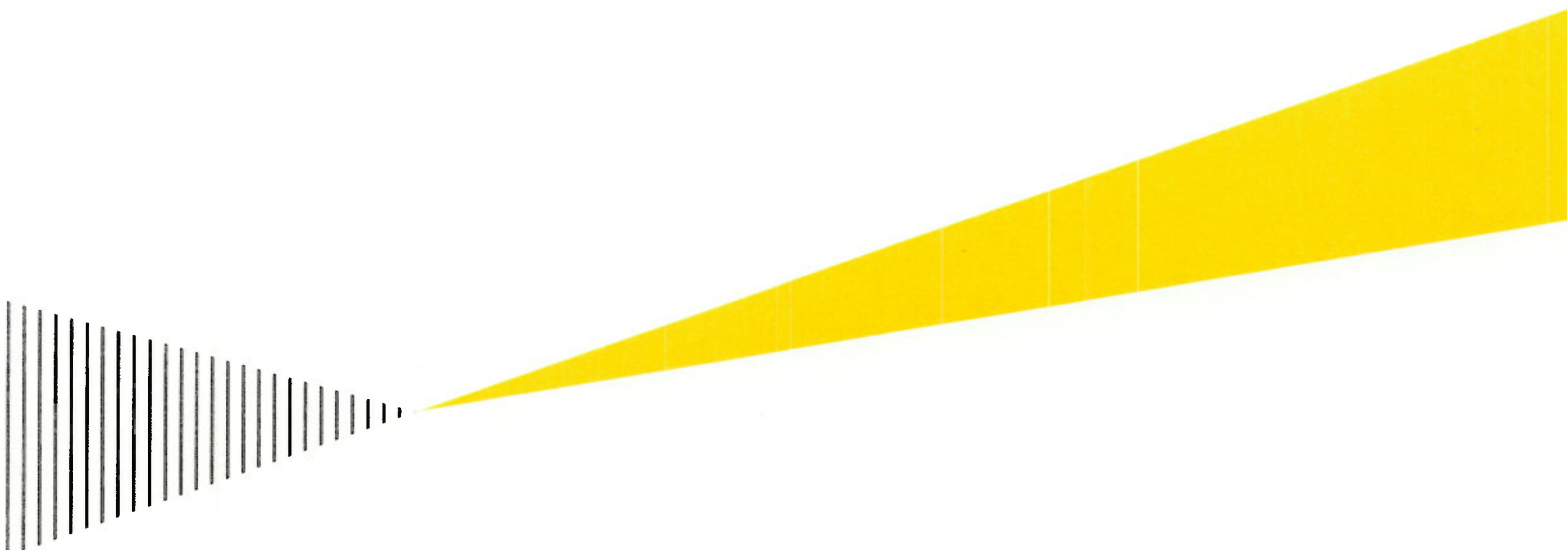


Financial Statements

Western Sky Land Trust Society

December 31, 2017



Building a better
working world

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 statement of financial position as at December 31, 2017 and the statements of operations and changes in fund balances and cash flows for the year then ended, and 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the society'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 society'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, 2017 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
April 19, 2018

Ernst & Young LLP

Chartered Professional Accountants



Western Sky Land Trust Society

STATEMENT OF FINANCIAL POSITION

As at December 31

	2017			2016
	General Fund	Projects Fund	Endowment Fund	Total
	\$	\$	\$	\$
ASSETS				
Current				
Cash	176,527	1,225,835	—	1,402,362
Short-term investments [note 3]	—	5,374,991	—	5,374,991
Goods and services tax recoverable	8,633	—	—	8,633
Accounts receivable	—	10,661	—	10,661
Total current assets	185,160	6,611,487	—	6,796,647
Long-term investments	—	602,516	513,521	1,116,037
Capital assets, net [note 4]	—	12,649,243	—	12,649,243
	185,160	19,863,246	513,521	20,561,927
				18,799,983
LIABILITIES AND FUND BALANCES				
Current				
Accounts payable and accrued liabilities	21,293	36,303	—	57,596
Total current liabilities	21,293	36,303	—	57,596
Fund balances				
Endowments	—	—	513,521	513,521
Externally restricted [note 5]	—	7,177,700	—	7,177,700
Internally restricted net assets invested in capital assets	—	12,649,243	—	12,649,243
Unrestricted	163,867	—	—	163,867
Total fund balances	163,867	19,826,943	513,521	20,504,331
	185,160	19,863,246	513,521	20,561,927
				18,717,339
				18,799,983

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

	2017		2016	
	General Fund	Projects Fund	Endowment Fund	Total
	\$	\$	\$	\$
Revenue [note 8]				
Donations	90,241	1,446,000	—	1,536,241
Donations in kind [note 6]	92,775	—	—	92,775
Grants	10,000	717,340	—	727,340
Investment income	80,117	8,635	—	88,752
Unrealized gain on investment portfolio	—	34,906	—	34,906
Realized gain on investment portfolio	1,291	1,100	—	2,391
Memberships	840	—	—	840
	275,264	2,207,981	—	2,483,245
Expenses				
Administration [notes 6 and 8]	226,509	286,578	—	513,087
Land evaluation and acceptance	17,230	129,250	—	146,480
Outreach and Awareness	28,420	7,293	—	35,713
Fund development and membership [note 7]	—	—	—	—
Land operations and management	77	896	—	973
	272,236	424,017	—	696,253
Excess of revenue over expenses	3,028	1,783,964	—	1,786,992
Fund balances - beginning of year	178,145	18,025,673	513,521	18,717,339
Transfers between funds	(17,306)	17,306	—	—
Fund balances - end of year	163,867	19,826,943	513,521	20,504,331
				18,717,339

See accompanying notes

Western Sky Land Trust Society

STATEMENT OF CASH FLOWS

For the year ended December 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	1,786,992	9,435,700
Items not affecting cash		
Unrealized gain on investment portfolio	(34,906)	(27,443)
Donation of land	—	(1,690,000)
Donation of conservation easement	(1,446,000)	(3,350,000)
	<u>306,086</u>	<u>4,368,257</u>
Net change in non-cash working capital items	<u>31,416</u>	<u>20,870</u>
	<u>337,502</u>	<u>4,389,127</u>
INVESTING ACTIVITIES		
Net change in short-term investments	208,985	(3,830,624)
Net change in long-term investments	8,843	32,742
	<u>217,828</u>	<u>(3,797,882)</u>
Increase in cash for the year	555,330	591,245
Cash - beginning of year	847,032	255,787
Cash - end of year	<u>1,402,362</u>	<u>847,032</u>

See accompanying notes

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017

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.

Investments 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, 2017

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.

[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.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

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

	2017		2016	
	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	—
Conservation easement – Ripley Canyon	330,000	—	330,000	—
Computer hardware and software	12,675	(12,675)	—	—
	12,661,918	(12,675)	12,649,243	11,203,243

During the year, amortization of \$nil [2016 – \$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 \$nil [2016 - \$1,690,000] and \$1,446,000 [2016 - \$3,350,000], respectively, were contributed to the Society.

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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:

	2017	2016
	\$	\$
Facilities fee	85,200	144,000
Legal services	4,500	3,550
Other	3,075	1,800
	92,775	149,350

7. FUNDRAISING EXPENSES

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

	2017	2016
	\$	\$
Direct expenses incurred for the purpose of soliciting contributions	—	—

Western Sky Land Trust Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

8. 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:

	2017	2016
	\$	\$
Donations – revenue	6,300	6,510
Project expenses	34,938	24,533
Accounts payable and accrued liabilities	—	5,250

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

9. SUBSEQUENT EVENTS

On February 16, 2018 the Society established an offer to purchase a land property in the amount of \$3,000,000. At this time, the Society made a deposit of \$100,000 to secure the offer. This land transaction is anticipated to be completed in April 2018.

10. COMPARATIVE FIGURES

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

