

2019 Annual Report



SALTS
southern alberta
land trust society

Sept 2020

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 2019

Cover photo: SALTS easement secured in 2019 in the foothills of the Livingstone Range



President's Message

Looking at it now, 2019 seemed pretty normal when compared to 2020! It was also a very successful year for SALTS. We completed five conservation easements in partnership with landowners and conserved the second highest number of acres in a single year since SALTS was formed over 20 years ago.

The Alberta Land Trust Grant Program was continued under the UCP government's first budget. This program has now been supported by four different governments of three different political stripes. Why this consistent support? We believe it's because private land conservation is achieved through partnerships with landowners, is voluntary, cost-effective, and helps to conserve some of Alberta's most at-risk landscapes. To summarize, it makes a whole lot of sense!

We also received funding in 2019 from several foundations including support for a project with Cows and Fish where we looked at the history of land stewardship by ranchers in two foothills watersheds and the positive riparian health trends that have occurred. One conclusion, which will not be a surprise to SALTS' members but perhaps some in the general public, is that ranching and watershed health can be very compatible. The second phase of this project will be sharing some of the key lessons learned.

I know I say it each year, but my sincere thanks to the landowners who have chosen to work with SALTS. We will continue to do our best to keep our ranching landscapes intact but also to help families stay ranching. I must also thank our dedicated staff, volunteer board, financial donors, and the support of both the provincial and federal governments. In particular, the SALTS board put significant effort into a major re-write of our by-laws (not done since 1998) which we will vote on at the AGM. The board also put a lot of effort into the management of SALTS' stewardship funds, critical work for SALTS' financial sustainability.

As I write this message in the chaotic circumstances of 2020, it's hard to know what the next few years will bring for SALTS. What I do know is that our organization is strong and that continuing to conserve our intact ranchlands so that they support clean water, wildlife, and western heritage, will be important regardless of what the future holds.

Sincerely,



Kelly Hall
President of the Board

Conservation & Operations Report

New Conservation Easements

SALTS completed five conservation easements in 2019 totaling 4,049 acres bringing our total acreage to 27,689. This continues a six-year trend of consistently delivering projects that conserve significant acreage. It's worth remembering that six years ago SALTS had set a target of "20,000 acres by 2020."

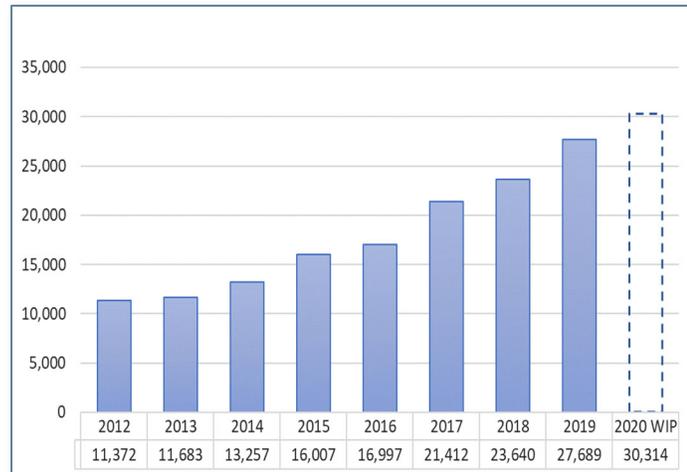
While 2019 saw considerable acres conserved, it does not mean

that SALTS only completed easements on large properties. Our 2019 projects ranged from 118 to 2,000 acres. We continue to focus on projects that have ecological value and for which we can secure the funding. As usual, our 2019 projects were of high ecological value in areas where we have already worked with landowners including:

- The intact foothills fescue grasslands on the eastern side of the Porcupine Hills
- Riparian areas and key raptor habitat along the Oldman and Highwood Rivers
- Montane grasslands and headwaters in the foothills of the Livingstone Range



Looking towards one of SALTS 2019 conservation easements along the Oldman River



Another positive story from 2019 is that because of their conservation easement, one family achieved their goal of transferring the land to their son and avoided large tax implications and potentially selling part of the land.

In the fall of 2019, SALTS applied for grants through the Alberta Land Trust Grant Program to support five new projects. We learned in early 2020 that we received funding for three. Once completed, these projects ("Work In Progress – WIP" in graph above) will bring our total acres conserved to more than 30,000.

Existing Conservation Easements

We continue to enjoy our ongoing engagement with our more than 45 easement landowners. In addition to annual communications/monitoring we do our best to support our landowners when there are proposals for development on their property or when they are looking at new land stewardship actions/investments.

On occasion over the last few years we have been able to bring some capital or labour support to some of our landowners for stewardship actions such as off-stream watering, riparian fencing, and invasive weed management. This has been accomplished through partnerships with organizations like Cows and Fish and the Oldman Watershed Council. We plan to continue doing this and to the extent possible increase these activities where the partnerships and dollars are available.

We are always interested in landowner feedback as to how SALTS can be a good partner so please let us know if you have suggestions.

Staffing and Capacity

In 2019 our wonderful Office Manager of five years, Berry Urban, moved on to other things. Luckily, we found Dawn Mitchell to replace her. Dawn has flown up the learning curve and done very well with the firehose of SALTS financial, contractual, and governance information. Dawn's love of Alberta's open landscapes also makes her a great fit. Mike and Rylee have continued in their roles, providing their extensive conservation experience and professionalism to our activities.



SALTS staff on a hike in fall of 2019 - Rylee Hewitt, Justin Thompson, Dawn Mitchell, and Mike Gibeau

In all, 2019 was another very good year. SALTS continued to build on its conservation mandate as well as its organizational strength. My thanks for this success go to our easement landowners, my staff, board, and all our amazing supporters.

Justin Thompson
Executive Director

Treasurer's Report

Due to the significant project funding in 2019 under the Alberta Land Trust Grant Program, SALTS increased its annual revenues, excess of revenues over expenditures, conservation easement additions and net assets during the year.

Revenues

Total revenues increased by 19% in 2019 to \$4,254,013 (2018 - \$3,562,061). This was due to a 24% increase in government grants related to the acquisition and registration of conservation easements (CEs) during the year. In 2018, three CEs were registered by SALTS.

Government grants only cover eligible CE expenditures including consultants, direct salaries, landowner payments, and a small amount of administrative costs directly tied to the project. They also allow for funds to be set aside to ensure the future stewardship of the CEs.

Government grants earned during the past two years were as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Alberta Land Trust Grant Program (ALTGP)	3,551,873	2,752,238
Federal Government grants	493,041	514,943
	<u>4,044,914</u>	<u>3,267,181</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.

Since 2011, the ALTGP has funded eight land trust organizations supporting the conservation of more than 140,000 acres of private land. With the support of the ALTGP, SALTS has averaged 2,886 acres in CEs per year over the last five years. For the five years previous to that, SALTS was averaging approximately 661 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 \$480,000 to secure 2,369 acres in 2019 and \$500,000 to secure 1,250 acres in 2018.

Non-government sources of revenue decreased in 2019 to \$209,099 (2018 - \$295,195) due mainly 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 our sincere thanks to the casino volunteers who helped secure this revenue.

Included in non-government revenues are donations from foundations and individuals which decreased to \$92,509 in 2019 from \$135,699 in 2018, mainly due to the recognition of \$30,000 of income received in 2018 that was actually required to be used on behalf of one of our watershed study partners. In 2019, only SALT's share of the receipt of similar funding was recognized as revenue. SALTS relies on donations and casino revenues to cover accounting, audit and other administrative expenditures that are necessary to support our mission.

Total income from SALTS' TCF endowments in 2019 was \$83,335 (2018 - \$82,718) and \$31,266 of income was earned in 2019 from the Stewardship Assurance Fund. The income from these two sources was directed towards the payment of part of the stewardship expenses of existing SALTS CEs incurred in 2019.

Expenses

Expenditures incurred during the past two years are as follows:

	2019	2018
	\$	\$
Qualifying CE expenditures	2,236,660	2,403,141
Future CE costs incurred	28,825	76,032
Stewardship expenditures	143,532	37,235
20th Anniversary celebrations	0	19,571
Other salary and administrative	132,184	169,632
Total expenditures	<u>2,541,201</u>	<u>2,705,611</u>

Assets

Working Capital

The current assets and current liabilities on the Statement of Financial Position appear significantly higher at the end of 2019 than they were at the end of 2018 because SALTS was waiting for the receipt of certain payments from a federal grant before it could pay two landowners the amounts owed to them for CEs that had been

completed and registered prior to December 31, 2019. The net working capital at the end of 2019 of \$237,661 was only slightly higher than the \$231,799 at the end of 2018 and the receivables and payables returned to their normal ranges upon the receipt of the federal funding and subsequent payments to the landowners in the first quarter of 2020.

Conservation Easements

SALTS increased the value of its CEs by \$9,559,000 in 2019 (2018 - \$7,012,000) to a total of \$50,584,022 (2018 - \$41,025,022). This value represents the fair market value of the CEs at the time they are placed on the landowner's property and does not represent a marketable asset that SALTS will ever be able to sell.

Financial Sustainment Plan

SALTS has set aside funds to ensure that its future conservation easement stewardship obligations can be met. Total sustainment funds at the end of 2019 were as follows:

	2019 \$	2018 \$
The Calgary Foundation Funds	2,537,970	2,331,125
Stewardship Assurance Fund	2,732,967	1,013,582
	<u>5,270,937</u>	<u>3,344,707</u>

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 to TCF.

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 that would allow us to access the principle amount held for sustainment, if necessary. Accordingly, the SALTS board approved the adoption of the SALTS Financial Sustainment Plan in 2018 which was approved at the 2019 AGM by the membership.

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, 2019, SALTS transferred \$1,707,165 (2018 - \$1,000,457) to the SAF.

As always, we want to 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, the Auxilium Foundation, 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 has enabled us to continue to conserve Alberta's native grasslands and significant riparian areas that matter to us and all Albertans.



Shannon Matthyssen
Treasurer

APPENDIX A

SOUTHERN ALBERTA LAND TRUST SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2019

SOUTHERN ALBERTA LAND TRUST SOCIETY

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SCASE & PARTNER
CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2019 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, 2019, 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 13, 2020

Scase & Partner

Chartered Professional Accountants

SOUTHERN ALBERTA LAND TRUST SOCIETY

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	Note	2019	2018
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 866,786	\$ 180,364
Accounts receivable		512,513	83,755
Prepaid expenses		<u>1,813</u>	<u>1,813</u>
		1,381,112	265,932
RESTRICTED CASH AND CASH EQUIVALENTS	2	1,297,478	2,234,623
RESTRICTED INVESTMENTS	3	2,897,967	-
CONSERVATION EASEMENTS	1	50,584,022	41,025,022
PROPERTY AND EQUIPMENT	4	<u>752</u>	<u>967</u>
		\$ 56,161,331	\$ 43,526,544
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities		\$ <u>1,143,451</u>	\$ <u>34,133</u>
NET ASSETS			
Invested in property and equipment		752	967
Restricted for conservation easements	1	50,584,022	41,025,022
Externally Restricted - projects	5	1,262,478	1,021,041
Internally restricted - Stewardship Assurance Fund	6	2,732,967	1,013,582
Internally restricted - operating reserve	6	200,000	200,000
Unrestricted net assets		<u>237,661</u>	<u>231,799</u>
		55,017,880	43,492,411
		\$ 56,161,331	\$ 43,526,544

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	2019	2018
Revenues			
Contributions			
Government	5	\$ 4,044,914	\$ 3,267,181
Individual donations		31,209	35,046
Foundation and charitable donations		61,300	100,653
		4,137,423	3,402,880
Income from The Calgary Foundation	8	83,335	82,718
Casino revenue		-	45,664
Other revenue		-	13,345
Special event revenue		-	12,985
Interest		32,755	3,684
Membership		500	1,100
		4,254,013	3,562,376
Expenditures			
Conservation easement incentives		2,050,000	2,000,000
Non-refundable endowment payment to The Calgary Foundation	5 & 7	-	252,500
Salaries and benefits		268,633	192,763
Consulting fees		123,513	132,382
Professional fees		23,894	30,261
Communications and advertising		3,893	21,708
Special events		-	20,354
Travel		21,864	17,823
Computer equipment		5,187	-
Investment management fees		4,588	-
Office expense		14,447	12,540
Rent		9,287	8,505
Telephone and internet		7,951	6,474
Insurance		5,602	5,166
Meeting and events		2,127	2,487
Casino expenses		-	2,366
Amortization		215	282
		2,541,201	2,705,611
Excess of revenues over expenditures for the year		\$ 1,712,812	\$ 856,765

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 \$	2019 Total \$	2018 Total \$
Net assets, beginning of year	967	41,025,022	1,021,041	1,013,582	200,000	231,799	43,492,411	35,690,777
Investment income earned	-	-	48,915	12,220	-	-	61,135	43,557
Excess of revenues over expenditures	-	-	-	-	-	1,712,812	1,712,812	856,765
Value in new easements	-	9,559,000	-	-	-	-	9,559,000	7,012,000
Alberta Land Trust Grant Program (Note 5)	-	-	192,522	-	-	-	192,522	(110,688)
Transfers between Funds	-	-	-	1,707,165	-	(1,707,165)	-	-
Amortization	(215)	-	-	-	-	215	-	-
Net assets, end of year	752	50,584,022	1,262,478	2,732,967	200,000	237,661	55,017,880	43,492,411

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

	Note	2019	2018
Cash flows from operating activities			
Excess of revenues over expenses for the year		\$ 1,712,812	\$ 856,765
Items not affecting cash:			
Amortization		215	282
Net change in non-cash working capital items:			
Increase in accounts receivable		(428,758)	(37,978)
Increase (decrease) in accounts payable		1,109,318	(8,481)
Net cash generated from operating activities		<u>2,393,587</u>	<u>810,588</u>
Investing activities			
Conservation project grants received	5	3,786,850	2,652,300
Interest earned on unspent grants	5	48,915	30,432
Qualifying conservation easement expenditures		(3,531,873)	(2,752,237)
Conservation project grants returned	5	(62,455)	(10,750)
Net cash provided by (used in) investing activities		<u>241,437</u>	<u>(80,255)</u>
Financing activities			
Investments made in Stewardship Assurance Fund		(2,697,967)	-
Investments made in Operating Reserve		(200,000)	-
Interest earned in the Stewardship Assurance Fund		12,220	13,125
Net cash provided by financing activities		<u>(2,885,747)</u>	<u>13,125</u>
Change in cash and cash equivalents during the year		(250,723)	743,458
Cash and cash equivalents - beginning of year		<u>2,414,987</u>	<u>1,671,529</u>
Cash and cash equivalents - end of year		<u>\$ 2,164,264</u>	<u>\$ 2,414,987</u>
Cash and cash equivalents is restricted or unrestricted as follows:			
Unrestricted cash		866,786	180,364
Restricted cash	2	<u>1,297,478</u>	<u>2,234,623</u>
		<u>\$ 2,164,264</u>	<u>\$ 2,414,987</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, 2019

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.

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 distributions received or receivable by SALTS are recognized as direct increases in revenue 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, 2019

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.

Investments

Investments include various investment and exchange traded funds that are generally liquid and are subject to normal market risks which are considered acceptable for the Society.

Investments are initially recorded at market, the price paid for the investment. Any loss in market value is recognized as an expense in the statement of operations in the year in which an impairment is realized or if the impairment is in an asset that is part of a restricted fund, then the restricted fund will recognize the loss. If impairments have been recognized and adjusted in the financial records, any future increases in the market value of the investments may be recognized as a gain in the year in which the recovery is realized, but never to more than the original price paid for the investment.

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 or through the statement of changes in net assets for the internally restricted funds.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

2) Restricted cash

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Externally restricted - ALTGP projects	1,262,478	1,021,041
Internally restricted - Stewardship Assurance Fund	35,000	1,013,582
Internally restricted - operating reserve	0	200,000
	<u>1,297,478</u>	<u>2,234,623</u>

3) Restricted investments

Investments consist of various investment and exchange-traded funds. Investments that have been restricted from current use for general operating expenses are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Internally restricted - Stewardship Assurance Fund	2,697,967	-
Internally restricted - operating reserve	200,000	-
	<u>2,897,967</u>	<u>-</u>

4) Property and equipment

	Cost	Accumulated Amortization	2019 Net	2018 Net
	\$	\$	\$	\$
Office equipment	8,709	8065	644	805
Computer equipment	16,764	16,656	108	162
	<u>25,473</u>	<u>24,721</u>	<u>752</u>	<u>967</u>

5) Externally restricted project funds

SALTS received cash grants under the Alberta Land Trust Grant Program (ALTGP) in 2019 of \$3,786,850 (2018 - \$2,652,300). 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)

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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 2019 was \$4,044,914 (2018 - \$3,267,181) as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Alberta Land Trust Grant Program (ALTGP)	3,551,873	2,752,238
Federal Government grants	493,041	514,943
	<u>4,044,914</u>	<u>3,267,181</u>

Changes in the externally restricted project funding from the ALTGP during 2019 were as follows:

<u>Projects</u>	ALTGP 2018 \$	ALTGP 2017 \$	ALTGP 2016 \$	2019 Total \$	2018 Total \$
Balance, beginning of year	-	1,006,336	14,705	1,021,041	1,101,297
Government of Alberta	3,786,850	-	-	3,786,850	2,652,300
Interest earned	42,513	6,133	269	48,915	30,432
	3,829,363	1,012,469	14,974	4,856,806	3,784,029
Easement expenses	(234,675)	(23,556)	(4,263)	(262,494)	(202,182)
Easement payments	(1,550,000)	(20,000)	-	(1,570,000)	(1,505,000)
Grants repaid	-	(52,744)	(9,711)	(62,455)	(10,750)
Funds donated to TCF	-	-	-	-	(252,500)
Transferred to SAF	(782,210)	(916,169)	(1,000)	(1,699,379)	(792,556)
Balance, end of year	<u>1,262,478</u>	<u>-</u>	<u>-</u>	<u>1,262,478</u>	<u>1,021,041</u>

TCF - The Calgary Foundation

SAF - Stewardship Assurance Fund

Interest earned during the year on the ALGTP funds was \$48,915 (2018 - \$30,432) and was added to the project funds as per the ALTGP agreement.

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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, 2019, SALTS transferred \$1,707,165 as per the terms of various ALTGP projects and the Natural Heritage Conservation Program to the SAF. As at December 31, 2019, the balance in the SAF, including accrued income and the \$35,000 shown in Note 2 was \$2,732,967.

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. At December 31, 2019, the accumulated balance in the operating reserve was \$200,000 (December 31, 2018 - \$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, 2019, 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 December 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.

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

During 2019, SALTS contributed nil to the SALTS Stewardship Fund (2018 - \$252,500), and nil to the SALTS Legacy Fund (2018 - nil). The fund balances for each of the Endowment Funds as at December 31 were as follows:

	2019	2018
	\$	\$
SALTS Legacy Fund	501,686	462,484
SALTS Stewardship Fund	1,936,327	1,776,501
Daryl K. Seaman Fund	65,982	60,732
Rocky Mountain Elk Foundation Fund	33,975	31,408
	<u>2,537,970</u>	<u>2,331,125</u>

8) Income received from Endowment Funds

SALTS received income from the Endowment Funds as follows:

	2019	2018
	\$	\$
SALTS Legacy Fund	18,499	19,285
SALTS Stewardship Fund	61,148	59,669
Daryl K. Seaman Fund	2,429	2,534
Rocky Mountain Elk Foundation Fund	1,259	1,230
	<u>83,335</u>	<u>82,718</u>

9) Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, investments, 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) Subsequent event

In February 2020 the Society made landowner payments totaling \$210,000 to complete two additional conservation easements that had a total appraised value of \$966,250.