

Financial Statements

Western Sky Land Trust Society
December 31, 2016



INDEPENDENT AUDITORS' REPORT

To the Members of
Western Sky Land Trust Society

We have audited the accompanying financial statements of **Western Sky Land Trust Society**, which comprise the balance sheet as at December 31, 2016 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 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.

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 **Western Sky Land Trust Society** as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Canada
May 17, 2017

Ernst + Young LLP

Chartered Professional Accountants



Western Sky Land Trust Society

BALANCE SHEET

As at December 31

	2016			2015	
	General Fund \$	Projects Fund \$	Endowment Fund \$	Total \$	Total \$
ASSETS					
Current					
Cash	91,273	755,759	—	847,032	255,787
Short-term investments <i>[note 3]</i>	—	5,583,976	—	5,583,976	1,753,352
Goods and services tax recoverable	15,430	—	—	15,430	25,078
Accounts receivable	242	60,086	—	60,328	24,440
Total current assets	106,945	6,399,821	—	6,506,766	2,058,657
Long-term investments	—	576,453	513,521	1,089,974	1,095,273
Capital assets, net <i>[note 4]</i>	—	11,203,243	—	11,203,243	6,163,243
	106,945	18,179,517	513,521	18,799,983	9,317,173
LIABILITIES AND FUND BALANCES					
Current					
Accounts payable and accrued liabilities	34,107	48,537	—	82,644	35,534
Total current liabilities	34,107	48,537	—	82,644	35,534
Fund balances					
Endowments	—	—	513,521	513,521	513,539
Externally restricted <i>[note 5]</i>	—	6,927,737	—	6,927,737	2,469,183
Internally restricted net assets invested in capital assets	—	11,203,243	—	11,203,243	6,163,243
Unrestricted	72,838	—	—	72,838	135,674
Total fund balances	72,838	18,130,980	513,521	18,717,339	9,281,639
	106,945	18,179,517	513,521	18,799,983	9,317,173

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>2016</u>			<u>2015</u>	
	General Fund	Projects Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue <i>[note 8]</i>					
Donations	85,786	9,044,300	—	9,130,086	13,756
Donations in kind <i>[note 6]</i>	149,350	—	—	149,350	164,281
Grants	64,000	765,100	—	829,100	1,520,149
Investment income	77	58,257	—	58,334	51,816
Unrealized gain on investment portfolio	—	27,443	—	27,443	15,682
Realized gain on investment portfolio	—	46,973	—	46,973	
Memberships	800	—	—	800	743
	300,013	9,942,073	—	10,242,086	1,766,427
Expenses					
Administration <i>[notes 6 and 8]</i>	390,562	272,627	—	663,189	534,989
Land evaluation and acceptance	21,175	104,445	—	125,620	45,783
Outreach and awareness	1,809	988	—	2,797	24,803
Fund development and membership <i>[note 7]</i>	—	—	—	—	-
Land operations and management	—	14,780	—	14,780	7,347
	413,546	392,840	—	806,386	612,922
Excess of revenue over expenses	(113,533)	9,549,233	—	9,435,700	1,153,505
Fund balances - beginning of year	135,674	8,632,426	513,539	9,281,639	8,128,134
Transfers between funds	50,697	(50,679)	(18)	—	—
Fund balances - end of year	72,838	18,130,980	513,521	18,717,339	9,281,639

See accompanying notes

Western Sky Land Trust Society

STATEMENT OF CASH FLOWS

For the year ended December 31

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	9,435,700	1,153,505
Items not affecting cash		
Unrealized gain	(27,443)	(15,682)
	<u>9,408,257</u>	<u>1,137,823</u>
Net change in non-cash working capital items	<u>20,870</u>	(930,504)
	<u>9,429,127</u>	<u>207,319</u>
INVESTING ACTIVITIES		
Net change in short-term investments	(3,830,624)	(241,821)
Donation of land	(1,690,000)	—
Donation of conservation easement	(3,350,000)	—
Net change in long-term investments	32,742	(24,333)
	<u>(8,837,882)</u>	<u>(266,154)</u>
Increase in cash for the year	591,245	(58,835)
Cash - beginning of year	<u>255,787</u>	<u>314,622</u>
Cash - end of year	<u>847,032</u>	<u>255,787</u>

See accompanying notes

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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.
- [c] The Endowment Fund reports resources contributed for endowment and stewardship. Investment income (losses) earned on resources of the Endowment Fund is reported in the Projects Fund as the income is to be used for land maintenance as specified by contributors of funds for endowment.

Revenue recognition

Contributions restricted for endowment are recognized as revenue of the Endowment Fund. Restricted contributions are recognized as revenue in the appropriate restricted fund when received. If no appropriate restricted fund exists, they are recognized in the General Fund and are deferred and recognized as revenue when the associated expenses are recognized. Unrestricted contributions are recognized as revenue of the General Fund when they are received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Investment income earned on Endowment Fund resources that must be spent on land maintenance are recognized as revenue in the Projects Fund. Unrestricted investment income is recognized as revenue in the General Fund when earned.

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.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Capital assets

[a] Conservation easements

Purchased conservation easements are 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 easement have transferred. Contributed conservation easements are recorded at fair value 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.

Computer hardware and software are amortized on a straight-line basis over three 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 Organization. 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. 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

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Impairment of indefinite-life long-lived assets

Long-lived assets 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. SHORT-TERM INVESTMENTS

The Society's short-term investments consist of term deposits bearing interest at rates between 0.65% and 1.75%.

4. CAPITAL ASSETS

	2016		2015	
Cost	Accumulated	Net book	Net book	
\$	amortization	value	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	—
Conservation land – Thomson	1,470,000	—	1,470,000	—
Conservation easement – MacGregor	3,350,000	—	3,350,000	—
Computer hardware and software	12,675	(12,675)	—	—
	11,215,918	(12,675)	11,203,243	6,163,243

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

5. EXTERNALLY RESTRICTED FUNDS

The Projects Fund consists of contributions restricted by donors 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 Agrium Nodwell Nature Preserve, future land projects, and land maintenance.

Certain Externally Restricted Donations have been received by the Society which are to be used for the acquisition of conservation properties. The arrangements with the donor specify that donation proceeds in excess of the cost of purchase of the conservation property may be used for general purposes and may be transferred to the General Fund.

6. DONATIONS IN KIND

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

	2016	2015
	\$	\$
Rent	144,000	144,000
Legal services	3,550	3,500
Other	1,800	16,781
	149,350	164,281

7. FUNDRAISING EXPENSES

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

	2016	2015
	\$	\$
Direct expenses incurred for the purpose of soliciting contributions	—	—

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NOTES TO FINANCIAL STATEMENTS

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8. RELATED PARTY TRANSACTIONS

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

	2016	2015
	\$	\$
Donations – revenue	6,510	1,696
Project expenses	24,533	10,047
Accounts payable and accrued liabilities	5,250	10,500

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

