

Financial Statements

Western Sky Land Trust Society
December 31, 2020

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, 2020 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, 2020, 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 22, 2021

Ernst & Young LLP

Chartered Professional Accountants



Western Sky Land Trust Society

STATEMENT OF FINANCIAL POSITION

As at December 31

	2020		2019
	General Fund	Projects Fund	Total
	\$	\$	\$
ASSETS			
Current			
Cash	373,461	—	373,461
Short-term investments	380,094	1,419,906	1,800,000
Goods and services tax recoverable	4,162	—	4,162
Accounts receivable	21,292	—	21,292
Total current assets	779,009	1,419,906	2,198,915
Long-term investments	—	2,852,479	2,852,479
Capital assets, net [note 3]	—	22,558,243	22,558,243
	779,009	26,830,628	27,609,637
			26,773,080
LIABILITIES AND FUND BALANCES			
Current			
Accounts payable and accrued liabilities	4,687	26,384	31,071
Total current liabilities	4,687	26,384	31,071
Leveraging commitments [note 4]			129,004
Fund balances			129,004
Internally restricted [note 5]	—	2,852,479	2,852,479
Externally restricted [note 6]	—	1,393,522	1,393,522
Internally restricted net assets invested in capital assets	—	22,558,243	22,558,243
Unrestricted	774,322	—	774,322
Total fund balances	774,322	26,804,244	27,578,566
	779,009	26,830,628	27,609,637
			26,773,080

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

	2020		2019
	General Fund	Projects Fund	Total
	\$	\$	\$
Revenue [note 10]			
Donations	72,574	1,181,000	1,253,574
Donations in kind [note 7]	87,468	—	87,468
Grants	—	398,623	398,623
Investment income	87,210	3,153	90,363
Unrealized gain on investment portfolio	91,176	—	91,176
Realized gain (loss) on investment portfolio	89,252	—	89,252
Land lease income	14,975	—	14,975
Memberships	950	—	950
	443,605	1,582,776	2,026,381
Expenses			
Administration [notes 7, 8 and 10]	208,982	257,771	466,753
Land evaluation and acceptance	13,433	103,044	116,477
Outreach and Awareness	23,854	3,853	27,707
Fund development and membership [note 9]	—	—	—
Land operations and management	1,015	21,857	22,872
Grant repayments [note 11]	—	458,082	458,082
	247,284	844,608	1,091,892
			1,738,142
Excess of revenue over expenses for the year	196,321	738,169	934,490
Fund balances - beginning of year	2,419,746	24,224,330	26,644,076
Transfers between funds	(1,841,745)	1,841,745	—
Fund balances - end of year	774,322	26,804,244	27,578,566
			26,644,076

See accompanying notes

Western Sky Land Trust Society

STATEMENT OF CASH FLOWS

For the year ended December 31

	<u>2020</u>	<u>2019</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	934,490	5,014,094
Items not affecting cash		
Unrealized gain on investment portfolio	(91,176)	(74,910)
Realized (gain) loss on investment portfolio	(89,252)	1,953
Donation of land	(445,000)	(390,000)
Donation of conservation easement	(736,000)	(4,703,000)
	<u>(426,938)</u>	<u>(151,863)</u>
Net change in non-cash working capital items	(74,999)	58,689
Cash used in operating activities	<u>(501,937)</u>	<u>(93,174)</u>
INVESTING ACTIVITIES		
Net change in short-term investments	1,700,000	(3,500,000)
Net change in long-term investments	(1,541,676)	6,180
Purchase of land	—	(58,000)
Cash provided by (used in) investing activities	<u>158,324</u>	<u>(3,493,820)</u>
Decrease in cash for the year	(343,613)	(3,644,994)
Cash - beginning of year	717,074	4,362,068
Cash - end of year	<u>373,461</u>	<u>717,074</u>

See accompanying notes

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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, 2020

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.

The Society records amounts received or receivable resulting from the Canada Emergency Wage Subsidy government assistance program as a deduction from aggregate expenses in the General Fund when the Society becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

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.

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, 2020

[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 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.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

3. CAPITAL ASSETS

	2020		2019	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Conservation land – Highwood Farms	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 – Grace Upon Grace	1,470,000	—	1,470,000	1,470,000
Conservation easement – Wild Buffalo Ranch	4,086,000	—	4,086,000	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 – Alequiers	27,000	—	27,000	27,000
Conservation land – Manning	390,000	—	390,000	390,000
Conservation easement – R&W Clark	1,650,000	—	1,650,000	1,650,000
Conservation easement – Half Diamond	479,000	—	479,000	479,000
Conservation easement – Spruce Coulee	1,980,000	—	1,980,000	1,980,000
Conservation easement – Bissett South Ranch	652,000	—	652,000	652,000
Conservation Land – Alequiers	445,000	—	445,000	—
Computer hardware and software	12,675	(12,675)	—	—
	22,570,918	(12,675)	22,558,243	21,377,243

During the year, amortization of \$nil [2019 – \$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 \$445,000 [2019 - \$390,000] and \$736,000 [2019 - \$4,703,000], respectively, were contributed to the Society.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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. 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:

	2020	2019
	\$	\$
Facilities fee	85,200	85,200
Legal services	2,268	2,014
	87,468	87,214

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

8. GOVERNMENT SUBSIDIES

The declaration of the Coronavirus disease [“COVID-19”] global pandemic in March 2020 has disrupted economic activities and resulted in increased levels of risk and uncertainty. The Society continues to monitor the situation, adjusting existing policies as more information and public health guidance become available, and taking precautionary measures intended to minimize the risk of the virus to its employees and the communities in which it operates. Although temporary, the duration of the business disruption and its financial impacts cannot reasonably be estimated at this time.

In response to the negative impact of COVID-19, the Government of Canada announced programs aimed to minimize the impact of the virus. The Society has accessed the Canada Emergency Wage Subsidy program to offset some of the impact of the decline in operating activities. Under the terms of this program, businesses that experienced declines in revenues meeting the eligibility criteria for each eligible period were entitled to receive wage subsidies for each employee based on the percentage of revenue decline, up to maximum amounts specified for each period under the legislation. During the year ended December 31, 2020, the Society qualified for wage subsidies totaling \$49,702 under this program.

9. FUNDRAISING EXPENSES

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

	2020	2019
	\$	\$
Direct expenses incurred for the purpose of soliciting contributions	—	580

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:

	2020	2019
	\$	\$
Project expenses	23,750	8,251

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

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

11. GRANT REPAYMENTS

Under the terms of a 2019 grant agreement, in 2020 the Society was required to return \$458,082 to the grantor, the Department. The Winter property was sold and the new landowner did not want to proceed with the conservation of the land parcel and subsequently the Society was required to return the unused portion of the provincial grant.

12. 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.

13. SUBSEQUENT EVENT

On January 27, 2021, the Society received a donated conservation easement related to the Church project with an estimated fair value of \$200,000.