

2018 Annual Report



Forward-looking statements

This report contains forward-looking statements about certain matters that are, by their nature, subject to many risks and uncertainties which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, objectives, strategies, initiatives, and the outlook for SALTs. Risks and uncertainties include, but are not limited to, changing markets, legislation, demographics and general economic factors or conditions, and other risks, known or unknown.

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- Audited Financial Statements year end December 2018

Cover photos: SALTS easements secured in 2018 along riparian areas on Jumpingpound and Willow Creeks

President's Message

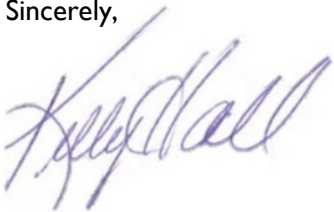
I think the best word to describe the work of SALTS in 2018 is **momentum**. The organization continues to conserve significant acres, build awareness, grow its staff capacity, and improve its financial stability.

Not only does it seem that more landowners are becoming aware of SALTS but others outside the ranching community seem to be catching on to how important private land conservation has become in Alberta. This includes the provincial and federal governments, municipalities, and cities. Through media coverage and outreach efforts many in the general public have even started to make the connection between healthy privately-owned landscapes and the valuable services they provide including clean water and wildlife habitat. This can only bode well for SALTS' efforts going forward.

We say it often, but it can't be said enough. It is the landowners who chose to work with SALTS who are the real leaders in conservation and land stewardship. Without them, none of our efforts would amount to much. Simply put, SALTS role is to provide the tools and resources to help those who want to see their land stay in ranching, stay healthy, and stay intact. This work would not be possible, however, without our dedicated staff, volunteer board, financial donors, and the significant support of both the provincial and federal governments.

It's taken many years, but it seems we are entering a period where the interest in and support for our work is now coming from a number of sources and sectors. This is a good thing because conserving Alberta's remaining intact ranchlands will require a lot of good people working together towards this common goal. Make no mistake, it is work that is not only important to rural communities but to all Albertans.

Sincerely,



Kelly Hall
President of the Board

Operations Report

Staffing and Capacity

SALTS welcomed a new staff member, Rylee Hewitt, in December of 2018 who has taken on the role of SALTS Stewardship Manager. We are very excited to have Rylee's energy and experience on board. Rylee has a background in wildlife biology and conservation but also in ranching, having grown up on the Rafter T Ranch in southeast Alberta. Most recently, Rylee was working with the Nature Conservancy of Canada. She lives in the southern Porcupine Hills with her husband and two-year-old son where they also run a cow/calf operation.



SALTS staff Rylee Hewitt, Mike Gibeau, and Berry Urban

With the significant increase in the number of conservation easements over the last few years, SALTS needed to add more capacity to make sure we were meeting our monitoring obligations and supporting our landowners where needed. Mike Gibeau, who was responsible for stewardship activities in 2018 was also really busy during the year working on completing new conservation easements. It became clear early in 2018 that we needed more capacity. Mike and Rylee will share stewardship activities on a go-forward with Rylee focusing on those properties south of Chain Lakes and Mike on those to the north. Mike's new title is Conservation Manager and he will also continue working on new conservation easements alongside Justin.

New Conservation Easements

SALTS completed three conservation easements in 2018 totaling 1,946 acres bringing our total acreage to 23,640. There were two other conservation easements that received funding in 2018. Work on these easements was started in 2018 and we expect to complete them in mid-2019.

Our three easements this year will all help conserve both valuable native grasslands but also significant riparian areas. The Wineglass Ranch is a historic ranch along Jumpingpound Creek near Cochrane and our two other easements were along Willow Creek west of Claresholm.



The Wineglass Ranch and their decision to work with SALTS was recently featured in Canadian Cowboy magazine. The magazine's editorial said it nicely "Every citizen that draws their drinking water from the Bow River (I'm looking at you, Calgary) owes a huge debt of gratitude to the very real WineGlass Ranch near Cochrane, Alta. For over a century, this iconic beef producer....has protected Calgary's drinking water..."

Similarly, our projects along Willow Creek will help to support the long-term health and resiliency of the Oldman watershed and benefit the many downstream who depend on its water.

In terms of 2019, SALTS just received news regarding our Land Trust Grant Program applications submitted in 2018 for projects we

intend to work on this year. We received funding for 7 out of 10 projects. This was the largest number of projects that SALTS has ever been approved for in a single year. Once completed these 7 conservation easements will cover 6,000 acres of ecologically valuable ranchlands.

We are very excited to be moving forward with these landowners as they represent important conservation opportunities including:

- significant fescue grasslands on the eastern and southern side of the Porcupine Hills
- continuation of our work with landowners along Pekisko Creek south of Longview
- building on existing conservation properties along the eastern flank of the Livingstone Range
- building on existing conservation properties along the Oldman River



Existing Conservation Easements

Now that we've been in business for just over 20 years, we're seeing some of our conservation easement properties change hands to the next generation or be sold to new owners. As a result, it's more important than ever that SALTS is in communication with its landowners. It's also critical that we have the capacity to work with the next generation or new owners to address any questions they may have about our agreements. In recent years, the balance of SALTS' work has been focused on new conservation easements but on a go forward this will certainly shift towards more resources spent on supporting our existing agreements and relationships. How we will ensure we have the capacity to do this will be very important and is discussed more in the section of the Treasurer's report regarding SALTS Financial Sustainment Plan.

To summarize, 2018 was another very busy and positive year in terms of SALTS operations and in terms of building our capacity. I would just like to thank all our conservation easement landowners, existing and new, for choosing to work with SALTS. I would also like to thank my staff and board for their dedication and all our wonderful supporters, financial and otherwise.



Justin Thompson
Executive Director

Financial Report

SALTS continued to grow in 2018. Revenues, excess of revenues over expenditures, the value of conservation easement additions, and net assets all reached record high levels during the year.

Revenues

In total, revenues increased by 15% in 2018 to \$3,562,061 (2017 - \$3,096,207). This was mainly due to a 13% increase in government grants related to the acquisition and registration of three conservation easements (CEs) covering 1,946 acres during the year. Government grants earned during the past two years were as follows:

	2018	2017
	\$	\$
Alberta Land Trust Grant Program (ALTGP)	2,752,238	2,536,152
Water Resiliency Restoration Program (WRRP)	-	99,400
Federal Government grants	514,953	250,000
	<u>3,267,191</u>	<u>2,885,552</u>

The **Alberta Land Trust Grant Program** (ALTGP) has been SALTS' most consistent source of conservation easement (CE) funding since the program's inception in 2011 and has been the key factor in allowing the Society to significantly increase the number of acres held under CEs. The program was established under the Land Stewardship Fund which was created under the Public Lands Act in 2010. The source of funds is the sale of public lands, which although doesn't happen frequently, has occurred in some areas of the province in recent years. When the government sold public lands, they set aside a portion of the proceeds to fund projects such as SALTS' that support the government's conservation objectives. The grant program was created under the previous government and has been continued by the current government.

Since 2011, the ALTGP has funded eight land trust organizations supporting the conservation of more than 100,000 acres of private land. With the support of the ALTGP, SALTS has averaged 2,335 acres in CEs per year over the last five years. For the five years previous to that, SALTS was averaging approximately 535 acres. The ALTGP does not support the purchase of land by land trusts, only CEs. No new influx of funds due to public land sales are expected for the foreseeable future. This means that while the program should continue to support SALTS' work for the next several years it is by no means guaranteed to be available in the long-term.

The Canadian federal government also provided funding under the Natural Areas Conservation Program that assisted with CE costs of \$500,000 to secure 1,250 acres in 2018 and \$250,000 to secure 3,300 acres in 2017.

Revenues from non-government sources all increased in 2018 for a total gain of \$84,215 over 2017 mainly due to the receipt of casino revenues earned in 2018 of \$45,664. The Society is only able to participate in casinos every three years, but they provide important support for our programs and we want to express a BIG thanks to our casino volunteers. SALTS received a total

of \$294,870 in non-government revenues in 2018 as compared to \$210,655 in 2017. Donations from foundations and individuals increased by 9% to \$135,699 in 2018 from \$124,338 in 2017, a much-appreciated source of funding to cover the costs necessary to carry on the operations of the Society that are not eligible under other funding alternatives.

In 2018, SALTS continued to build its endowments at the Calgary Foundation (TCF) with funds that can be allocated for this purpose through the ALTGP with a payment of \$252,500 (2017 - \$210,000) to TCF. Total income from SALTS' TCF endowments in 2018 was \$82,718 (2017 - \$72,369). Such income is directed towards the stewardship of existing SALTS CEs. As of the end of 2018, the total value of all endowments at TCF directed to SALTS was \$2,331,125 (2017 - \$2,157,230). The 2019 projected income from these endowments is between \$80,000 - \$93,000 depending on the distribution rate set by TCF and the fair market value of the endowments as of March 31, 2019.

Expenses

Most of the funds granted to SALTS are not used to cover administrative costs. Government grants flow through to cover eligible CE expenditures including consultants, landowner payments, and investments in our endowments with TCF. Income from TCF is used for the stewardship costs associated with the protection and preservation of CEs. SALTS relies on donations and casino revenues to cover non-qualifying accounting, audit and other administrative expenditures that are necessary to support our mission.

Expenditures incurred during the past two years are as follows:

	2018	2017
	\$	\$
Qualifying CE expenditures	2,403,141	2,712,269
Future CE costs incurred	76,032	56,541
Stewardship expenditures	37,235	27,548
20th Anniversary celebrations	19,571	-
Other salary and administrative	169,643	197,375
Total expenditures	2,705,622	2,993,733

Assets

SALTS added \$7,012,000 to the total value of its CEs in 2018 for a total of \$41,025,022. This was achieved through the addition of 1,946 acres held under easements by the Society. Net assets held at December 31, 2018 also increased by an additional \$789,308 over the previous year due mainly to the excess of revenues over expenditures earned during the year.

In March 2019, SALTS was advised that \$3.7 million has been approved under the ALTGP for seven easements that it plans to secure within the next year. These funds ensure another successful year ahead and will provide further financial security for the Society.

FINANCIAL SUSTAINMENT PLAN

The costs and risks associated with the stewardship and protection of SALTS' conservation easements (CEs) is increasing with the number of properties we have under easement and with the change in ownership beginning to occur with some of our easements. The board of SALTS felt that this evolution necessitated a new approach to our financial management strategy. More specifically, our past approach of focusing largely on our TCF endowments while incrementally building a defence fund would not fully serve the future needs of the Society. Accordingly, the SALTS board approved the adoption of the SALTS Financial Sustainment Plan in 2018.

Pursuant to its Financial Sustainment Plan, SALTS established a Stewardship Assurance Fund (the SAF) to provide a source of funding for its long-term CE stewardship obligations. The use of SAF capital and income is internally restricted to coverage of CE stewardship costs, meaning the ongoing management, protection and general stewardship of CEs, including general administration, monitoring, communication and maintenance activities, and any actions, engagements, initiatives or activities undertaken for purposes of enforcing, defending or otherwise protecting or preserving a CE, or CEs generally. During the year ended December 31, 2018, SALTS transferred \$1,000,457 from various sources (including \$144,901 from SALTS' former Defence Fund) to the SAF. As at December 31, 2018, the balance in the SAF, including accrued interest, was \$1,013,582.

At the Annual General Meeting (AGM) of the members to be held on March 19, 2019, the members will be asked to approve changes to the by-laws of SALTS that will include the Financial Sustainment Plan and the future use of the Stewardship Assurance Fund. A copy of the new by-laws has been delivered to all members along with the notice of meeting for the AGM and is available at the offices of the Society.

As this is my first report as Treasurer of SALTS, I would like to say that it has been a pleasure to become acquainted with the dedicated staff and Board of Directors and to provide whatever financial knowledge I've been able to bring to them. We recognize and thank so many for the generous financial support that we have received, including the Alberta government, the Canadian federal government, the Calgary Foundation, the Rocky Mountain Elk Foundation, the Daryl Seaman Foundation, the Hanen Society, the Land Stewardship Centre, donors to the Edmonton Community Foundation, and a number of generous individuals. Without this support, SALTS would not have achieved the conservation successes it has or be in such a financially stable position. This support enables us to continue conserving the amazing landscapes that matter to us and all Albertans and to set an example to the world of what is possible in these times that are fraught with ecological concerns.



Shannon Matthyssen
Treasurer

SOUTHERN ALBERTA LAND TRUST SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2018



SOUTHERN ALBERTA LAND TRUST SOCIETY

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INDEPENDENT AUDITOR'S REPORT

To the Members of
The Southern Alberta Land Trust Society:

Opinion

We have audited the financial statements of The Southern Alberta Land Trust Society, which comprise the statement of financial position for the year ended December 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of The Southern Alberta Land Trust Society as at December 31, 2018, and its financial performance and its cash flows for the year then 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 the Audit of the Financial Statements section of our report. We are independent of The Southern Alberta Land Trust Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian 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 and using the 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 Society's financial reporting process.

Auditor's responsibility for the Audit of the Financial Statements

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:

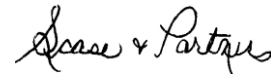
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Society's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, 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.

The engagement partner on the audit resulting in this independent auditor's report is Darryl Scase.

Calgary, Alberta
March 14, 2019


Professional Accountants

SOUTHERN ALBERTA LAND TRUST SOCIETY


STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	Note	2018	2017
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 180,364	\$ 325,331
Accounts receivable		83,755	45,777
Prepaid expenses		<u>1,813</u>	<u>1,813</u>
		265,932	372,921
RESTRICTED CASH AND CASH EQUIVALENTS	3	2,234,623	1,346,198
CONSERVATION EASEMENTS	1	41,025,022	34,013,022
PROPERTY AND EQUIPMENT	4	<u>967</u>	<u>1,249</u>
		\$ 43,526,544	\$ 35,733,390
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities		\$ <u>34,133</u>	\$ <u>42,613</u>
NET ASSETS			
Invested in property and equipment		967	1,249
Restricted for conservation easements	1	41,025,022	34,013,022
Externally restricted - ALTGP projects	5	1,021,041	1,101,297
Internally restricted - Stewardship Assurance Fund	6	1,013,582	144,901
Internally restricted - operating reserve	6	200,000	100,000
Unrestricted net assets		<u>231,799</u>	<u>330,308</u>
		43,492,411	35,690,777
		\$ 43,526,544	\$ 35,733,390

Approved by the Board of Directors



Director



Director

The accompanying notes form an integral part of these financial statements

SOUTHERN ALBERTA LAND TRUST SOCIETY

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Note	2018	2017
Revenues			
Contributions			
Government	5	\$ 3,267,181	\$ 2,885,552
Individual donations		35,046	32,974
Foundation and charitable donations		100,653	91,364
		<u>3,402,880</u>	<u>3,009,890</u>
Income from The Calgary Foundation	8	82,718	72,369
Casino revenue		45,664	-
Other revenue		13,345	10,155
Special event revenue		12,985	-
Interest		3,684	2,993
Membership		1,100	800
		<u>3,562,376</u>	<u>3,096,207</u>
Expenditures			
Conservation easement incentives		2,000,000	2,372,000
Non-refundable endowment payment			
to The Calgary Foundation	5 & 7	252,500	210,000
Salaries and benefits		192,763	185,164
Consulting fees		132,382	136,492
Professional fees		30,261	15,795
Communications and advertising		21,708	13,503
Special events		20,354	11,740
Travel		17,823	16,302
Office expense		12,540	11,197
Rent		8,505	8,100
Telephone and internet		6,474	4,651
Insurance		5,166	5,678
Meeting and events		2,487	2,562
Casino expenses		2,366	-
Amortization		282	549
		<u>2,705,611</u>	<u>2,993,733</u>
Excess of revenues over expenditures for the year		<u>\$ 856,765</u>	<u>\$ 102,474</u>

The accompanying notes form an integral part of these financial statements

SOUTHERN ALBERTA LAND TRUST SOCIETY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31

	Invested in property and equipment \$	Restricted for conservation easements \$	Externally restricted projects \$	Internally restricted Stewardship Assurance Fund \$	Internally restricted operating reserve \$	Unrestricted \$	2018 Total \$	2017 Total \$
Net assets, beginning of year	1,249	34,013,022	1,101,297	144,901	100,000	330,308	35,690,777	25,840,758
Investment income earned	-	-	30,432	13,125	-	-	43,557	19,717
Excess of revenues over expenditures	-	-	-	-	-	856,765	856,765	102,474
Value in new easements	-	7,012,000	-	-	-	-	7,012,000	9,071,150
Alberta Land Trust Grant Program (Note 5)			(110,688)			-	(110,688)	656,678
Transfers between Funds	-	-		855,556	100,000	(955,556)	-	-
Amortization	(282)	-	-	-	-	282	-	-
Net assets, end of year	967	41,025,022	1,021,041	1,013,582	200,000	231,799	43,492,411	35,690,777

The accompanying notes form an integral part of these financial statements

SOUTHERN ALBERTA LAND TRUST SOCIETY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31

	2018	2017
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 856,765	\$ 102,474
Item not involving cash:		
Amortization	282	549
Net change in non-cash working capital items:		
Increase in accounts receivable	(37,978)	(43,775)
Increase (decrease) in accounts payable	(8,481)	31,825
Cash flows provided by operating activities	<u>810,588</u>	<u>91,073</u>
Cash flows from investing activities		
Conservation project grants received	2,652,300	3,217,600
Interest earned on unspent grants	30,432	19,212
Qualifying conservation easement expenditures	(2,752,237)	(2,536,073)
Conservation project grants returned	(10,750)	(24,850)
Cash flows (applied to) provided by investing activities	<u>(80,255)</u>	<u>675,889</u>
Cash flows from financing activities		
Interest earned in the Stewardship Assurance Fund	13,125	505
Cash flows provided by financing activities	<u>13,125</u>	<u>505</u>
Change in cash and cash equivalents	743,458	767,467
Cash and cash equivalents – beginning of year	<u>1,671,529</u>	<u>904,062</u>
Cash and cash equivalents – end of year	\$ <u>2,414,987</u>	\$ <u>1,671,529</u>
Cash and cash equivalents is represented by:		
Unrestricted cash	180,364	325,331
Restricted cash	<u>2,234,623</u>	<u>1,346,198</u>
	\$ <u>2,414,987</u>	\$ <u>1,671,529</u>

The accompanying notes form an integral part of these financial statements

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

Purpose of the Organization

The Southern Alberta Land Trust Society ("Society", "SALTS") was incorporated under the Societies Act on January 13, 1998 as a not-for-profit organization and is a registered charity under the Income Tax Act.

The Society is also registered under the Charitable Fundraising Act of Alberta and has considered all required disclosures under Section 7(2) of the Act in preparing these financial statements.

SALTS was formed to maintain the ecological, cultural, productive and scenic values of Southern Alberta's foothills and prairie regions. The Society operates directly with landowners and agricultural interests to provide long-term protection for private lands that have traditionally safeguarded these values. SALTS aims to achieve its objectives through the acquisition of conservation easements, the promotion of environmentally compatible land uses, and the education of landowners and the public.

1) Significant accounting policies

Basis of accounting

In accordance with Canadian accounting standards for not-for-profit organizations, the financial statements have been prepared using the going concern assumption, which assumes that the Society will be able to realize its assets and discharge its liabilities in the normal course of operations.

Measurement uncertainty

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations ("ASNFP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses during the reporting period. Accounts receivables, amortization and valuation of long-lived assets are the elements of the financial statements that require the use of management estimates.

Management's assumptions are based on a number of factors, including historical experience, current events and actions that the organization may undertake in the future and other assumptions that are reasonable under the circumstances. Actual results could differ from those estimates.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

1) Significant accounting policies, continued

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions received or receivable by SALTS are recognized as direct increases in net assets in the current period.

Conservation easements

Conservation easements are interests in land acquired by SALTS for purposes of enabling it to conserve and protect the natural scenic, aesthetic and environmental values of the land to which a conservation easement relates (the *Encumbered Land*). A conservation easement encumbers the Encumbered Land with a perpetual restriction on the types of development and activities that may take place on it, but does not transfer ownership or possession of the Encumbered Land, both of which remain with the landowner. Because a conservation easement is an interest in land registered on title with the Alberta Land Titles Office, it is binding on both the original grantor and all subsequent owners of the Encumbered Land.

At the time a conservation easement is acquired by SALTS, its notional 'value' (being the amount by which the conservation easement diminishes the market value of the Encumbered Land) is appraised by an independent appraiser certified to appraise ecological gifts. This appraisal is then reviewed by Environment Canada, which issues a determination of the value of the conservation easement having regard to the appraisal (the *Appraised Value*). On execution of the conservation easement SALTS issues to the landowner a charitable receipt, and in some cases a component of cash, in the amount of the Appraised Value. The conservation easement is then booked in SALTS' financial accounts as an asset with a book value equal to the Appraised Value. SALTS does not adjust this book value to reflect changes over time, and the book value of a conservation easement does not typically represent the market or realization value of that conservation easement, particularly having regard to the long term stewardship obligations associated with conservation easements as discussed below.

In acquiring conservation easements, SALTS takes on an obligation to administer, enforce, defend and maintain those easements for as long as they remain in effect. This is a material ongoing and long-term commitment, but quantification of its present value is not possible and SALTS accordingly does not reference or attempt to quantify this liability in its balance sheet, consistent with Canadian accounting standards for not-for-profit organizations. SALTS has developed a formal Financial Sustainment Plan to address this liability, and SALTS' Stewardship Assurance Fund (Note 6) and The Calgary Foundation endowment funds (Note 7) have been established to build a source of funding for SALTS' long term conservation easement stewardship obligations.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

1) Significant accounting policies, continued

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments that are highly liquid and are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on a declining balance method based on the estimated useful lives of the assets as follow:

Office equipment	5 years
Computer equipment	3 years

Donated materials

Donated materials are recorded at their estimated fair value if the donated material would have otherwise been paid for if not donated. If fair value cannot be reasonably estimated, such donations are not recorded.

Financial instruments

A financial instrument is classified at fair market value upon initial recognition. If a financial instrument is subject to a loss in value, the loss is recognized as part of the statement of operations in the year end in which it occurs. In future years, if a financial instrument recovers from a write down, the financial instrument will be adjusted to no greater than its original fair market value reported at initial acquisition. The future adjustment will be through the statement of operations in the fiscal period in which it occurred.

2) Restatement of 2017 results

The statement of operations for the year ended December 31, 2017 has been restated to exclude grants under the Alberta Land Trust Grant Program that were received in 2017 but had not been earned by the payment of qualifying expenditures during the year. The result of this restatement was to reduce government revenues by \$656,678 but had no effect on the net assets of the Society as the same amount was included as a transfer to the Externally Restricted Projects Fund.

Interest earned in 2017 on the Externally Restricted Projects Funds (\$19,212) and the Internally Restricted Stewardship Assurance Fund (\$505) has been removed from the statement of operations and has been added directly to the related fund accounts. This restatement also had no effect on the net assets of the Society as reported in the financial statements for the year ended December 31, 2017.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

2) Restatement of 2017 results, continued

	\$
Excess of revenues over expenditures as reported at December 31, 2017	778,869
Adjustment on ALTGP grant to deferred recognition	(656,678)
Adjustment on interest earned on ALTGP grants	(19,717)
2017 Excess of revenues over expenditures as restated on Statement of Operations	<u>102,474</u>

Restatement of Statement of Net Assets:

	\$
Beginning Net Assets as reported in 2017 fiscal year end	25,840,758
Restated 2017 Excess of revenues over expenditures as above	102,474
ALTGP adjustment as above	656,678
Interest earned from ALTGP funds	19,717
Value in new easements	9,071,150
Restated Ending Net Assets, December 31, 2017	<u>35,690,777</u>

3) Restricted cash

Cash that has been restricted from current use for general operating expenses is as follows:

	2018 \$	2017 \$
Externally restricted - ALTGP projects	1,021,041	1,101,297
Internally restricted - Stewardship Assurance Fund	1,013,582	144,901
Internally restricted - operating reserve	200,000	100,000
	<u>2,234,623</u>	<u>1,346,198</u>

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

4) Property and equipment

	Cost \$	Accumulated Amortization \$	2018 Net \$	2017 Net \$
Office equipment	8,709	7904	805	1,006
Computer equipment	16,764	16,602	162	243
	<u>25,473</u>	<u>24,506</u>	<u>967</u>	<u>1,249</u>

5) Externally restricted project funds

SALTS received cash grants under the Alberta Land Trust Grant Program (ALTGP) in 2018 of \$2,652,300 (2017 - \$3,217,600). Such grants can only be recognized as revenue upon (i) the payment of qualifying conservation easement expenditures, (ii) the payment of incentives to landowners and (iii) the approved retainment of funds for future stewardship activities. Any remaining balances are returned upon the completion of the registration of the related conservation easements. The balance of the ALTGP grants are held as externally restricted funds until such expenditures are incurred.

Total government funding recognized as revenue during 2018 was \$3,267,181 (2017 - \$2,885,552) as follows:

	2018 \$	2017 \$
Alberta Land Trust Grant Program (ALTGP)	2,752,238	2,536,152
Water Resiliency Restoration Program (WRRP)	-	99,400
Federal Government grants	514,943	250,000
	<u>3,267,181</u>	<u>2,885,552</u>

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

5) Externally restricted project funds, continued

Changes in the externally restricted project funding from the ALTGP during 2018 were as follows:

<u>Projects</u>	ALTGP 2017 \$	ALTGP 2016 \$	ALTGP 2015 \$	2018 Total \$	2017 Total \$
Balance, beginning of year	-	1,031,692	69,605	1,101,297	425,408
Government of Alberta	2,652,300	-	-	2,652,300	3,217,600
Interest earned	25,161	5,271	-	30,432	19,212
Easement expenses	(166,125)	(36,057)	-	(202,182)	(152,883)
Easement payments	(1,505,000)	-	-	(1,505,000)	(2,127,000)
Grant repaid	-	-	(10,750)	(10,750)	(24,850)
Funds donated to TCF	-	(252,500)	-	(252,500)	(210,000)
Transferred to SAF	-	(733,701)	(58,855)	(792,556)	(46,190)
Balance, end of year	1,006,336	14,705	-	1,021,041	1,101,297

TCF – The Calgary Foundation

SAF – Steward Assurance Fund

Interest earned during the year on the ALGTP funds was \$30,432 (2017 - \$19,212) and was added to the project funds as per the ALTGP agreement.

6) Internally restricted funds

Stewardship Assurance Fund

Pursuant to its Financial Sustainment Plan, in 2018 SALTS established a Stewardship Assurance Fund (SAF) to provide a source of funding for its long-term conservation easement stewardship obligations as discussed in Note 1. The use of SAF capital and income is internally restricted to coverage of conservation easement stewardship costs. During the year ended December 31, 2018, SALTS transferred \$855,556 from various sources and \$144,901 from SALTS' former Defence Fund to the SAF. As at December 31, 2018, the balance in the SAF, including accrued interest, was \$1,013,582.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

6) Internally restricted funds, continued

Operating reserve

The board of directors of the Society has established a reserve that would provide stability in the event of a funding shortfall to enable SALTS to cover operating expenses for a period until additional funding was received or changes to operations could be implemented. During the year ended December 31, 2018, \$100,000 (2017 – nil) was transferred from unrestricted funds to the operating reserve. At December 31, 2018, the accumulated balance in the operating reserve was \$200,000 (December 31, 2017 – \$100,000).

7) Endowment Funds at The Calgary Foundation (TCF)

SALTS is the beneficiary of four endowment funds (the *Endowment Funds*) established with The Calgary Foundation (TCF), being (i) the SALTS Legacy Fund (established by SALTS initially to provide income for general operations), (ii) the SALTS Stewardship Fund (established by SALTS to provide income for conservation easement stewardship), (iii) the Daryl K. Seaman Fund (established in part to provide income for the stewardship of SALTS' OH Pekisko Ranch conservation easement), and (iv) the Rocky Mountain Elk Foundation Fund (established by the Rocky Mountain Elk Foundation of Canada to support its initiatives, and subsequently dedicated to SALTS).

Under the terms on which the Endowment Funds were established, all amounts contributed to an Endowment Fund are vested in, and become the property of TCF, and SALTS is not entitled to reclaim or otherwise access such contribution amounts. Because of this, SALTS attributes no monetary value to the Endowment Funds for accounting purposes, and accordingly does not include them as assets on its balance sheet, consistent with Canadian accounting standards for not-for-profit organizations. However, under the terms on which the Endowment Funds were established, and the Canadian federal legislation applicable thereto, SALTS is entitled to receive annual distributions of income from each of the Endowment Funds in perpetuity.

For the year ended December 31, 2018, the minimum annual distribution stipulated by the Canada Revenue Agency was 3.5%, and the amount distributed by TCF was 4% of the market value of the various endowment funds as at April 1, 2018.

Pursuant to SALTS' Financial Sustainment Plan, all income received from the SALTS Legacy Fund and the SALTS Stewardship Fund is dedicated exclusively to coverage of SALTS' conservation easement stewardship costs as discussed in Note 1 and is internally restricted from use for any other purpose.

During 2018, SALTS contributed \$252,500 to the SALTS Stewardship Fund (2017 – \$210,000), and nil to the SALTS Legacy Fund (2017 – nil). The fund balances for each of the Endowment Funds as at December 31 were as follows:

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

7) Endowment Funds at The Calgary Foundation (TCF), continued

	2018	2017
	\$	\$
SALTS Legacy Fund	462,484	480,124
SALTS Stewardship Fund	1,776,501	1,581,448
Daryl K. Seaman Fund	60,732	63,092
Rocky Mountain Elk Foundation Fund	31,408	32,566
	<u>2,331,125</u>	<u>2,157,230</u>

8) Income received from Endowment Funds

SALTS received income from the Endowment Funds as follows:

	2018	2017
	\$	\$
SALTS Legacy Fund	19,285	18,875
SALTS Stewardship Fund	59,669	49,882
Daryl K. Seaman Fund	2,534	2,475
Rocky Mountain Elk Foundation Fund	1,230	1,137
	<u>82,718</u>	<u>72,369</u>

9) Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair market value of these financial instruments approximates their book value due to their short-term nature and they bear interest at market rates.

SALTS is not subject to any significant credit, interest rate or foreign exchange rate risk.

10) Comparative amounts

Certain 2017 amounts have been reclassified to conform to the presentation adopted in 2018.

