General Fund	Projects Fund	Total
	\$	\$	\$
ASSETS			
Current			
Cash	590,097	—	590,097
Short-term investments	151,413	1,662,987	1,814,400
Goods and services tax recoverable	4,484	—	4,484
Accounts receivable	2,306	—	2,306
Total current assets	748,300	1,662,987	2,411,287
Long-term investments	—	3,201,662	3,201,662
Conservation lands and easements [note 3]	—	22,870,743	22,870,743
	748,300	27,735,392	28,483,692
			27,609,637
LIABILITIES AND FUND BALANCES			
Current			
Accounts payable and accrued liabilities	2,608	23,558	26,166
Total current liabilities	2,608	23,558	26,166
Leveraging commitments [note 4]			31,071
			31,071
Fund balances			
Internally restricted [note 2]	—	3,201,662	3,201,662
Externally restricted [note 2]	—	1,639,429	1,639,429
Internally restricted net assets invested in conservation lands and easements	—	22,870,743	22,870,743
Unrestricted	745,692	—	745,692
	745,692	27,711,834	28,457,526
Total fund balances	748,300	27,735,392	28,483,692
			27,609,637

See accompanying notes
On behalf of the Board:



Director



Director

Western Sky Land Trust Society

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended December 31

	2021		2020
	General Fund	Projects Fund	Total
	\$	\$	\$
Revenue [note 7]			
Donations	88,530	311,300	399,830
Donations in kind [note 5]	88,244	—	88,244
Grants	14,546	614,014	628,560
Investment income	74,794	2,767	77,561
Unrealized gain on investment portfolio	298,421	—	298,421
Realized gain on investment portfolio	15,696	—	15,696
Land lease income	9,975	—	9,975
Memberships	1,400	—	1,400
	591,606	928,081	1,519,687
			2,026,381
Expenses			
Administration [notes 5, 6 and 8]	268,904	256,581	525,485
Land evaluation and acceptance [note 7]	12,872	28,833	41,705
Outreach and awareness	11,200	1,268	12,468
Fund development and membership	270	—	270
Land operations and management	48	51,146	51,194
Grant repayments [note 8]	—	9,605	9,605
	293,294	347,433	640,727
			1,091,892
Excess of revenue over expenses for the year	298,312	580,648	878,960
Fund balances - beginning of year	774,322	26,804,244	27,578,566
Transfers between funds	(326,942)	326,942	—
Fund balances - end of year	745,692	27,711,834	28,457,526
			27,578,566

See accompanying notes

Western Sky Land Trust Society

STATEMENT OF CASH FLOWS

For the year ended December 31

	<u>2021</u>	<u>2020</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	878,960	934,490
Items not affecting cash		
Unrealized gain on investment portfolio	(298,421)	(91,176)
Realized gain on investment portfolio	(15,697)	(89,252)
Donation of land	-	(445,000)
Donation of conservation easement	(310,000)	(736,000)
	<u>254,842</u>	<u>(426,938)</u>
Net change in non-cash working capital items	<u>13,759</u>	<u>(74,999)</u>
Cash provided by (used in) operating activities	<u>268,601</u>	<u>(501,937)</u>
INVESTING ACTIVITIES		
Net change in short-term investments	(14,400)	1,700,000
Net change in long-term investments	(35,065)	(1,541,676)
Additions to conservation easements	(2,500)	—
Cash (used in) provided by investing activities	<u>(51,965)</u>	<u>158,324</u>
Increase (decrease) in cash for the year	<u>216,636</u>	<u>(343,613)</u>
Cash - beginning of year	<u>373,461</u>	<u>717,074</u>
Cash - end of year	<u>590,097</u>	<u>373,461</u>

See accompanying notes

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

1. ORGANIZATION

The Western Sky Land Trust Society [the “Society”] was incorporated under the Societies Act on September 30, 2004 as a non-profit organization and is a registered charity under the Income Tax Act.

The Society was formed to champion the establishment and conservation of integrated open or natural areas principally within Southern Alberta with a focus on watershed lands in the Calgary region associated with agricultural, natural, heritage, scenic and recreational values. The Society operates directly with landowners and aims to achieve its objective mainly through donations, voluntary transfer of land and conservation easements, and the acquisition of conservation easements.

A conservation easement is a voluntary, legally-binding agreement which limits the amount and type of development that can occur on a property in order to preserve its environmental, recreational, scenic, educational, ecological research and agricultural qualities. The landowner continues to retain title to the property and all other rights of property ownership. While the terms of conservation easements vary, all preclude environmentally-damaging forms of development. Conservation easements are typically assigned in perpetuity, registered on title to the land.

Landowners may receive an income tax receipt from a registered charity for a fee simple land donation or a conservation easement to a registered charity. The value of the receipt associated with that donation is determined by a certified land appraiser and usually represents the difference in the appraised value of the property before and after the conservation restrictions are in place.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations”, which sets out generally accepted accounting principles for not-for-profit organizations and includes the significant accounting policies set out below.

Fund accounting

The Society uses the restricted fund method of accounting for contributions. Activities of the Society are segregated in the following funds:

- [a] The General Fund reports the Society’s program delivery and administration activities.
- [b] The Projects Fund reports the assets, liabilities, revenue and expenses associated with the Society’s conservation projects.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Internally restricted funds represent amounts set aside by the Society's Board of Directors for conservation projects. These amounts are not available for other purposes without the approval of the Board of Directors.

The Projects Fund consists of contributions restricted by the Department that remain unspent at year end and restricted investment income to be used on land maintenance. These funds will be used for ongoing stewardship of the Society's capital assets in accordance with terms of the various grant agreements.

Revenue recognition

The Society follows the restricted fund method of accounting for contributions, which include grants and donations. Grants are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recorded in the Projects Fund when initially recognized in the accounts. Externally restricted endowment contributions, if any, are recognized in the Endowment Fund when initially recognized in the accounts.

Investment income consists of interest and dividends. Investment income earned on the Projects Fund resources that must be spent on grantor-restricted activities is recognized as revenue of the Projects Fund. All other investment income including the realized and unrealized gains and losses are recognized as revenue of the General Fund as they are not subject to an external restriction.

Land lease income and memberships are recognized in the General Fund when the services have been provided.

Use of estimates

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations which requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Conservation lands and easements

[a] Conservation easements

Purchased conservation easements are recorded at cost at the earlier of when title of the easement is registered to the Society or when the significant risks and rewards associated with ownership of the easement have transferred. Contributed conservation easements are recorded at fair value plus all costs directly related to the acquisition at the earlier of when title of the property is registered to the Society or when the significant risks and rewards associated with ownership of the easement have transferred.

Conservation easements are not amortized.

[b] Conservation land and other capital assets

Purchased conservation land is recorded at cost at the earlier of when title of the property is registered to the Society or when the significant risks and rewards associated with ownership of the land have transferred. Contributed conservation land and other capital assets are recorded at fair value at the earlier of the date of contribution or when the significant risks and rewards associated with ownership of the property have transferred. Other capital assets are recorded at cost less accumulated amortization.

Donated services and materials

The Society records donations-in-kind with respect to materials and services donated when the estimated fair market value can be reasonably determined and would otherwise be purchased by the Society. Services donated to the Society through volunteer services are not reflected in the accounts as the fair value is not readily determinable.

Financial instruments

The Society initially measures financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost other than investments, net of any provision for impairment. All investments are subsequently measured at fair value. Realized and unrealized gains and losses are recognized as income in the appropriate fund. The financial assets subsequently measured at amortized cost include cash, accounts receivable and goods and services tax recoverable. The financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

The Society is not subject to significant credit, interest rate, or foreign exchange risks.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Impairment of conservation lands and easements

Conservation lands and easements are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. Impairment is assessed by comparing the carrying amount of the asset with its fair value. When the carrying amount of the asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Any impairment results in a write-down of the asset and a charge to income during the period. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

3. CONSERVATION LANDS AND EASEMENTS

	<u>2021</u>	<u>2020</u>
	Cost	Cost
	\$	\$
Conservation land – Highwood Farms	1,470,000	1,470,000
Conservation land – Wheatland 7	470,000	470,000
Conservation land – Agrium Nodwell	428,243	428,243
Conservation easement – Mattheis Ranch	3,795,000	3,795,000
Conservation land – Kamis	220,000	220,000
Conservation land – Grace Upon Grace	1,470,000	1,470,000
Conservation easement – Wild Buffalo Ranch	4,086,000	4,086,000
Conservation easement – Chinook Valley	1,116,000	1,116,000
Conservation easement – Ripley Canyon	330,000	330,000
Conservation land – Zaleschuk	550,000	550,000
Conservation land – Klatzel	3,000,000	3,000,000
Conservation easement - Alequiers	27,000	27,000
Conservation land – Manning	390,000	390,000
Conservation easement – R&W Clark	1,650,000	1,650,000
Conservation easement – Half Diamond	479,000	479,000
Conservation easement – Spruce Coulee	1,980,000	1,980,000
Conservation easement – Bissett South Ranch	652,000	652,000
Conservation land – Alequiers	445,000	445,000
Conservation easement – Church	200,000	—
Conservation easement – Sanderman	112,500	—
	<u>22,870,743</u>	<u>22,558,243</u>

During the year, land and conservation easements with estimated fair market values of \$nil [2020 - \$445,000] and \$310,000 [2020 - \$736,000], respectively, were contributed to the Society.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

4. LEVERAGING COMMITMENTS

The Society has been the recipient of various grants from the Alberta Minister of Environment and Parks [the “Department”]. The terms of these agreements stipulate the Society must commit to conserving landscapes with high conservation values. This is achieved through a leveraging commitment in the grant agreements. The spirit of grant agreements is to provide value to the province and people of Alberta.

5. DONATIONS-IN-KIND

Donations-in-kind include the following and are included within administration expenses:

	2021	2020
	\$	\$
Facilities fee	85,200	85,200
Legal services	3,044	2,268
	<u>88,244</u>	<u>87,468</u>

6. FUNDRAISING EXPENSES

As required under Section 7(2) of the Charitable Fund-Raising Regulation of Alberta, the Society discloses the following:

	2021	2020
	\$	\$
Direct expenses incurred for the purpose of soliciting contributions	<u>—</u>	<u>—</u>

7. RELATED PARTY TRANSACTIONS

Switchback Spatial Solutions is a company owned by a Director. This company provides Geographic Information Systems services to the Society. Transactions with this related party include:

	2021	2020
	\$	\$
Project expenses	1,808	23,750
Donation	10,250	—

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

All related party transactions are in the normal course of operations and are measured at the agreed upon exchange amount.

8. GRANT REPAYMENTS

Under the terms of two 2018 grant agreements, the Society was required to return \$9,605 to the grantor, the Government of Alberta.

9. FINANCIAL INSTRUMENTS

Price risk

The Society is exposed to price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its long-term investments in equity securities.

10. SUBSEQUENT EVENT

On February 28, 2022, the Society cancelled two projects and intends on returning the funds of \$340,072 to the grantor, the Government of Alberta.