

Financial Statements

Western Sky Land Trust Society
December 31, 2022

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, 2022 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, 2022, 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
May 24, 2023

Ernst & Young LLP

Chartered Professional Accountants



Western Sky Land Trust Society

STATEMENT OF FINANCIAL POSITION

As at December 31

	General Fund	<u>2022</u> Projects Fund	Total	<u>2021</u> Total
	\$	\$	\$	\$
ASSETS				
Current				
Cash	134,728	—	134,728	590,097
Short-term investments	506,620	843,380	1,350,000	1,814,400
Goods and services tax recoverable	4,130	—	4,130	4,484
Accounts receivable	14,757	—	14,751	2,306
Total current assets	660,235	843,380	1,503,615	2,411,287
Long-term investments	—	3,132,467	3,132,467	3,201,662
Conservation easements <i>[note 3]</i>	—	16,447,500	16,447,500	14,427,500
Conservation lands <i>[note 4]</i>	—	8,443,243	8,443,243	8,443,243
	660,235	28,866,590	29,526,825	28,483,692
LIABILITIES AND FUND BALANCES				
Current				
Accounts payable and accrued liabilities	17,381	14,873	32,254	26,166
Total current liabilities	17,381	14,873	32,254	26,166
Leveraging commitments <i>[note 5]</i>				
Fund balances				
Internally restricted <i>[note 2]</i>	—	3,132,467	3,132,467	3,201,662
Externally restricted <i>[note 2]</i>	—	828,507	1,119,859	1,639,429
Internally restricted net assets invested in conservation lands and easements	—	24,890,743	24,890,743	22,870,743
Unrestricted	642,854	—	642,854	745,692
Total fund balances	642,854	28,851,717	29,494,571	28,457,526
	660,235	28,866,590	29,526,825	28,483,692

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>2022</u>	<u>2021</u>		
	General Fund	Projects Fund	Total	Total
	\$	\$	\$	\$
Revenue <i>[note 8]</i>				
Donations	80,591	1,900,000	1,980,591	399,830
Donations in kind <i>[note 6]</i>	84,812	—	84,812	88,244
Grants	96,816	113,104	209,920	628,560
Investment income	123,181	8,734	131,915	77,561
Unrealized (loss) gain on investment portfolio	(412,444)	—	(412,444)	298,421
Realized gain on investment portfolio	14,752	—	14,752	15,696
Land lease income	15,863	—	15,863	9,975
Memberships	1,901	—	1,901	1,400
	<u>5,472</u>	<u>2,021,838</u>	<u>2,027,310</u>	<u>1,519,687</u>
Expenses				
Administration <i>[notes 6, 7 and 9]</i>	289,982	162,499	452,481	525,485
Land evaluation and acceptance <i>[note 8]</i>	2,764	10,375	13,139	41,705
Outreach and awareness	3,443	499	3,942	12,468
Fund development and membership	—	—	—	270
Land operations and management	753	138,384	139,137	51,194
Grant repayments <i>[note 9]</i>	—	381,566	381,566	9,605
	<u>296,942</u>	<u>693,323</u>	<u>990,265</u>	<u>640,727</u>
Excess (deficiency) of revenue over expenses for the year	(291,470)	1,328,515	1,037,045	878,960
Fund balances - beginning of year	745,692	27,711,834	28,457,526	27,578,566
Transfers between funds	188,632	(188,632)	—	—
Fund balances - end of year	642,854	28,851,717	29,494,571	28,457,526

See accompanying notes

Western Sky Land Trust Society

STATEMENT OF CASH FLOWS

For the year ended December 31

	<u>2022</u>	<u>2021</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	1,037,045	878,960
Items not affecting cash		
Unrealized loss (gain) on investment portfolio	412,444	(298,421)
Realized gain on investment portfolio	(14,752)	(15,697)
Donation of conservation easement	(1,900,000)	(310,000)
	(465,263)	254,842
Net change in non-cash working capital items	(6,009)	13,759
Cash (used in) provided by operating activities	(471,272)	268,601
INVESTING ACTIVITIES		
Net change in short-term investments	464,400	(14,400)
Net change in long-term investments	(328,497)	(35,065)
Additions to conservation easements	(120,000)	(2,500)
Cash provided by (used in) investing activities	15,903	(51,965)
(Decrease) increase in cash for the year	(455,369)	216,636
Cash - beginning of year	590,097	373,461
Cash - end of year	134,728	590,097

See accompanying notes

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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, 2022

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 external parties 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 because 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, 2022

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 contribution 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, 2022

Impairment of conservation lands and easements

Conservation lands and easements are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the land or easement may not contribute to the Society’s ability to provide services. 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 EASEMENTS

Conservation easements consist of 12 projects [2021 – 11 projects] represented by 21,761 acres [2021 – 18,827 acres].

During the year a conservation easement with an estimated fair market value of \$2,020,000 [2021 – \$310,000] was contributed to the Society. In connection with securing the contribution, the Society incurred costs of \$120,000 resulting in a net donation amount of \$1,900,000.

4. CONSERVATION LANDS

Conservation lands consist of 9 projects [2021 – 9 projects] represented by 1,308 acres [2021 – 1,308 acres].

5. LEVERAGING COMMITMENTS

The Society has been the recipient of various grants from the Alberta Minister of Environment and Protected Areas. 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.

6. DONATIONS-IN-KIND

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

	2022	2021
	\$	\$
Facilities fee	82,680	85,200
Legal services	2,133	3,044
	84,813	88,244

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

7. FUNDRAISING EXPENSES

As required under Section 7(2) of the Charitable Fund-Raising Regulation of Alberta, the Society discloses that direct expenses incurred for the purposes of soliciting contributions were \$nil [2021 – \$nil].

8. RELATED PARTY TRANSACTIONS

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

	2022	2021
	\$	\$
Project expenses	7,750	1,808
Donation	—	10,250

All related party transactions are in the normal course of operations and are measured at the agreed upon exchange amount, which approximate fair value.

9. GRANT REPAYMENTS

Under the terms of two 2016 and three 2017 grant agreements, the Society was required to return \$381,566 to the grantor, the Alberta Minister of Environment and Protected Areas.

10. 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.

11. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current year's presentation.