

Financial Statements

Western Sky Land Trust Society
December 31, 2019

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, 2019 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, 2019, 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 planned 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
April 28, 2020

Ernst & Young LLP

Chartered Professional Accountants



Western Sky Land Trust Society

STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>2019</u>	<u>2018</u>		
	General Fund	Projects Fund	Total	Total
	\$	\$	\$	\$
ASSETS				
Current				
Cash	717,074	—	717,074	4,362,068
Short-term investments	1,678,393	1,821,607	3,500,000	—
Goods and services tax recoverable	4,483	—	4,483	4,238
Accounts receivable	43,905	—	43,905	2,500
Total current assets	2,443,855	1,821,607	4,265,462	4,368,806
Long-term investments	—	1,130,375	1,130,375	1,063,598
Capital assets, net <i>[note 3]</i>	—	21,377,243	21,377,243	16,226,243
	2,443,855	24,329,225	26,773,080	21,658,647
LIABILITIES AND FUND BALANCES				
Current				
Accounts payable and accrued liabilities	24,109	104,895	129,004	28,665
Total current liabilities	24,109	104,895	129,004	28,665
Fund balances				
Internally restricted <i>[note 5]</i>	—	1,130,375	1,130,375	1,063,598
Externally restricted <i>[note 6]</i>	—	1,716,712	1,716,712	2,190,859
Internally restricted net assets invested in capital assets	—	21,377,243	21,377,243	16,226,243
Unrestricted	2,419,746	—	2,329,746	2,149,282
Total fund balances	2,419,746	24,314,330	26,554,076	21,629,982
	2,443,855	24,329,225	26,773,080	21,658,647

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

	<u>2019</u>	<u>2018</u>		
	General Fund	Projects Fund	Total	Total
	\$	\$	\$	\$
Revenue [note 10]				
Donations	189,997	5,093,000	5,282,997	38,164
Donations in kind [note 7]	87,214	—	87,214	86,857
Grants	21,111	1,195,499	1,216,610	1,613,256
Investment income	68,093	8,240	76,333	61,073
Unrealized gain (loss) on investment portfolio	74,910	—	74,910	(42,123)
Realized loss on investment portfolio	(1,953)	—	(1,953)	(3,064)
Land lease income	14,975	—	14,975	10,134
Memberships	1,150	—	1,150	870
	455,497	6,296,739	6,752,236	1,765,167
Expenses				
Administration [notes 7 and 10]	185,773	251,669	437,442	463,175
Land evaluation and acceptance	3,369	100,935	104,304	136,473
Outreach and Awareness	43,916	5,017	48,933	23,715
Fund development and membership [note 8]	593	—	593	365
Land operations and management	584	6,864	7,448	15,788
Sherbrooke Project grant repayment [note 9]	—	1,139,422	1,139,422	—
	234,235	1,503,907	1,738,142	639,516
Excess of revenue over expenses	221,262	4,792,832	5,014,094	1,125,651
Fund balances - beginning of year	2,149,282	19,480,700	21,629,982	20,504,331
Transfers between funds	49,202	(49,202)	—	—
Fund balances - end of year	2,419,746	24,244,330	26,644,076	21,629,982

See accompanying notes

Western Sky Land Trust Society

STATEMENT OF CASH FLOWS

For the year ended December 31

	<u>2019</u>	<u>2018</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	5,014,094	1,125,651
Items not affecting cash		
Unrealized (gain) loss on investment portfolio	(74,910)	42,123
Realized loss on investment portfolio	1,953	3,064
Donation of land	(390,000)	—
Donation of conservation easement	(4,703,000)	(27,000)
	<u>(151,863)</u>	<u>1,140,774</u>
Net change in non-cash working capital items	<u>58,689</u>	<u>(16,375)</u>
	<u>(93,174)</u>	<u>1,124,399</u>
INVESTING ACTIVITIES		
Net change in short-term investments	(3,500,000)	5,374,991
Net change in long-term investments	6,180	7,252
Purchase of land	(58,000)	(3,550,000)
	<u>(3,493,820)</u>	<u>1,835,307</u>
(Decrease) increase in cash for the year	(3,644,994)	2,959,706
Cash - beginning of year	4,362,068	1,402,362
Cash - end of year	<u>717,074</u>	<u>4,362,068</u>

See accompanying notes

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019

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 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.

Capital assets

[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.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

[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.

Computer hardware and software are amortized on a straight-line basis over 3 years. Conservation lands are not amortized.

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.

Impairment of capital assets

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the capital asset no longer contributes to the Society's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset shall be written down to the asset's fair value or replacement cost. 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.

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New accounting standards

During the year, the Society adopted the new accounting standards Section 4433, Tangible Capital Assets, and Section 4434, Intangible Capital Assets as of January 1, 2019. Section 4433, Tangible Capital Assets replaces the previous Section 4431 and provides additional guidance on contributed assets and the write-down (partial impairment) of assets. Section 4434, Intangible Capital Assets replaces the previous Section 4432 and provides additional guidance on contributed assets and the write-down (partial impairment) of assets. The changes did not have any impact on these financial statements.

3. CAPITAL ASSETS

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Conservation land – Highwood-FH29	1,470,000	—	1,470,000	1,470,000
Conservation land – Wheatland 7	470,000	—	470,000	470,000
Conservation land – Agrium Nodwell	428,243	—	428,243	428,243
Conservation easement – Mattheis Ranch	3,795,000	—	3,795,000	3,795,000
Conservation land – Kamis	220,000	—	220,000	220,000
Conservation land – Thomson	1,470,000	—	1,470,000	1,470,000
Conservation easement – MacGregor	3,350,000	—	3,350,000	3,350,000
Conservation easement – Chinook Valley	1,116,000	—	1,116,000	1,116,000
Conservation easement – Ripley Canyon	330,000	—	330,000	330,000
Conservation land – Zaleschuk	550,000	—	550,000	550,000
Conservation land – Klatzel	3,000,000	—	3,000,000	3,000,000
Conservation easement - Alquiers	27,000	—	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	—
Computer hardware and software	12,675	(12,675)	—	—
	21,389,918	(12,675)	21,389,918	16,226,243

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

During the year, amortization of \$nil [2018 – \$nil] was recorded by the Society related to its computer hardware and software and is included in administration expense.

During the year, land and conservation easements with estimated fair market values of \$390,000 [2018 - \$nil] and \$4,703,000 [2018 - \$27,000], respectively, were contributed to the Society.

4. LEVERAGING COMMITMENTS

The Society has been the recipient of various grants from the Alberta Ministry of Environment and Parks. The terms of these agreements stipulate that 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. INTERNALLY RESTRICTED FUNDS

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.

6. EXTERNALLY RESTRICTED FUNDS

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.

7. DONATIONS-IN-KIND

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

	2019	2018
	\$	\$
Facilities fee – City of Calgary – office space, furnishings, IT, equipment and utilities	85,200	85,200
Legal services	2,014	1,657
	87,214	86,857

Western Sky Land Trust Society

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8. FUNDRAISING EXPENSES

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

	2019	2018
	\$	\$
Direct expenses incurred for the purpose of soliciting contributions	580	365

9. SHERBROOKE PROJECT GRANT REPAYMENT

Under the terms of a 2015 grant agreement, the Society was required to return approximately \$1.1 million to the grantor, Alberta Environment and Parks. The Sherbrooke project landowner had decided not to proceed with conservation of the land parcel and subsequently the Society was required to return the unused portion of the provincial grant.

10. RELATED PARTY TRANSACTIONS

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

	2019	2018
	\$	\$
Project expenses	8,251	19,408

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

11. 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.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

12. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

13. SUBSEQUENT EVENT

As a result of the Novel Coronavirus ["COVID-19"] outbreak, that officially became a pandemic on March 11, 2020, there may be future impacts to the financial performance of Western Sky Land Trust. The potential future financial impact cannot yet be determined as the implications of the virus on the population and economy is not yet fully known.