2021 Annual Report

One of SALTS 2021 conservation easement properties in the Foothills Parkland near Waterton Lakes National Park

SALTS
southern alberta
land trust society

May 2022

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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Message from the Chair of the Board

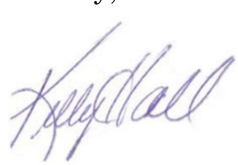
The last few years have seen some big changes to the social, economic, and environmental foundations of our world. One positive seems to be the continued and increasing emphasis on where our food comes from, and whether it's healthy and doesn't damage our environment in its production. We have also had many vivid reminders that mother nature is the one in charge, with weather events that have hit the cattle industry and many communities across Canada hard. This has created a lot of interest in the need to support ecological and economic resiliency, as well as the recognition that these two things are intimately linked. Ecological resiliency is of course one of the key objectives and outcomes of SALTS' work.

Something that hasn't changed is the commitment of landowners working with SALTS to properly steward their land. Nor has their interest in learning about new approaches to improve range and riparian health, store carbon, and support clean water and biodiversity. Many outside the ranching community are also waking up to the ecosystem services provided by healthy ranch lands.

We've also seen no change in the significant demand from landowners to work with SALTS on new conservation easements. Our challenge is to keep up with the demand while at the same time maintaining the quality of our work and our relationships.

While I think we could all use a little less change in 2022, hopefully some of the very positive trends that are supporting SALTS work will continue to grow.

Sincerely,

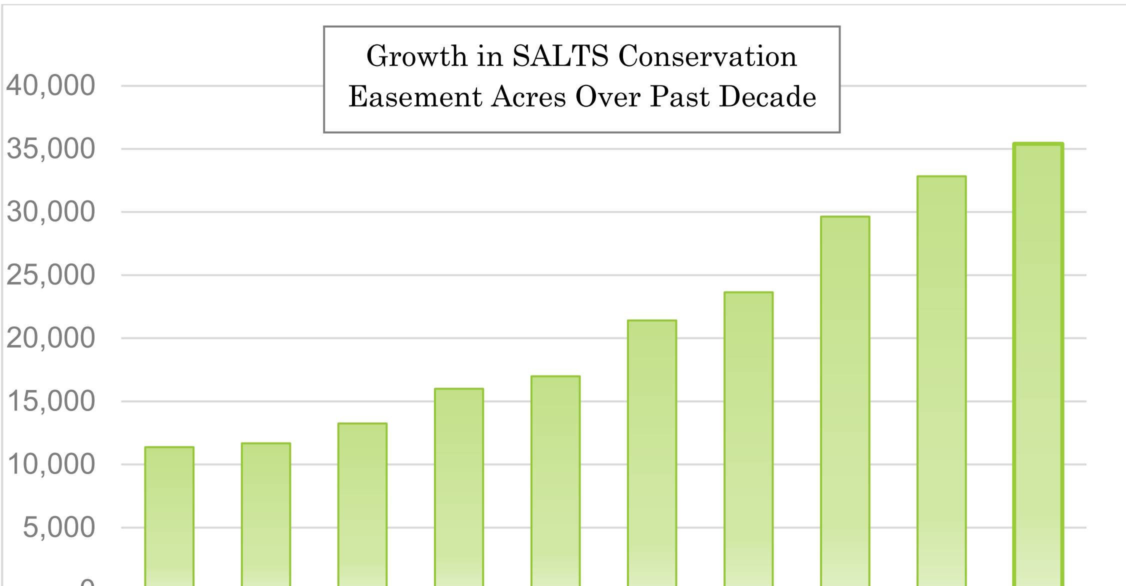


Kelly Hall
Chair of the Board

Conservation & Operations Report

New Conservation Easements

2021 was another big year for SALTS in terms of conservation projects. Like 2020 we completed four more easements which protected 2,579 acres, bringing our total to 35,410. This continues an eight-year trend of protecting significant acres each year. These projects were supported through a combination of charitable donations by the landowners, and provincial and federal government grants.



2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
11,372	11,683	13,257	16,007	16,997	21,412	23,640	29,644	32,831	35,410

Our 2021 projects were a great example of building on existing relationships with our conservation landowners and their neighbours. For all but one, we were partnering with landowners who already had an easement with SALTS or with neighbours of landowners with SALTS conservation easements.

The projects also expanded on the protection of landscapes that SALTS has been actively working to conserve for many years including:

- ✓ **The expansive grasslands on the flanks of the Porcupine Hills where SALTS already has five conservation easements**
- ✓ **The foothills parkland bordering the Waterton Lakes and Castle Parks where SALTS already has four conservation easements**
- ✓ **Riparian areas along the Highwood and Crowsnest Rivers where SALTS already has three conservation easements**

One of SALTS 2021 conservation easements on the flanks of the Porcupine Hills

One of SALTS 2021 conservation easements along the Crowsnest River

In the fall of 2021, SALTS applied for grants through the Alberta Land Trust Grant Program (ALTGP) to support four new projects. We learned in early 2022 that we received funding for all four! Again, SALTS is very grateful for the support of the Alberta Government through the ALTGP. SALTS has had good success in our applications to the ALTGP over the last decade. This is mostly because the landowners we work with have truly exceptional properties that directly support the government's objectives of conserving native grasslands, riparian areas, wildlife habitat, and important watershed areas.

Existing Conservation Easements

In addition to our annual monitoring visits with landowners, SALTS continues to try and support our landowners with various land related issues. These include for example support for landowners when they are faced with proposals for pipelines or powerlines across their property, and support for the estates/beneficiaries of our easement landowners when they pass.

2021 also saw the launch of The Weston Family Prairie Grasslands Initiative – Stewardship Investment Program that SALTS participated in alongside NCC and DUC. This program provides financial support for stewardship projects on conservation easements that improve range and/or riparian health. SALTS was able to implement 8 projects with our easement landowners in the first year and we are looking forward to doing more projects in years 2-4.

In other activities, SALTS has been participating in a pilot project with the Canadian Forage and Grassland Association, Shell Canada, and several other land trusts looking at carbon offsets from avoided conversion of grasslands to crop land. While there are still many questions about what role carbon markets might play in supporting grassland conservation, SALT wants to make sure that we're learning about this important emerging opportunity.

Staffing and Capacity

With SALTS' rapidly growing financial, operational, and legal obligations, 2021 saw the need to expand our staff capacity. We brought Cody Spencer on to help while Rylee Hewitt our Stewardship Manager was away on maternity leave. Cody has a background in ranching but has also worked for the Oldman Watershed Council in the past and has been a great asset. We also brought Carey Donkervoort on board as our new Chief Administrative Officer in the fall. Alongside Dawn Mitchell and I, he will be helping SALTS with the increasing financial management, governance, and risk management activities of the organization. Carey has an extensive background in finance and administration, leading in senior financial management roles over the past 25 years in both the for-profit and non-profit sectors. Mike Gibeau continues to play a key role on our new conservation easements as Conservation Manager. There are now five of us in total and there is more than enough work to keep us all busy!

To summarize, SALTS continues to deliver on our mandate to work with interested landowners to conserve southern Alberta's most ecologically valuable private lands and to help to keep grasslands in ranching. In several of our priority landscape areas we are achieving a very meaningful scale of conservation.

We are also expanding on our mandate by starting to provide more support to our conservation easements landowners in terms of investments that support improved range and riparian health. At the same time, we are doing more education and communication with partners like Cows and Fish to help Albertans understand the immense benefits associated with our intact ranching landscapes. All the above is only possible due to our easement landowners, my staff, Board, and our supporters. As always, my thanks go out to all of you.

Justin Thompson
Executive Director

Report from the Treasurer

SALTS had another busy and successful year, working on five new Conservation Easements (CEs) in 2021. While four of the five CEs were signed with the landowners in 2021, only two of these were registered with land titles due to longer than normal registration times. For financial purposes we have only recorded those CEs that were registered with land titles in 2021 on our balance sheet. As well, SALTS does not provide the landowner payment or transfer money into our stewardship funds until the easement is registered on title. As a result, these major project expenses for the remaining three of the five projects were carried over into 2022.

ASSETS

Unrestricted Net Assets

SALTS' unrestricted net assets (i.e.- current assets less current liabilities on the Statement of Financial Position) of $602,604 at the end of 2021 was a significant increase over 2020 by $314,560 (2020 - $288,044). This increase was due largely from receiving a donation-in-kind of preferred, private company shares with a fair market value of $300,000. These preferred shares were subsequently sold for cash proceeds in the amount of $300,000 in February 2022. Accounts payable grew by $42,024 by the end of 2021, waiting for the final payment of federal grant holdbacks which were subsequently received in the first quarter of 2022.

In 2022, the Board will review the status of the unrestricted net assets, with a view to investing them to preserve the Society's ability to cover its operating costs over the long-term, including an increase to SALTS' operating reserve.

Restricted Current Assets

SALTS restricted current assets declined to $494,235 at the end of 2021 from $797,083 in 2020, a reduction of $302,848. This decrease was largely due to restricted funds of $560,000 designated for the Sustainment Assurance Fund (SAF) at the end of 2020 being transferred to the SAF during 2021. Offsetting this decline was $227,752 of unutilized restricted 2021 ALTGP grant dollars for projects not completed by the end of 2021 and an increase of $36,483 in restricted Stewardship Income funds, which were both subsequently drawn down in 2022.

Conservation Easements

SALTS increased the value of its CEs by $3,413,000 in 2021 (2020 - $7,364,950) to a total of $61,361,972 (2020 - $57,948,972). This value represents the fair market value of the CEs at the time they are placed against the landowner's property and does not represent the current value or a marketable asset for SALTS.

Financial Sustainment Plan

SALTS has continued to set aside funds to ensure that its future conservation easement stewardship obligations can be met. The costs and risks associated with the stewardship and protection of SALTS' CEs is increasing with the number of properties we have under easement and with some of our easement properties beginning to change ownership. The board of SALTS feels that this evolution of risk necessitated an approach to our financial management strategy that would allow us to access the principal amount held for stewardship, if necessary. The SALTS Financial Sustainment Plan was approved at the 2019 AGM by the membership.

Pursuant to its Financial Sustainment Plan, SALTS established a Stewardship Assurance Fund (SAF) to provide a source of funding for its long-term CE stewardship obligations. The use of SAF capital and income is 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. The Society has SAF accounts with the Alberta Treasury Branch (ATB) and in 2021 added a new SAF with The Calgary Foundation (TCF) to diversify investment opportunities.

SALTS continued to build the SAF Sustainment Fund in 2021 with the transfer of $947,000 (2020 - $371,595) that could be allocated for this purpose through the ALTGP and $30,000 (2020 - nil) allocated through the reinvestment of excess Stewardship Income from 2020.

In 2021, SALTS changed the basis on which it records the value of certain of the financial assets held in its SAF Sustainment Funds. This change in accounting rules and practices resulted in the recognition of unrealized capital gains in market value, which retroactively increased the value to the SAF Sustainment Fund by $639,322 at the end of 2021 (2020 - $297,492). The recognition of unrealized capital gains or losses has no impact on the amount that SALTS has available to fund its stewardship obligations.

SALTS also has Endowment Funds with TCF that provide annual Stewardship Income, but SALTS is not entitled to reclaim or otherwise access the principle amounts in the funds. No amounts were transferred by SALTS to the Endowment Funds in either 2021 or 2020.

Total fair market values of the Sustainment Funds at the end of the year were as follows:

	2021	2020
	$	$
ATB SAF	**3,716,932**	3,366,884
TCF SAF	**968,782**	-
Endowment Funds	**2,857,597**	2,613,186
Sustainment Funds Fair Market Value, end of year	**7,543,311**	**5,980,070**

In 2021, SALTS changed the accounting method for recording stewardship income from the Endowment funds from a cash basis to an accrual basis to be consistent with the treatment of other stewardship income.

Stewardship income earned from all Sustainment Funds was $276,421 in 2021 (2020 - $188,845). Management fees charged by the investment managers for the ATB and TCF SAFs were $34,693 in 2021 (2020 - $22,299) resulting in net funding available for stewardship costs of $241,728 for 2021 (2020 - $166,546). The Society incurred $182,328 of such costs in 2021 (2020 - $129,463) resulting in $59,400 being available to reinvest in the Sustainment Funds for 2021 (2020 - $37,083).

The Board has established an Investment Committee to monitor the performance of the SAF fund managers (ATB and TCF) and to make recommendations to the board regarding asset mix and allocations in the SAFs in order to achieve SALTS' objectives around diversification, risk tolerance, income, and long-term growth. SALTS' new Chief Administrative Officer (CAO), who was hired in late 2021, supports the SALTS Investment Committee with quarterly tracking, analysis and reporting of fund values and revenues earned under the Sustainment Funds. The Committee meets at least quarterly to review investment performance, policies, strategies, objectives, and performance relative to benchmarks.

REVENUES

Total revenues of $2,678,533 decreased by $1,215,909 (31%) in 2021 (2020- $3,897,442) which, at first glance, appears as though SALTS was not as active or successful as in prior years. This is misleading, as the decrease in government revenues of approximately $1.5 million related to CEs also resulted in an offsetting decrease of $1.2 million of related expenses. In 2020, SALTS completed eight CEs of which five had commenced in 2019 and three in 2020. In 2021, the Society received funding for five CEs and was able to complete two during the year with the remaining three completed in the first quarter of 2022.

Government Grants

Government grants of $1,571,393 recognized in 2021 decreased by $1,513,094 (2020 - $3,085,094), with the two CEs registered by SALTS for 2021 compared to eight CEs registered in 2020.

Government grants only cover eligible CE expenditures including consultants, direct project related salaries and administrative expenses, and landowner payments. Some grants 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:

	2021	2020
	$	$
ALTGP grant releases	**996,948**	2,750,736
Federal Government grants	**570,000**	334,358
Alberta Now grant	**4,445**	-
	1,571,393	3,085,094

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 is not a common occurrence. When the government sells public lands, they set aside a portion of the proceeds in the Land Stewardship Fund which funds programs like the ALTGP.

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 over 2,500 acres in CEs per year over the last six years. For the five years previous to that, SALTS was averaging approximately 661 acres. The ALTGP does not support the outright purchase of land, only conservation easements.

The Canadian federal government also provided $570,000 of funding in 2021 under the Natural Areas Conservation Program (NHCP) that alongside the ALTGP assisted with the CE costs to secure 2,440 acres. In 2020 the NHCP provided SALTS $325,000 which helped to secure 2,526 acres.

Donations

Donations of $348,629 in 2021 increased substantially over 2020 by $306,811 (2020 - $41,818) mainly due to receiving a donation-in-kind of preferred, private company shares with a fair market value of $300,000.

Sustainment Fund Unrealized Capital Gains

In 2021, as a result in changes in Canadian generally accepted accounting principles, SALTS changed the basis on which it records the value of certain of the financial assets held in its SAF Sustainment Funds. These financial assets, referred to as financial instruments quoted in an active equity market and consisting of items such as publicly traded shares, bonds, limited partnership units, etc., were previously recorded at cost, but are now recorded at fair market value. This change in accounting policy resulted in the recognition of unrealized capital gains in market value of $341,830 in 2021 (2020 - $297,492).

Stewardship Income

Stewardship Income earned during the past two years is as follows:

	2021	2020
	$	$
ATB SAF	**138,214**	86,740
TCF SAF	**34,702**	-
Endowment Funds	**103,505**	102,105
Total Stewardship Income	**276,421**	188,845

Other non-government revenues

Other non-government revenues of $140,260 in 2021 decreased by $110,347 (2020 - $250,567) due primarily to a decline in special project revenues versus 2020 which had included funding from a corporation in the amount of $169,577 to support two CEs with particular species at risk habitat.

EXPENSES

Expenditures incurred during the past two years are as follows:

	2021	**2020**
	$	**$**
Qualifying CE expenditures	**1,140,227**	**2,348,742**
Future CE costs incurred	**20,421**	**28,725**
Stewardship expenditures	**217,021**	**151,762**
Other salary and administrative	**198,661**	**179,017**
Total expenditures	**1,576,330**	**2,708,246**

In line with the decline in government grants recognized in 2021, qualifying CE expenditures of $1,140,227 decreased by $1,208,465 from 2020. Stewardship expenditures of $217,021 increased by $65,259 over 2020 due to increased activity by SALTS associated in supporting ongoing stewardship of its existing CEs.

Thanks to our Donors and Supporters

As always, we want to recognize and thank so many for their generous financial support, including the Alberta government, the Canadian federal government, The Calgary Foundation, the Rocky Mountain Elk Foundation, the Daryl Seaman Foundation, the Weston Family Foundation, donors to the Edmonton Community Foundation, and several generous individuals. This support has enabled us to continue to conserve Alberta's native grasslands, riparian areas, and open spaces that are so valuable for all Albertans. Without this support, SALTS would not have achieved the conservation successes it has, nor would the Society be in such a financially stable position.

Shannon Matthyssen
Treasurer

SOUTHERN ALBERTA LAND TRUST SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2021

SOUTHERN ALBERTA LAND TRUST SOCIETY

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DECEMBER 31, 2021

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SCASE & PARTNER
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of
The Southern Alberta Land Trust Society,

Qualified Opinion

We have audited the financial statements of The Southern Alberta Land Trust Society, which comprise the statement of financial position as at December 31, 2021, and the statement of operations, statement of changes in net assets and the statement cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects the financial position of The Southern Alberta Land Trust Society as at December 31, 2021, 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 Qualified Opinion

In common with many charitable organizations, The Southern Alberta Land Trust Society derives income from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these incomes was limited to the amounts recorded in the records of The Southern Alberta Land Trust Society. Therefore, we were not able to determine whether any adjustment might be necessary to recorded donations and fund raising revenue, excess of income over expenses, cash flows from operations for the year ended December 31, 2021 and December 31, 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this scope limitation.

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).

Scase & Partner

Calgary, Alberta
April 28, 2022

Chartered Professional Accountants

SOUTHERN ALBERTA LAND TRUST SOCIETY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

	Note		2021		2020 (restated - see Note 2)
ASSETS					
UNRESTRICTED CURRENT ASSETS					
Cash and cash equivalents		$	**193,084**	$	154,029
Accounts receivable			**204,838**		187,309
Prepaid expenses			**1,813**		1,813
Private company preferred shares	3,12		**300,000**		-
			699,735		343,151
RESTRICTED CURRENT ASSETS	4		**494,235**		797,083
SUSTAINMENT FUNDS	2,5		**4,685,714**		3,366,884
CONSERVATION EASEMENTS	6		**61,361,972**		57,948,972
PROPERTY AND EQUIPMENT	7		**-**		587
		$	**67,241,656**	$	62,456,677
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities		$	**97,131**	$	55,107
CONSERVATION EASEMENTS	6		**61,361,972**		57,948,972
NET ASSETS					
Internally restricted - Sustainment funds	5		**4,685,714**		3,366,884
Internally restricted - Sustainment designation	4		**-**		560,000
Internally restricted - Stewardship income	4		**66,483**		37,083
Internally restricted - Operating reserve	4		**200,000**		200,000
Externally Restricted - ALTGP projects	4		**227,752**		-
Property and equipment	7		**-**		587
Unrestricted net assets			**602,604**		288,044
			5,782,553		4,452,598
		$	**67,241,656**	$	62,456,677

Approved by the Board of Directors

S.J. Matthyssen **Director**

Kelly Hall **Director**

The accompanying notes form an integral part of these financial statements

SOUTHERN ALBERTA LAND TRUST SOCIETY

STATEMENT OF OPERATIONS AND UNRESTRICTED NET OPERATING SURPLUS
FOR THE YEAR ENDED DECEMBER 31

	Note	**2021**	2020 (restated - see Note 2)
Revenues			
Contributions			
Government	8	**$ 1,571,393**	$ 3,085,094
Donations		**348,629**	41,818
Foundation grants		**-**	30,626
		1,920,022	3,157,538
Sustainment Fund unrealized capital gains	2,5b	**341,830**	297,492
Stewardship income	9	**276,421**	188,845
Special projects revenues		**135,440**	247,433
Interest		**4,395**	2,484
Membership		**425**	650
		2,678,533	3,894,442
Expenditures			
Conservation easement payments		**1,040,000**	2,249,400
Salaries and benefits		**265,531**	250,314
Consulting fees		**75,494**	76,848
Special projects expenses		**73,591**	22,305
Investment management fees		**34,693**	22,299
Legal and audit fees		**21,188**	25,814
Office and miscellaneous expenses		**12,238**	16,145
Travel		**11,193**	17,305
Insurance		**10,571**	5,576
Rent		**8,543**	10,271
Communications and advertising		**8,272**	891
Computer equipment		**7,667**	3,461
Telephone and internet		**6,762**	7,452
Amortization		**587**	165
		1,576,330	2,708,246
Excess of revenues over expenditures		**1,102,204**	1,186,196
Unallocated Stewardship income		**(59,400)**	(37,083)
Sustainment Fund allocations	10	**(728,830)**	(1,193,917)
Unrestricted net operating surplus (deficit)		**$ 313,973**	$ (44,804)

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 & equipment $	Externally restricted Projects $	Internally restricted Operating Reserve $	Internally restricted Stewardship Assurance Funds $	Internally restricted Sustainment Designation $	Internally restricted Stewardship Income $	Unrestricted $	**2021 Total $**	2020 Total $
									(Restated)
Net assets, beginning of year	587	-	200,000	3,659,392	-	-	193,022	**4,053,001**	4,521,797
Reclassification				(590,000)	560,000	30,000		**-**	
Effect of change in accounting policy on investments (Note 2)				297,492				**297,492**	-
Effect of change in accounting policy on income accruals (Note 2)	-	-	-	-	-	7,083	95,022	**102,105**	7,083
Opening balances, restated	587	-	200,000	3,366,884	560,000	37,083	288,044	**4,452,598**	4,528,880
Revenues	-	-	-	341,830	-	276,421	2,060,282	**2,678,534**	3,894,442
Expenditures	-	-	-	-	-	(217,021)	(1,359,309)	**(1,576,330)**	(2,708,246)
ALTGP Projects (Note 5)		227,752	-	-	-	-	-	**227,752**	(1,262,478)
Transfers between Funds	-	-	-	977,000	(560,000)	(30,000)	(387,000)	**-**	-
Amortization	(587)	-	-	-	-	-	587	**-**	-
Net assets, end of year	-	227,752	200,000	4,685,714	-	66,483	602,604	**5,782,553**	4,452,598

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	2021	2020
			(restated - see Note 2)
Cash flows from operating activities			
Excess of revenues over expenses for the year		$ **1,102,204**	$ 1,186,196
Items not affecting cash:			
Donation of private company preferred shares		**(300,000)**	-
Unrealized gain on sustainment funds		**(341,830)**	(297,492)
Amortization		**587**	165
Net change in non-cash working capital items:			
Decrease (increase) in accounts receivable		**(17,529)**	420,226
Increase (decrease) in accounts payable		**42,024**	(1,088,344)
Net cash generated from operating activities		**485,455**	220,751
Investing activities			
Conservation project grants received		**1,224,700**	1,616,090
Interest earned on unspent grants		**2,478**	9,668
Qualifying conservation easement expenditures		**(999,426)**	(2,730,736)
Conservation project grants returned		**-**	(157,500)
Net cash provided by (used in) investing activities		**227,752**	(1,262,478)
Financing activities			
Decrease (increase) in restricted accrued stewardship income		**37,083**	(37,083)
Investments made in sustainment funds		**(977,000)**	(371,425)
Net cash used in financing activities		**(939,917)**	(408,508)
Change in cash and cash equivalents during the year		**(226,710)**	(1,450,235)
Cash and cash equivalents – beginning of year		**914,029**	2,364,264
Cash and cash equivalents – end of year		$ **687,319**	$ 914,029
Cash and cash equivalents are comprised of:			
Unrestricted cash and cash equivalents		**193,084**	154,029
Restricted cash and cash equivalents	4	**494,235**	760,000
		$ **687,319**	$ 914,029

The accompanying notes form an integral part of these financial statements

Purpose of the Organization

The Southern Alberta Land Trust Society **("Society", "SALTS"**) was incorporated under the Societies Act of Alberta 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 for the purpose of encouraging and facilitating the protection, conservation and enhancement of ecological, agricultural, cultural, esthetic and scenic values associated with privately held agricultural and recreational lands in southern Alberta. 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 ("ASNFPO") requires management to makes 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 receivable, 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 several 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.

Revenue recognition

The Society follows the deferral method of accounting for restricted contributions that are allowed to be recognized as revenue only in the year in which the related expenses are incurred or otherwise applied to authorized uses. 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. Stewardship income received or receivable is recognized as a direct increase in restricted net assets in the current period. All other income received or receivable is recognized as a direct increase in unrestricted net assets in the current period.

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.

Financial Instruments

The Society's financial instruments include cash and cash equivalents, accounts and notes receivable, shares, bonds, mutual funds and similar market instruments that are held as investments, and its liabilities that include accounts payable and accruals.

Classification and Measurement of Financial Instruments

The Society measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost that is the net cost determined at the reporting period.

Subsequent Measurement of Financial Instruments

1) Financial assets that are instruments quoted in an active equity market, such as shares, bonds, mutual funds or other tradeable assets, are to be adjusted to fair market value at the reporting date. Any adjustment to fair value at the reporting date will be reported as an unrealized gain or loss in the statement of operations.

2) All other financial assets will be measured initially at amortized cost. Amortized cost will subsequently be measured against the future reporting date value and any reduction in value for impairment considered permanent will be reported as an unrealized loss through the statement of operations.

3) The Society's financial liabilities adjustments, if determined necessary, are reported as unrealized gains or losses through the statement of operations.

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

1) Significant accounting policies, continued

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.

2) Changes in accounting policies

2a) Classification and measurement of financial instruments

The Society has adopted, on a retroactive basis, the reporting of financial assets that are financial instruments traded in an active equity market (note 1). This is in conformity with an accounting policy change "financial instruments", enacted in Section 3856 of the Chartered Professional Accountants Handbook on Accounting and Assurance.

The financial instruments that are tradable in an active market, at the reporting date, are measured at their fair value, without any adjustment for transaction costs that may incur on an actual sale or other disposal, and the gain or loss will be recognized as an unrealized gain or loss in the statement of operations. If the unrealized gain or loss relates to an investment that forms part of an internally or externally restricted fund, the amount of the unrealized gain or loss will also be reported as an adjustment to those restricted funds.

The effect of the adoption of the Section 3856 changes is accounting policy is the recognition of an unrealized gain on sustainment funds as revenue in the Statement of Operations as follows:

	2021	2020
	$	$
Sustainment Fund unrealized gain	**341,830**	297,492

The effects on the opening Statement of Financial Position of the retroactive adoption of the policy are:

	$
Sustainment Fund, December 31, 2020	3,069,392
Change in accounting policy:	
Increase due to presentation from book value to fair market value	297,492
Adjusted Sustainment Fund, December 31, 2020	3,366,884

2) Changes in accounting policies, continued

2b) Accrual of stewardship income

After the release of the audited financial statements of the Society for the year ended December 31, 2020, it was determined that the accrual of stewardship income had not been consistently applied over all of the Sustainment Funds. As a result, a prior period adjustment has been booked whereby additional stewardship income of $95,022 was accrued for 2019 and $7,083 was accrued for 2020. Certain items were also reclassified in the 2020 comparative figures. The result of these adjustments is as follows:

	$
Unrestricted net assets, December 31, 2020	193,022
Change in accounting policy:	
Accrual of stewardship income	95,022
Adjusted unrestricted net assets, December 31, 2020	288,044
Accounts receivable, December 31, 2020	92,287
Reclass from restricted investments	30,000
Change in accounting policy:	
Accrual of stewardship income	65,022
Adjusted restricted current assets, December 31, 2020	187,309
Restricted current assets, December 31, 2020	560,000
Reclass from restricted investments	200,000
Change in accounting policy:	
Accrual of stewardship income	37,083
Adjusted restricted current assets, December 31, 2020	797,083
Restricted investments, December 31, 2020	3,299,392
Reclass to restricted current assets	(200,000)
Reclass to accounts receivable	(30,000)
Renamed to:	
Stewardship Assurance Funds, December 31, 2020	3,069,392
Internally restricted - Stewardship assurance funds, December 31, 2020	3,659,392
Reclass to Internally restricted - Sustainment contribution	(560,000)
Change in accounting policy:	
Accrual of stewardship income	7,083
Reclass to Internally restricted - Stewardship income	(37,083)
Adjusted Internally restricted - Stewardship assurance funds, December 31, 2020	3,069,392

3) Private company preferred shares

In December 2021 SALTS received a donation-in-kind of preferred shares of a private company with a fair market value of $300,000. These shares were received and valued on the basis of an expectation that they would be liquidated by SALTS for $300,000 within the first 90 days of 2022 and were accordingly recorded as a current asset. See Note 11 regarding the subsequent disposition of the shares.

4) Restricted current assets

SALTS generally has four categories of restricted current assets: (i) segregated stewardship income, (ii) stewardship income accounts receivable, (iii) an operating reserve, and (iv) conservation easement grant amounts restricted by the terms of such grants. As at December 31, 2020 SALTS also had a fifth category of restricted current assets, being a cash amount of $560,000 set aside by the Board for contribution to the TCF SAF Account Sustainment Fund (Note 5b). This amount was contributed to the TCF SAF Account in May of 2021.

4a) Stewardship income: Pursuant to SALTS' By-Laws the use of Stewardship Income (Note 9) is restricted to coverage of costs incurred in connection with the conduct of Conservation Easement stewardship (Note 6), and any Stewardship Income in excess of amounts required to fund such costs is required to be re-invested in a Sustainment Fund. SALTS accordingly tracks Stewardship Income separately, and has established a separate Stewardship Income account for the purpose of segregating Stewardship Income upon receipt. The December 31 Stewardship Income balances shown below and included in Restricted Current Assets in the Statement of Financial Position include both the cash balance in the Stewardship Income account and the amount of Stewardship Income accrued but not yet received and deposited to that account.

4b) Operating Reserve: The Board has established an operating reserve to provide a contingency against any shortfall in funds required to cover SALTS' ongoing non-stewardship operating expenses. The funds in the operating reserve may not be accessed unless the Board determines that such a shortfall has occurred or is imminent. The operating reserve is currently invested in cash equivalent investment instruments, and the interest and other investment income generated thereby is treated as general SALTS income.

4c) Restricted ALTGP Grants: Cash grants received by SALTS under the Alberta Land Trust Grant Program (ALTGP) can only be recognized as revenue upon (i) the payment of qualifying conservation easement expenditures, (ii) the payment of incentives to landowners or (iii) the approved retainment of funds for future stewardship activities. Any grant amounts not used for these purposes are required to be returned upon the completion of the registration of the related conservation easements. ALTGP grants are held as externally restricted funds until applied to qualified uses.

4) Restricted current assets, continued

4c) Restricted ALTGP Grants, continued:

In 2021 SALTS received $1,224,700 in ALTGP grants (2020 - $1,616,090).

Changes in the externally restricted project funding from the ALTGP during 2021 and 2020 were as follows:

	2021	2020
	$	$
Balance, beginning of year	**-**	1,262,478
ALTGP Grants	**1,224,700**	1,616,090
Interest earned	**2,478**	9,668
	1,227,178	2,888,236
Easement expenses	**(142,426)**	(142,891)
Easement payments	**(470,000)**	(1,690,000)
Grants repaid	**-**	(157,500)
Sustainment Fund contributions	**(387,000)**	(897,845)
Balance, end of year	**227,752**	-

Interest earned on the ALGTP Grants in 2021 was $2,478 (2020 - $9,668). This interest is treated as restricted ALTGP funding in accordance with ALTGP agreements but is reported as interest income rather than government funding (note 8).

4d) Restricted current assets as at December 31 were as follows:

	2021	2020
	$	$
Internally restricted - Stewardship Income	**66,483**	37,083
Internally restricted - Operating reserve	**200,000**	200,000
Externally restricted - ALTGP projects	**227,752**	-
Internally restricted - Sustainment fund	**-**	560,000
	494,235	797,083

5) Sustainment Funds

SALTS' By-Laws provide for the establishment of one or more "Sustainment Funds" to hold financial assets set aside to provide funding for the ongoing costs of SALTS' Conservation Easement stewardship obligations (Note 6) (*Sustainment Funds*). As at December 31, 2021 SALTS' Sustainment Funds consisted of the Endowment Funds referred to in Note 5a and the SAF Sustainment Funds referred to in Note 5b.

5) Sustainment Funds, continued

5a) Endowment Funds

SALTS is the beneficiary of four endowment funds established with The Calgary Foundation (*TCF*) in previous years, being (i) the SALTS Legacy Fund, (ii) the SALTS Stewardship Fund, (iii) the Daryl K. Seaman Fund, and (iv) the Rocky Mountain Elk Foundation Fund (collectively, the *Endowment Funds*).

Under the terms on which the Endowment Funds were established all amounts contributed to an Endowment Fund vest in and become the property of TCF upon contribution, and SALTS is not entitled to reclaim or otherwise access such contribution amounts. 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. The minimum annual distribution stipulated by the Canada Revenue Agency for each of the years 2020 and 2021 was 3.5% of the market value of the assets held in each Endowment Fund as at the end of the preceding year. The amount actually distributed to SALTS for 2021 (Note 9) was approximately 3.9% of the $2,613,185 total market value of the collective assets held in all of the Endowment Funds as at December 31, 2020.

Consistent with Canadian accounting standards for non-profit organizations SALTS attributes no monetary value to the Endowment Funds for accounting purposes, and they are accordingly assigned a nil value in SALTS' Statement of Financial Position.

During 2021 and 2020 SALTS contributed nil to the Endowment Funds. The total market value of the collective assets held in all of the Endowment Funds as at December 31 was as follows:

	2021	2020
	$	$
TCF Endowment Funds, fair market value, end of year	**2,857,597**	**2,613,185**

5b) Stewardship Assurance Fund

In 2019 SALTS established a Stewardship Assurance Fund (the *SAF*) to provide diversification and a more flexible alternative to the Endowment Funds as a source of funding for the ongoing costs of SALTS' Conservation Easement stewardship obligations. As at December 31, 2021 the SAF was comprised of two Sustainment Funds, (i) a managed investment account established with ATB Financial Inc.'s ATB Wealth division (the *ATB SAF Account*), and (ii) a managed investment account established with The Calgary Foundation (the *TCF SAF Account*). Although the TCF SAF Account was established in 2020, no funds were contributed to it until 2021.

In 2021 SALTS contributed a total of $947,000 of government Conservation Easement stewardship funding (Notes 4 and 4c) to the TCF SAF Account. In 2021 SALTS also contributed to the ATB SAF Account $30,000 of Stewardship Income that it considered surplus to its near-term Conservation Easement stewardship funding requirements (Note 4a).

5) Sustainment Funds, continued

5b) Stewardship Assurance Fund, continued

As a result of changes in applicable accounting rules and practices (Note 2a), in 2021 SALTS changed the basis on which it records the value of certain of the financial assets held in its SAF Sustainment Funds. These financial assets, referred to as financial instruments quoted in an active equity market (Note 1 – Financial Instruments), and consisting of items such as publicly traded shares, bonds, limited partnership units, etc., were previously recorded at cost, but are now recorded at fair market value. This change in accounting practice resulted in the recognition of unrealized gains in market value of $297,492 in 2020 and $341,830 in 2021.

The reconciliation of the SAF Sustainment Fund holdings for 2021 and 2020 is as follows:

			2021	2020
	ATB	**TCF**	**TOTAL**	TOTAL
	SAF	**SAF**	**$**	$
SAF book value, beginning of year	**3,069,392**	**-**	**3,069,392**	2,732,967
Contributed from ALTGP grants	**-**	**947,000**	**947,000**	327,425
Contributed from Stewardship income	**30,000**	**-**	**30,000**	-
Contributed from Foundation grant	**-**	**-**	**-**	9,000
Unrealized gain from book to market value	**617,540**	**21,782**	**639,322**	297,492
SAF fair market value, end of year	**3,716,932**	**968,782**	**4,685,714**	3,366,884

6) 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. In order to enable SALTS to provide a charitable receipt to the landowner under the Federal Ecological Gifts Program, this appraisal is 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

6) Conservation Easements, continued

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 monitor, 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 in accordance therewith has established a group of Sustainment Funds (Note 5) to build a source of funding for SALTS' ongoing term conservation easement stewardship obligations.

During its 2021 fiscal year SALTS conserved 2,440 acres under conservation easements having a total Appraised Value of $3,413,000 (2020 – 5,427 acres having a total Appraised Value of $7,364,950).

7) Property and equipment

	Cost	Accumulated Amortizaton	**2021 Net**	2020 Net
	$	$	**$**	$
Office equipment	8,709	8,709	**-**	515
Computer equipment	16,764	16,764	**-**	72
	25,473	25,473	**-**	587

Office and computer equipment were fully amortized in 2021.

8) Government funding

Total government funding recognized as revenue during 2021 was $1,571,393 (2020 - $3,085,094) as follows:

	2021	2020
	$	$
ALTGP grant releases (Note 4c)	**996,948**	2,750,736
Federal Government grants	**570,000**	334,358
Alberta Now grant	**4,445**	-
	1,571,393	3,085,094

9) Stewardship income

Any income generated by or derived from investments or other assets held in any Sustainment Fund (Note 5) (***Stewardship Income***) is subject to certain restrictions under SALTS' By-Laws (Note 4a) and is accordingly tracked separately. Stewardship Income generally consists of investment income such as interest, dividends, limited partnership and trust distributions, and realized capital gains, and is recorded on an accrual basis.

Stewardship income earned during 2021 was $276,421 (2020 - $188,845) as follows:

	2021	2020
	$	$
ATB SAF Account	**138,214**	86,740
TCF SAF Account	**34,702**	-
TCF Endowment Funds	**103,505**	102,105
Total Stewardship Income	**276,421**	188,845

SALTS' Sustainment Fund investments are managed by professional investment managers and during 2021 SALTS incurred Sustainment Fund investment management fees of $34,693 (2020 - $22,299), meaning that the net amount of 2021 Stewardship Income available for application to Conservation Easement stewardship costs was $241,728 (2020 - $166,546).

10) Sustainment Fund Allocations

Revenue allocated to Sustainment Funds in 2021 was $728,830 (2020 - $1,193,917), and consisted of the following:

	2021 TOTAL	2020 TOTAL
	$	$
Sustainment Fund unrealized gains	**341,830**	297,492
ALTGP grant contributions (Note 4c)	**387,000**	887,425
Foundation grant contribution	**-**	9,000
	728,830	1,193,917

11) Financial instruments risk

Certain of the financial instruments held by SALTS involve credit, interest rate and/or foreign exchange rate risk. SALTS manages these risks through consultation with its professional investment advisors and conservative investment policies.

12) Subsequent event

On February 1, 2022, SALTS sold its private company preferred shares, donated to SALTS in 2021, for cash proceeds in the amount of $300,000.

13) Comparative Figures

Certain prior year figures were restated to facilitate comparison to the current year presentation.