

2022 Annual Report



One of SALTS 2022 conservation easement projects in the Mixedgrass Prairie on the eastern side of the Porcupine Hills

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 2022

Message from the Chair of the Board

This is my last year as Chair of the SALTS Board. It has been a pleasure serving as Chair and being part of the growth and success of the organization. We seem to get stronger each year and 2022 was no exception. SALTS just continued to build on its strengths and successes.

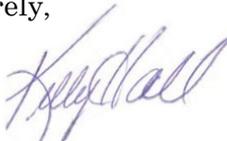
Our key strength being our ability to work effectively with landowners to support their efforts to conserve their land for ranching, wildlife, and watershed health. Our other strength being to provide landowners with financial and estate planning tools to keep their land in agriculture and in the hands of their family as it passes between generations.

We built on our success this year by completing several easements in two areas where SALTS has been active for a number of years, the Jumpingpound watershed west of Calgary and the foothills fescue grasslands west of Claresholm. Our projects in the Jumpingpound set a positive precedent. They were supported not only by our provincial and federal governments, but also by a significant grant from the Calgary Foundation. The Foundation's support was based specifically on their desire to protect Calgary's source watershed in the face of increasing development upstream. This formal recognition of the need to conserve these intact ranch lands upstream of Calgary is a very encouraging signal. It demonstrates that both rural and urban Albertans are beginning to understand the broader social and economic importance of keeping our foothills and grasslands healthy.

Along with the growing recognition around the importance of our work, SALTS has more interest from landowners than ever before wanting to explore conservation easements. It's come to a point where the number of easements we complete each year is not limited by landowner interest, but more by our organizational capacity and the available grant dollars. As you can see by the number of acres conserved in recent years in the report below, we are doing our best to keep up!

The growing awareness and interest are not a minute too soon, however, as the pressures to convert our remaining grasslands and foothills to non-ranching land uses continue each year. This is why I will conclude by giving my sincere thanks to all those who support SALTS work. We are making real and significant progress. The work, however, is far from done so we hope that you will continue working with us to conserve the landscapes that we all hold so dear.

Sincerely,

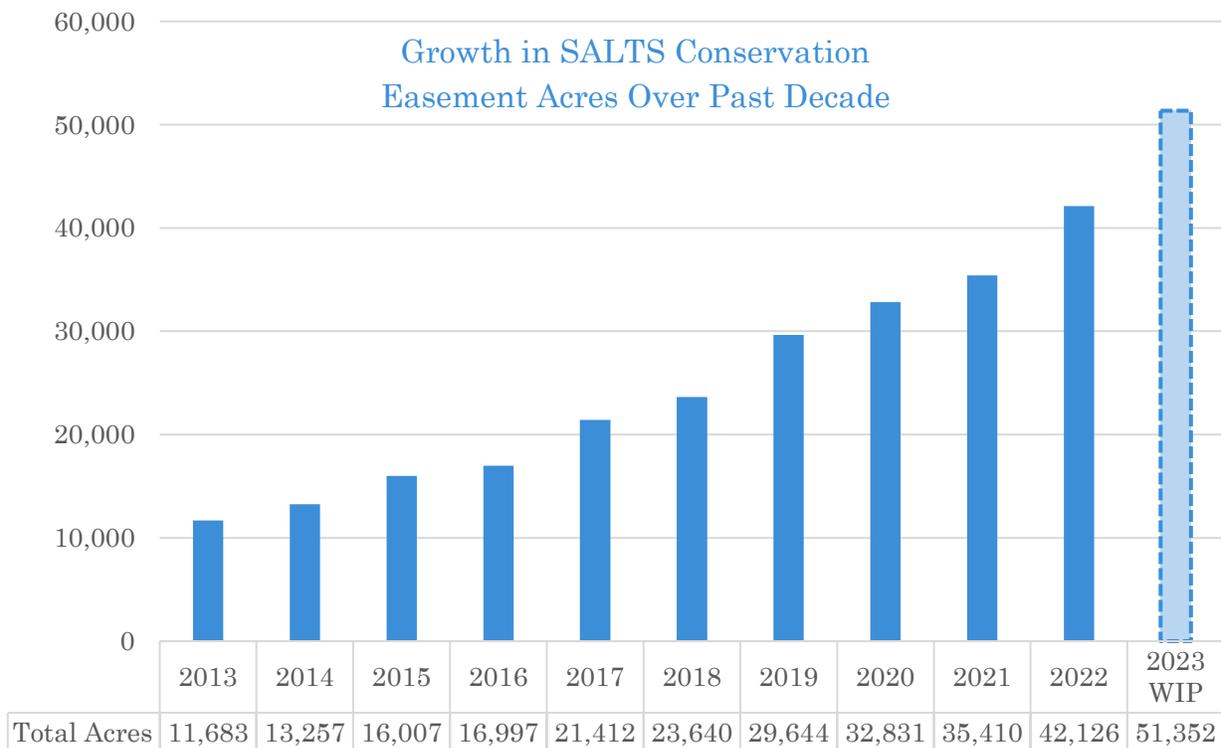


Kelly Hall
Chair of the Board

Conservation & Operations Report

New Conservation Easements

It was another busy year in 2022 for SALTS in terms of conservation projects. We completed five more easements protecting an additional 6,716 acres, bringing our total to 42,126. These projects were supported through a combination of charitable donations by the landowners through Environment Canada's Ecogift Program, the Alberta Government's Land Trust Grant Program, the Calgary Foundation, and Environment Canada's Land Trust Conservation Fund (part of the Natural Heritage Conservation Program).



Our 2022 projects 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, including important riparian areas along two creeks that feed into Willow Creek
- ✓ Grasslands in the Jumpingpound Creek watershed west of Calgary and significant land along several kilometers of the creek itself



SALTS 2022 easement conserving grasslands by the Porcupine Hills and riparian areas on Trout Creek.



SALTS 2022 easement conserving forests, grasslands, riparian areas on the Jumpingpound.

A theme you will notice over the years is that in partnership with landowners SALTS has protected the land along dozens of kilometers of rivers and creeks. These riparian areas have a disproportionately high conservation value. They not only provide habitat for numerous wildlife species but by keeping them intact (vs roads, houses, cultivation), they also help to support water quality as well as flood and drought mitigation. These are conservation benefits that reach far beyond the boundaries of the property. People in both rural and urban areas downstream of conservation easements are starting to recognize these benefits which is positive news for conservation in the future.

Looking forward, SALTS received good news in early 2023 that our funding applications through the Alberta Land Trust Grant Program (ALTGP) were successful for four projects planned this year. Again, SALTS is very grateful for the support of the Alberta Government through the ALTGP.

While our work is not just about acres (SALTS is committed to conserving both big and small parcels of ecologically important land contingent on funding), 2023 could end up being a record year for SALTS. Once completed, the four projects in progress will total 9,226 acres, putting our total at the end of the year at over 51,000!

This highlights the significant increase in the rate of land conservation that SALTS will have achieved over the last decade. SALTS grew steadily during its first 15 years completing almost 12,000 acres of conservation easements. In the following 10 years we will have added almost 40,000 acres!

We are hopeful that this trend will continue because alongside our other land trust colleagues we are achieving very significant conservation outcomes on Alberta's most precious remaining intact grasslands and riparian areas.

Existing Conservation Easements

SALTS continues our monitoring visits with landowners and endeavours to support our landowners with various land-related issues when requested.

2022 saw the second year of The Weston Family Prairie Grasslands Initiative – Stewardship Investment Program that SALTS participated in alongside NCC. Through the program, SALTS facilitated financial support of approximately \$60,000 for 7 stewardship projects on conservation easements aimed at improving range and/or riparian health. We are looking forward to doing more projects in years 3-4 of the program.



Spring development supported by the Weston program in 2022 to reduce cattle watering in a nearby creek.



Razer grazer supported by the Weston program in 2022 to facilitate adaptive grazing and range health.

Staffing and Capacity

SALTS now has a staff of six. Rylee Hewitt our Stewardship Manager was back at SALTS in 2022 which is great news for SALTS. Cody Spencer our Stewardship Project Manager has gone from a contract position to an employee which will be really beneficial for the organization. Carey Donkervoort our Chief Administrative Officer is working out great. Alongside Dawn Mitchell our Finance/Admin Manager they are really getting our financial tracking, reporting, and admin working smoothly. Mike Gibeau our Conservation Manager is staying busy getting all our new conservation easements across the line.

All in all, 2022 was another very positive year at SALTS in terms of conservation easement projects, supporting our landowners in their stewardship efforts, and growing the capacity of the organization.

As always, my thanks go out to our easement landowners, staff, Board, and our supporters for making the work of SALTS possible. The benefits of private land conservation may not be immediately evident to the broader public. However, I have no doubt that Albertans will look back in several years and appreciate the enormous value of having kept Alberta's natural, open spaces intact through the work of land trusts like SALTS and all those who support us.



Justin Thompson
Executive Director

Financial Report

A Thank You to SALTS Financial Supporters

We would like to start our 2022 financial update by recognizing the many organizations and individuals who support SALTS financially. Conserving significant areas of ecologically valuable land is complex and involves considerable costs. However, SALTS has been able to conserve land through conservation easements at a lower cost than most other options and at much lower cost than buying the land outright. Because of the costs involved in conserving private land, SALTS relies on a number of funders. These funders are critical to our success and in 2022 included:

- The Alberta Government through the Alberta Land Trust Grant Program
- The Federal Government through the Natural Heritage Conservation Program
- The Calgary Foundation through their Signature and Community Grants
- The Daryl Seaman and Rocky Mountain Elk Foundations through Calgary Foundation Endowments
- Donor direct funds through the Edmonton Community Foundation
- The Weston Family Foundation through their Prairie Grasslands Initiative
- A number of generous individuals

Without the support of these organizations and individuals, SALTS would not have achieved a fraction of our conservation successes, nor would the Society be in such a financially stable position.

2022 Financial Highlights

With respect to conservation successes, SALTS had another great year in 2022, closing three Conservation Easements (“CEs”) during the first quarter, which were initiated in the prior year, and closing five new CEs during the last quarter of 2022. At the end of the year, SALTS had accumulated a total of 42,126 acres under conservation easement (2021 – 32,831), a growth of 19.4% over the prior year and has now accumulated a total of \$88,175,972 in CE value (2021 - \$61,361,972), an extraordinary growth of 43.7% year over year.

In other 2022 financial highlights, SALTS:

- Saw a dramatic increase in grant funding to support significant CE projects.
- Had a net operating surplus of \$57,881.
- Increased its operating reserve by \$150,000 to a total of \$359,585.
- Set aside additional \$1,467,843 to invest in its Stewardship Sustainment Funds.

Statement of Financial Position

Unrestricted Net Assets

SALTS' unrestricted net assets (i.e.- current assets less current liabilities on the Statement of Financial Position) of \$510,485 at the end of 2022 dropped by \$92,119 from the beginning of the year. (2021 - \$602,604). This decrease was due to the following two offsetting items:

- 1) Decrease of \$150,000 due to the Board approved transfer from unrestricted cash to increase the Restricted Operating Reserve. SALTS utilized excess working capital available from half of the \$300,000 cash proceeds received in 2022 on the sale of private company preferred shares gifted in 2021; and
- 2) Increase of \$57,881 from SALTS Unrestricted Net Operating Surplus for the year ended December 31, 2022.

Unrestricted cash and cash equivalents of \$319,497 increased by \$126,413 over the prior year (2021 -\$193,084) due largely from the \$150,000 remaining half of the unrestricted cash proceeds received on the sale of preferred shares. This unrestricted savings will provide the necessary working capital for effective cash management in handling short term cash flow fluctuations each year.

Restricted Current Assets

SALTS' restricted current assets increased to \$1,645,518 at the end of 2022 from \$294,235 in 2021, an increase of \$1,351,283. This increase was due primarily to restricted cash of \$1,467,843 designated and set aside for contribution to the Stewardship Sustainment Funds for the four ALTGP CEs completed during the last quarter of 2022 and which will be invested in 2023.

Operating Reserve

SALTS has continued to set aside contingency funds for any future shortfalls in funds required to cover ongoing non-stewardship operating expenses. In 2022, the Board approved a change in its investment strategies and objectives of growing the Operating Reserve to keep pace with inflation over the long term. As a result, the Operating Reserve is no longer reported under restricted current assets, rather it is reported separately as a non-current restricted asset.

The Operating Reserve is now invested in a combination of fixed income and equity assets designed to provide income and growth and to reinvest all its earned investment income each year going forward.

As explained earlier under the Unrestricted Net Assets, the Board approved a \$150,000 increase to the Operating Reserve from unrestricted cash during the first quarter of 2022.

The following chart shows the reconciliation of the Operating Reserve at fair market value at the end of the year for 2022 and 2021.

	2022	2021
	TOTAL	TOTAL
	\$	\$
	<hr/>	<hr/>
Operating Reserve balance, beginning of year	200,000	200,000
Transferred from unrestricted net assets	150,000	-
Operating Reserve income	10,638	-
Unrealized gains (losses)	(1,053)	-
	<hr/>	<hr/>
Operating Reserve balance, end of year	<u>359,585</u>	<u>200,000</u>

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. To address this, 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 The Calgary Foundation (TCF) to diversify investment opportunities.

SALTS continued to build the SAF Sustainment Fund in 2022 with the transfer of \$114,110 (2021 - \$947,000) allocated through the ALTGP and \$66,483 (2021 - \$30,000) allocated through the reinvestment of the Stewardship income surplus from 2021.

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 losses of \$580,303 in 2022 and unrealized gains of \$341,830 in 2021.

The following chart shows the reconciliation of the SAF Sustainment Funds at fair market value at the end of the year for 2022 and 2021.

	2022	2021
	\$	\$
SAF Sustainment Funds, beginning of year	4,685,714	3,366,884
Contributed from ALTGP grants	114,110	947,000
Surplus Stewardship Income	66,483	30,000
Unrealized gains (losses)	(580,303)	341,830
SAF Sustainment Funds, end of year	<u>4,286,004</u>	<u>4,685,714</u>

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 2022 or 2021. However, as a matter of note in the context of SALTS distribution entitlement, the total fair market value of the collective assets held in the Endowment Funds at the end of 2022 was \$2,600,093 (2021 - \$2,857,597).

The following chart shows the total fair market values making up the Sustainment Funds at the end of the year for 2022 and 2021:

	2022	2021
	\$	\$
ATB SAF	3,216,597	3,716,932
TCF SAF	1,069,407	968,782
TCF Endowment Funds	2,600,093	2,857,597
Sustainment Funds Fair Market Value	<u>6,886,097</u>	<u>7,543,311</u>

Net Stewardship income earned and available for stewardship costs for 2022 was \$300,611 (2021 - \$241,729). The Society incurred \$242,936 of stewardship costs in 2022 (2021 - \$182,329) resulting in \$57,675 (2021- \$59,400) being available to reinvest in the Sustainment Funds that will be transferred in the subsequent year.

In addition, in 2022, the Board designated cash of \$1,467,843 from the four ALTGP CEs completed during the last quarter of 2022 for contribution in 2023 to the Sustainment Funds. This will result in a balance of over \$8 million invested to protect the existing CEs.

The Board has established an Investment Committee to monitor the performance of the SAF fund managers and to make recommendations to the board regarding asset mix and allocations to achieve SALTS' objectives around risk, 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 revenues earned under the Sustainment Funds. The Committee meets at least quarterly to review investment performance, policies, strategies, objectives, and benchmarks. The investment committee reports to and advises the Board with respect to the management of SALTS' Sustainment Funds (as defined in the By-laws) and provides recommendations of where new contributions are invested under the Financial Sustainment Plan.

Conservation Easements

SALTS increased the value of its CEs by \$26,814,000 in 2022 (2021 - \$3,413,000) to a total of \$88,175,972 (2021 - \$61,361,972). This value represents the fair market value of the CEs at the time they are placed on the property and does not represent the current value or a marketable asset that SALTS will ever be able to sell.

Statement of Operations

REVENUE

Total revenues of \$8,533,077 increased by \$5,889,236 in 2022 (2021- \$2,643,841).

Grant funding:

Government grants of \$8,578,848 recognized in 2022 increased by \$7,007,455 (2021 - \$1,571,393), due largely to the completion of eight CEs during the year compared to 2 CEs completed in 2021. During 2022, 3 CEs had been brought forward from 2021 that closed in the first quarter and 5 new CEs were closed in the fourth quarter. This significant increase in revenue year over year is a bit misleading, as there was also significant increase in CE related expenses year over year (2022 - \$6,863,166; 2021 - \$1,140,227).

Government CE 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.

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 doesn't occur very frequently. When the government sells public lands, they set aside a portion of the proceeds into the Land Stewardship Fund which then funds programs like the ALTGP.

Total grant funding of CE's totaled \$8,567,692 for 2022 (2021 - \$1,566,948) of which the ALTGP granted \$6,667,692 (2021 - \$996,948), the Federal government granted \$900,000 (2021 - \$570,000) under the Natural Areas Conservation Program (NHCP) and the Calgary Foundation granted \$1,000,000 (2021 - \$nil) specifically for the CEs west of Calgary supporting the protection of the City's source water.

Donations:

Donations of \$135,591 received in 2022 decreased by \$213,038 over 2021 (2021 - \$348,629). This decrease was due to the receipt in 2021 of a unique donation of preferred shares valued at \$300,000.

Sustainment Fund unrealized gains (losses)

As a result of changes in applicable accounting rules and practices, in 2021 SALTS changed the basis on which it records the value of certain of the financial assets held in its two SAF Sustainment Funds, which were previously recorded at cost, but now recorded at fair market value. This change in accounting practice resulted in the recognition of unrealized losses of \$580,303 in 2022 and unrealized gains of \$341,830 in 2021.

Net Stewardship Income

In 2022, SALTS changed the reporting method of Stewardship income earned to include a reduction against revenue for investment management fees, and as a result, is now presenting Stewardship income on a net basis within the Revenue section of the Statement of Operations, reporting now as "Net Stewardship income."

The following chart shows the reconciliation of Net Stewardship income earned and annual returns for 2022 and 2021:

	2022		2021	
	\$	Return	\$	Return
SAF Sustainment Funds:				
Investment income	208,505	4.7%	172,916	4.4%
Investment management fees	(42,875)	-1.0%	(34,693)	-0.9%
Endowment Funds income	134,981	4.7%	103,505	4.0%
Net Stewardship Income	300,611	4.1%	241,729	3.6%

Net Stewardship Income of \$300,611 increased by \$58,882 over 2021 (2021- \$241,729) due to the additional \$977,000 in contributions made to the SAF Sustainment funds in 2021 and earning a rate of return of 4.1% on the invested Sustainment Funds during 2022, an improvement of 0.5% over 2021.

Special project revenues:

Special project revenues of \$82,379 decreased by \$52,861 over 2021 (2021 - \$135,440) due largely to a multi-year project around range and riparian health that wrapped up in 2022.

Operating Reserve income:

In 2022, SALTS changed the reporting of Operating Reserve income earned separately within the Revenue section of the Statement of Operations, now being split out from other interest income. The Operating reserve income recognized in 2022 was \$10,638 (2021 -\$1,101).

EXPENDITURES

The following chart shows the summary breakout by segment of Expenditures incurred for 2022 and 2021:

	2022	2021
	\$	\$
Qualifying CE expenditures	6,863,166	1,140,227
Future CE costs incurred	21,303	20,421
Stewardship expenditures	242,936	182,329
Special projects expenditures	62,660	73,591
Administrative payroll and expenses	<u>96,220</u>	<u>125,070</u>
Total Expenditures	<u>7,286,286</u>	<u>1,541,638</u>

Major year over year changes in SALTS' expenditures by segment were as follows:

Qualifying CE expenditures of \$6,863,166 increased by \$5,654,701 in 2022 (2021 - \$1,140,227) in line with the increase in CE government grants recognized in 2022.

Stewardship expenditures of \$242,936 increased by \$60,607 in 2022 (2021 - \$182,329) due to increased activity and staffing in 2022 by SALTS associated with supporting ongoing stewardship of its existing CEs.

Administrative payroll and expenditures of \$96,220 decreased by \$28,850 in 2022 (2021 -\$125,070) due primarily to an increase in recoveries of payroll and travel expenses in 2022 totaling \$27,094 in line with the increased number of CE projects.

As you can see, SALTS finances have become quite a bit more complicated and sophisticated over the last several years. My thanks go to all those who help with the oversight, management, and preparation of SALTS finances including Shannon Matthyssen SALTS Board Treasurer and Dawn Mitchell SALTS Finance/Admin Manager.



Carey Donkervoort
Chief Administrative Officer

SOUTHERN ALBERTA LAND TRUST SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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,

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, 2022, 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, 2022, 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, and the impact on the statement of financial position, statement of operations, statement of changes in net assets and cash flows for the years ending December 31, 2022 and December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2022 was only modified because of the possible effects of this scope limitation.

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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.



Calgary, Alberta
April 21, 2023

Chartered Professional Accountants

SOUTHERN ALBERTA LAND TRUST SOCIETY

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	Note	2022	2021
ASSETS			
UNRESTRICTED CURRENT ASSETS			
Cash and cash equivalents		\$ 319,497	\$ 193,084
Accounts receivable		286,921	204,838
Prepaid expenses		4,072	1,813
Private company preferred shares	2	-	300,000
		<u>610,490</u>	<u>699,735</u>
RESTRICTED CURRENT ASSETS	3	1,645,518	294,235
OPERATING RESERVE	4	359,585	200,000
SUSTAINMENT FUNDS	5	4,286,004	4,685,714
CONSERVATION EASEMENTS	6	88,175,972	61,361,972
		<u>\$ 95,077,569</u>	<u>\$ 67,241,656</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 60,027	\$ 97,131
Deferred revenue	9	39,978	-
		<u>100,005</u>	<u>97,131</u>
CONSERVATION EASEMENTS	6	88,175,972	61,361,972
NET ASSETS			
Internally restricted - Sustainment funds	5	4,286,004	4,685,714
Internally restricted - Sustainment fund designation	3	1,467,843	-
Internally restricted - Stewardship income	3	57,675	66,483
Externally restricted - ALTGP projects	3	-	227,752
Internally restricted - CE Special project fund	3	75,000	-
Internally restricted - CE Stewardship project contingency	3	45,000	-
Internally restricted - Operating reserve	4	359,585	200,000
Unrestricted net assets		510,485	602,604
		<u>6,801,592</u>	<u>5,782,553</u>
		<u>\$ 95,077,569</u>	<u>\$ 67,241,656</u>

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 AND UNRESTRICTED NET ASSETS FOR THE YEAR ENDED DECEMBER 31

	Note	2022	2021
Revenues			
Contributions:			
Grant funding	7	\$ 8,578,848	\$ 1,571,393
Donations		<u>135,591</u>	<u>348,629</u>
		8,714,439	1,920,022
Sustainment Fund unrealized gains (losses)	1,5(b)	(580,303)	341,830
Operating Reserve unrealized gains (losses)	1,4	(1,053)	-
Net Stewardship Income	8	300,611	241,729
Special projects revenues		82,579	135,440
Operating Reserve income	4	10,638	1,101
Interest income and memberships		<u>6,166</u>	<u>3,719</u>
		8,533,077	2,643,841
Expenditures			
Conservation easement payments		6,755,000	1,040,000
Salaries and benefits		338,936	265,531
Special projects expenses		62,660	73,591
Consulting fees		50,192	75,494
Travel		20,260	11,193
Legal and audit fees		16,520	21,188
Office and miscellaneous expenses		12,723	12,238
Insurance		7,818	10,571
Telephone and internet		7,635	6,762
Rent		7,298	8,543
Computer equipment		6,402	7,667
Communications and advertising		842	8,272
Amortization		-	587
		<u>7,286,286</u>	<u>1,541,638</u>
Excess of revenues over expenditures		1,246,791	1,102,203
Unrealized gains and (losses)	4,5	581,356	(341,830)
Allocations to restricted net assets	3,4,5	<u>(1,920,266)</u>	<u>(445,813)</u>
Change in unrestricted net assets during year		(92,119)	314,560
Unrestricted net assets, beginning of year		<u>602,604</u>	<u>288,044</u>
Unrestricted net assets, end of year		\$ <u>510,485</u>	\$ <u>602,604</u>

The accompanying notes form an integral part of these financial statements

SOUTHERN ALBERTA LAND TRUST SOCIETY

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

	Internally restricted Sustainment Funds \$	Internally restricted Sustainment Designation \$	Internally restricted Stewardship Income \$	Externally restricted Easement Projects \$	Internally restricted CE Special Project Fund \$	Internally restricted CE Stewardship Project Contingency \$	Internally restricted Operating Reserve \$	Unrestricted \$	2022 Total \$	2021 Total \$
Net assets, beginning of year	4,685,714	-	66,483	227,752	-	-	200,000	602,604	5,782,553	4,452,598
Revenues			300,611	8,520,119			10,638	283,064	9,114,433	2,302,011
Unrealized gains (losses) (Notes 4 & 5)	(580,303)						(1,053)		(581,356)	341,830
Expenditures			(242,936)	(6,863,166)				(180,184)	(7,286,286)	(1,541,638)
Excess of revenues over expenses	(580,303)	-	57,675	1,656,953	-	-	9,585	102,881	1,246,791	1,102,203
ALIGP Projects (Note 3(c))				(227,752)					(227,752)	227,752
Sustainment fund designation (Note 3(a))		1,467,843		(1,467,843)					-	-
Sustainment fund allocations (Note 5)	114,110			(114,110)					-	-
Stewardship income surplus allocation (Note 5)	66,483		(66,483)						-	-
CE Special project fund allocation (Note 3(d))				(75,000)	75,000				-	-
CE Stewardship project contingency allocation (Note 3(e))						45,000		(45,000)	-	-
Operating reserve transfer (Note 4)							150,000	(150,000)	-	-
Change during year	(399,710)	1,467,843	(8,808)	(227,752)	75,000	45,000	159,585	(92,119)	1,019,039	1,329,955
Net assets, end of year	4,286,004	1,467,843	57,675	-	75,000	45,000	359,585	510,485	6,801,592	5,782,553

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	2022	2021
Cash flows from operating activities			
Excess of revenues over expenses for the year		\$ 1,246,791	\$ 1,102,204
Items not affecting cash:			
Donation of private company preferred shares		-	(300,000)
Unrealized losses (gains) on Sustainment Funds		580,303	(341,830)
Unrealized losses (gains) on Operating Reserve		1,053	-
Amortization		-	587
Net change in non-cash working capital items:			
Decrease (increase) in preferred shares receivable		300,000	-
Decrease (increase) in accounts receivable		(82,083)	(17,529)
Decrease (increase) in prepaid expenses		(2,259)	-
Increase (decrease) in accounts payable		(37,104)	42,024
Increase (decrease) in deferred revenue		39,978	-
Net cash generated from operating activities		<u>2,046,679</u>	<u>485,455</u>
Investing activities			
Conservation project grants received		6,358,740	1,224,700
Interest earned on unspent grants		108,200	2,478
Qualifying conservation easement expenditures		(6,667,692)	(999,426)
Conservation project grants repaid		(27,000)	-
Net cash provided by (used in) investing activities		<u>(227,752)</u>	<u>227,752</u>
Financing activities			
Decrease (increase) in restricted accrued Stewardship income		-	37,083
Decrease (increase) in restricted cash in Operating reserve		(200,000)	-
Investments made in Operating reserve		(160,638)	-
Investments made in Sustainment funds		(180,593)	(977,000)
Net cash used in financing activities		<u>(541,231)</u>	<u>(939,917)</u>
Change in cash and cash equivalents during the year		<u>1,277,696</u>	<u>(226,710)</u>
Cash and cash equivalents – beginning of year		<u>687,319</u>	<u>914,029</u>
Cash and cash equivalents – end of year		<u>\$ 1,965,015</u>	<u>\$ 687,319</u>
Cash and cash equivalents are comprised of:			
Unrestricted cash and cash equivalents		319,497	193,084
Restricted cash and cash equivalents	3	<u>1,645,518</u>	<u>494,235</u>
		<u>\$ 1,965,015</u>	<u>\$ 687,319</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, 2022

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(a) 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 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 receivable, valuation of long-lived assets and Endowment Funds income accruals 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 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 (Note 8) is recognized as a direct increase in restricted net assets in the period in which it is received or becomes receivable. The effects of measuring certain financial instruments at their fair market value are recognized as unrealized gains and losses. All other revenue is recognized as a direct increase in unrestricted net assets in the period.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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 encompass a variety of instruments giving rise to or evidencing a financial asset or liability, including such items as currency, instruments evidencing indebtedness (bank accounts, bonds, debentures, GIC contracts, etc.), instruments evidencing equity ownership (corporate shares, limited partnership units, mutual fund units, trust units, etc.), and instruments giving rise to or evidencing accounts receivable, prepaid expenses, accounts payable and other such current assets and liabilities.

As a general rule the Society's financial instruments are assigned a value equal to their book value, meaning the original cost of a financial asset or the original amount of a financial liability, in each case adjusted for any amortization, impairment charge or other adjustment recorded in the Society's financial records. However, in keeping with Canadian accounting standards for not-for-profit organizations, as reflected in the Chartered Professional Accountants Handbook on Accounting and Assurance, those of the Society's financial instruments that are characterized as "financial instruments quoted in an active equity market", including such things as publicly traded stocks, bonds, debentures, partnership units and mutual fund units, are required to be assigned a value equal to their fair market value as at the date of the financial statements in which they are valued. For these financial instruments, held in the Society's Sustainment Funds (Note 5) and Operating Reserve (Note 4), the Society adjusts valuations to reflect fair market value as at the relevant date of consideration, and reflects such adjustments as unrealized gains or losses in its Statement of Operations.

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.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

2) 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. The shares were sold for cash proceeds of \$300,000 in the first quarter of 2022.

3) Restricted current assets

SALTS has five categories of restricted current assets: (a) restricted cash set aside and designated by the Board for contribution to the Sustainment Fund, (b) segregated Stewardship Income, (c) ALTGP conservation easement grant amounts externally restricted by the terms of such grants; (d) restricted cash set aside and designated by the Board for funding of specific conservation easement enhancement projects; and (e) restricted cash set aside from unrestricted funds as a contingency against securing grant funding for a conservation easement stewardship project.

3(a) Sustainment Funds Designation: In December 2022, SALTS' Board designated a cash amount of \$1,467,843 to be set aside for contribution to a Sustainment Fund (Note 5) for the four conservation easements completed during the last quarter of 2022. As at December 31, 2022, this amount remained segregated in a separate account but had not yet been contributed to a particular Sustainment Fund.

3(b) Stewardship Income: Pursuant to SALTS' By-Laws the use of Stewardship Income (Note 8) 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 restricted Stewardship Income balance at December 31, 2022 was \$57,675 (2021 - \$66,483), which includes both the cash balance in the Stewardship Income account and any amount of Stewardship Income accrued but not yet received and deposited to that account.

3(c) 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 repaid to the Province of Alberta upon the completion of the registration of the related conservation easements. ALTGP grants are held as externally restricted funds until applied to qualified uses or repaid to the Province of Alberta.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

3) Restricted current assets, continued

3(c) Restricted ALTGP Grants, continued

Changes in externally restricted ALTGP project funding during 2022 and 2021 were as follows:

	2022	2021
	\$	\$
Balance, beginning of year	227,752	-
Grants repaid	(27,000)	-
ALTGP Grants awarded	6,358,740	1,224,700
Interest earned	108,200	2,478
Total ALTGP Grants funding	6,667,692	1,227,178
Easement expenses	(155,739)	(142,426)
Easement payments	(4,855,000)	(470,000)
Sustainment Fund contributions (Note 5)	(114,110)	(387,000)
Sustainment Fund designation (Note 3(a))	(1,467,843)	-
Restricted for CE Special project fund (Note 3(d))	(75,000)	-
Balance, end of year	-	227,752

Interest earned on ALGTP grants while restricted is treated as additional restricted ALTGP funding in accordance with ALTGP agreements and is accordingly recorded as ALTGP grant funding.

3(d) CE Special Project Fund: The CE Special Project Fund is comprised of \$75,000 set aside by the SALTS' Board to support range and riparian health projects for a group of conservation easements funded by the ALTGP in 2022.

3(e) CE Stewardship Project Contingency: In 2022, SALTS acquired a conservation easement under arrangements that did not provide funding for ongoing stewardship. SALTS is optimistic that it will be able to secure grant funding for stewardship for this conservation easement, but in the interim has set aside \$45,000 from unrestricted funds as a contingency.

4) Operating Reserve:

The Board has established an operating reserve (the "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. Operating Reserve funds are invested in a combination of fixed income and equity assets designed to provide income and growth that will enable the Operating Reserve to at least keep pace with inflation. Interest and other investment income is recorded as revenue in the Statement of Operations but is retained in the Operating Reserve.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

4) Operating Reserve, continued

Reconciliation of the Operating Reserve for 2022 and 2021 is as follows:

	2022 TOTAL \$	2021 TOTAL \$
	<u> </u>	<u> </u>
Operating Reserve balance, beginning of year	200,000	200,000
Transferred from unrestricted net assets	150,000	-
Operating Reserve income	10,638	-
Unrealized gains (losses) (Note 1)	(1,053)	-
Operating Reserve balance, end of year	<u>359,585</u>	<u>200,000</u>

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. As at December 31, 2022 SALTS' Sustainment Funds consisted of the Endowment Funds referred to in Note 5(a) and the SAF Sustainment Funds referred to in Note 5(b).

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

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 for each year is stipulated by the Canada Revenue Agency as a percentage of the market value of the assets held in each Endowment Fund as at the end of the preceding year. TCF must observe this minimum distribution percentage but has the discretion to set a higher distribution percentage. See Note 8 (Stewardship Income).

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. However, as a matter of note in the context of SALTS distribution entitlement, the total market value of the collective assets held in the Endowment Funds as at December 31, 2022 was \$2,600,093 (2021 - \$2,857,597).

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

5) Sustainment Funds, continued

5(b) Stewardship Assurance Funds: 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, 2022 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").

In 2022, SALTS contributed to the TCF SAF Account (i) \$114,110 of government Conservation Easement stewardship funding (2021 - \$947,000), and (ii) \$66,483 of Stewardship Income considered surplus to SALTS' near-term Conservation Easement stewardship funding requirements (2021 - \$30,000).

As a result of changes in applicable accounting rules and practices, in 2021 SALTS changed the basis on which it records the value of certain of the financial assets held in its two SAF Sustainment Funds. These financial assets, referred to as financial instruments quoted in an active equity market (Note 1), 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 losses of \$580,303 in 2022 and unrealized gains of \$341,830 in 2021.

The reconciliation of the SAF Sustainment Funds for 2022 and 2021 at fair market value is as follows:

	ATB	TCF	2022	2021
	\$	\$	\$	\$
SAF Sustainment Funds, beginning of year	3,716,932	968,782	4,685,714	3,366,884
Contributed from ALTGP grants	-	114,110	114,110	947,000
Surplus Stewardship Income	-	66,483	66,483	30,000
Unrealized gains (losses)	(500,335)	(79,968)	(580,303)	341,830
SAF Sustainment Funds, end of year	3,216,597	1,069,407	4,286,004	4,685,714

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

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

6) Conservation Easements, continued

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 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 conservation easement stewardship obligations.

During its 2022 fiscal year SALTS conserved 6,855 acres under conservation easements having a total Appraised Value of \$26,814,000 (2021 - 2,440 acres having a total Appraised Value of \$3,413,000).

7) Grant Funding

Total Grant funding recognized as revenue during 2022 was \$8,578,848 (2021 - \$1,571,393) as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Government grants:		
ALTGP grants (Note 3(c))	6,667,692	996,948
Federal Government grants	900,000	570,000
Alberta Now grant	11,156	4,445
Total Government grants	<u>7,578,848</u>	<u>1,571,393</u>
The Calgary Foundation grant	1,000,000	-
	<u>8,578,848</u>	<u>1,571,393</u>

The \$1,000,000 grant from the Calgary Foundation was used in combination with Federal and Provincial Grants to support securement of three conservation easements.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

8) Stewardship Income

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 and is accordingly tracked separately (Note 3(b)). Stewardship Income generally consists of net investment income recorded on an accrual basis, including investment income derived from interest, dividends, limited partnership and trust distributions, and realized capital gains. SALTS’ Sustainment Fund investments are managed by professional investment managers that charge fees for their services. In the case of the Endowment Funds (Note 5(a)), these fees are recovered by TCF from Endowment Funds capital. In the case of the SAF Sustainment Funds (Note 5(b)), these fees are deducted directly from income realized and are accordingly deducted in determining Stewardship Income in the Statement of Operations.

As described in Note 5(a), the amount of Stewardship Income generated by the Endowment Funds for any year is determined by applying a designated distribution percentage to the market value of the Endowment Fund assets as at the end of the preceding year. The Canada Revenue Agency (the “**CRA**”) sets a minimum distribution percentage, referred to as the disbursement quota (the “**DQ**”) by the CRA. The minimum DQ set by the CRA for 2021 and 2022 was 3.5%; however, TCF set an actual DQ of 4.5% for 2021 and SALTS has therefore used 4.5% for its 2022 estimated Endowment Fund income. Because the distribution percentage for any given year is not set by TCF until April in the subsequent year, SALTS is required to estimate this percentage for purposes of preparing its annual financial statements and adjust to the actual amount upon receipt.

Stewardship Income earned during 2022 was \$300,611 (2021 - \$241,729) as follows:

	2022	2021
	\$	\$
SAF Sustainment Funds:		
Investment income	208,505	172,916
Investment management fees	(42,875)	(34,693)
Endowment Funds income	134,981	103,505
Net Stewardship Income	<u>300,611</u>	<u>241,729</u>

9) Deferred Revenue

In December 2022, SALTS received \$39,978 in proceeds from a casino fund raising event (2021 - \$NIL). This income is deferred to match with future related eligible expenses as they are incurred.

10) 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.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

11) Comparative Figures

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