

LEGACY LAND TRUST SOCIETY

Financial Statements

Year Ended December 31, 2019

Draft for discussion purposes only

INDEPENDENT AUDITOR'S REPORT

To the Members of Legacy Land Trust Society

Qualified Opinion

We have audited the financial statements of Legacy Land Trust Society (the Society), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible 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 Society as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations, excess of revenues over expenses, cash flows from operations for the years ended December 31, 2018 and 2019, current assets as at December 31, 2018 and 2019, and net assets as at January 1 and December 31 for both the 2018 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2018 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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Auditor's Responsibilities 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.

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.

June 12, 2020

Chartered Professional Accountants

LEGACY LAND TRUST SOCIETY
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 59,686	\$ 183,813
Accounts receivable	1,000	-
Goods and services tax recoverable	288	1,819
	<u>60,974</u>	185,632
RESTRICTED CASH (Note 4)	1,030,972	929,386
CONSERVATION EASEMENTS (Note 5)	1,947,800	1,801,200
	<u>\$ 3,039,746</u>	<u>\$ 2,916,218</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 16,001	\$ 111,371
DEFERRED CONTRIBUTIONS - ALTGP (Note 6)	912,960	797,224
DEFERRED CONTRIBUTIONS - OTHER (Note 7)	18,017	32,257
	<u>946,978</u>	940,852
NET ASSETS		
Unrestricted	44,973	74,261
Internally restricted (Note 8)	99,995	99,905
Restricted for conservation easements (Note 5)	1,947,800	1,801,200
	<u>2,092,768</u>	1,975,366
	<u>\$ 3,039,746</u>	<u>\$ 2,916,218</u>

SUBSEQUENT EVENTS (Note 10)

ON BEHALF OF THE BOARD

_____ Director

_____ Director

LEGACY LAND TRUST SOCIETY
Statement of Revenues and Expenses
Year Ended December 31, 2019

	2019	2018
REVENUES		
Grants - ALTGP (Note 6)	\$ 57,727	\$ 216,130
Grants - Other (Note 7)	28,140	-
Grants - Operations	32,106	40,000
Donations	11,846	41,083
Events, products and workshops	4,445	11,866
Interest income	1,171	758
	<u>135,435</u>	<u>309,837</u>
EXPENSES		
ALTGP (Note 9)	77,659	216,130
Other projects (Note 7)	28,140	-
Total conservation projects	105,799	216,130
General and administration	58,834	17,735
	<u>164,633</u>	<u>233,865</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (29,198)	\$ 75,972

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LEGACY LAND TRUST SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2019

	Unrestricted	Internally restricted	Restricted for conservation easements	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 74,261	\$ 99,905	\$ 1,801,200	\$ 1,975,366	\$ 213,194
Excess (deficiency) of revenues over expenses	(29,288)	90	-	(29,198)	75,972
Value of donated conservation easements	-	-	146,600	146,600	1,365,200
Value of purchased conservation easements from deferred contributions	-	-	-	-	321,000
NET ASSETS - END OF YEAR	\$ 44,973	\$ 99,995	\$ 1,947,800	\$ 2,092,768	\$ 1,975,366

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LEGACY LAND TRUST SOCIETY
Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (29,198)	\$ 75,972
Changes in non-cash working capital:		
Accounts receivable	(1,000)	-
Accounts payable and accrued liabilities	(95,370)	100,370
Goods and services tax payable	1,531	1,943
Deferred contributions - ALTGP	115,736	(16,857)
Deferred contributions - Other	(14,240)	90
	<u>6,657</u>	<u>85,546</u>
Cash flow from (used by) operating activities	<u>(22,541)</u>	<u>161,518</u>
INVESTING ACTIVITY		
Restricted cash	(101,586)	(46,119)
INCREASE (DECREASE) IN CASH FLOW	(124,127)	115,399
Cash - beginning of year	<u>183,813</u>	<u>68,414</u>
CASH - END OF YEAR	\$ 59,686	\$ 183,813

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LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

1. PURPOSE OF THE SOCIETY

Legacy Land Trust Society (the "Society") is a not-for-profit organization incorporated provincially under the Societies Act of Alberta. The Society is a registered charitable organization and is exempt from the payment of income taxes under the Income Tax Act.

The Society was formed to protect the environment for the benefit of the public by conserving and permanently protecting lands in Mountain View County and adjacent municipalities in Alberta which are regionally significant for their ecological, cultural, historical, agricultural, productive and scenic values for all citizens by holding such lands, in freehold title or interest, in real and personal property, and to enter into agreements, such as conservation easements. The Society will advance education regarding conservation through publications, workshops and seminars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) on a going concern basis.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations (ASNPO) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

The most significant estimates included in these financial statements include the valuation of conservation easements, amount of accrued liabilities, amount of deferred contributions, valuation of donated good and services and the allocation rate for staff and land management costs related to the determination of reasonable day rates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income and transaction costs expensed. All other financial instruments are reported at amortized cost.

Cash

The society's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash.

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LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conservation Easements

A conservation easement is a voluntary, written agreement between a landowner and one or more easement holders. It can cover all or part of a parcel of land. In the agreement, the landowner promises to protect the land or features on the land in ways that are specified in the easement. The conservation easement is registered against the title of the property under Alberta Land Titles Act. Once registered on the title, that agreement is connected to the title and binds all future owners. Conservation easements are donated, purchased or obtained through a combination of both.

Contributed (i.e. donated) or purchased easements are recorded at fair market value when the title is transferred. Landowners may receive an income tax receipt for the donated portion of a conservation easement to a registered charity. The value of the receipt is determined by a certified land appraiser and usually represents the difference in the appraised value of the property before and after the conservation easement restrictions are in place less any cash given in the transaction.

Contributed easements are recorded as assets and as a direct increase in net assets as they are restricted contributions related to non-depreciable assets. Properties transferred to others are recorded as a reduction of conservation easements and net assets invested in conservation easements.

Legacy Land Society Trust Fund

When a conservation project is completed, the Society has the option to contribute the unspent amount from the Alberta Land Trust Grant Program (ALTGP) to the Legacy Land Society Trust Fund managed by the Red Deer and District Community Foundation. The Society has no access to the capital of the fund, but the income of the fund is available to the Society to cover its conservation motioning expenses. When the Society makes a contribution to the fund, it recognizes capital contributions as conservation expenses and income distributions as deferred contributions - ALTGP until the amount spent on its conservation monitoring is recognized (Note 6).

Revenue recognition

Legacy Land Trust Society follows the deferral method of accounting for contributions.

1. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Interest earned on externally restricted contributions are added to deferred contributions until the related expenses are incurred in accordance to the grant agreements.
2. Contributions of conservation easements are recognized as direct increases in net assets in the year in which title to the property is acquired as they are restricted contributions related to non-depreciable assets. Proceeds from property sales are recognized when title is transferred.
3. 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.
4. Interest revenue and events, products and workshops revenue are recorded when earned.

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LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services and materials

The operations of the Society depends on both contributions of time and materials.

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

During the year, the Society recognized \$3,912 (2018 - \$13,899) and \$nil (2018 - \$3,088) from donated services and donated materials respectively.

Allocation of Expenses

The Society reviews the costs directly related to each project and allocates the expenses accordingly. Staffing and land management costs related to projects are allocated based on a reasonable day rate from general and administration expenses.

3. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. It is management's opinion that the Society is not exposed to any significant risks (credit, liquidity, market, currency or interest rates) arising from these financial instruments.

4. RESTRICTED CASH

Cash that has been restricted from current use consists of all deferred contributions as well as all internally restricted net assets.

	2019	2018
Externally restricted - ALTGP (Note 6)	\$ 912,960	\$ 797,224
Externally restricted - Other (Note 7)	18,017	32,257
Internally restricted (Note 8)	99,995	99,905
	\$ 1,030,972	\$ 929,386

5. CONSERVATION EASEMENTS

The continuity of conservation easements and agreements is as follows:

	2019	2018
Balance, beginning of year	\$ 1,801,200	\$ 115,000
Contributed (i.e. donated) during the year	146,600	1,365,200
Purchased during the year (Note 6)	-	321,000
	\$ 1,947,800	\$ 1,801,200

LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

6. DEFERRED CONTRIBUTIONS - ALBERTA LAND TRUST GRANT PROGRAM (ATLGP)

The Society receives grants from the Alberta Land Trust Grant Program (ALTGP) with approved grant objectives upon acquisition of conservation land and agreements. Unspent grant funding is restricted according to approved grant objectives. These deferred contributions remain liabilities until spent. If not spent before the project completion date, funds are required to be returned to the granting organization.

	2019	2018
Balance, beginning of year	\$ 797,224	\$ 814,081
Grants received	169,273	526,350
Interest earned	3,196	4,037
Red Deer & District Community Foundation income	994	-
Grants - ALTGP	(57,727)	(216,130)
Amounts recognized as restricted for conservation easements (Note 5)	-	(321,000)
Returned to the Alberta government	-	(10,114)
	\$ 912,960	\$ 797,224

Amounts recognized as revenue includes a \$21,990 (2018 - \$117,371) stewardship gift to the Red Deer & District Community Foundation for future maintenance of the conservation easements.

At December 31, 2019, the Society has \$255,370 (2018 - \$233,380) in its stewardship fund with the Red Deer & District Community Foundation. The Foundation returned \$994 (2018 - \$nil) on the investments to support the cost of conservation monitoring.

7. DEFERRED CONTRIBUTIONS - OTHER

The Society receives grants from various levels of government and other not-for-profit organization with approved grant objectives:

	Beginning balance	Addition	Utilization	Ending balance
Water Quality and You Program	\$ 32,257	\$ 54	\$ 21,712	\$ 10,599
Alberta Conservation Association	-	3,000	2,844	156
Alberta Community Initiatives	-	7,262	-	7,262
Canada Summer Job program	-	3,584	3,584	-
	\$ 32,257	\$ 13,900	\$ 28,140	\$ 18,017

8. INTERNALLY RESTRICTED FUNDS

	Beginning balance	Additions	Utilized	Ending balance
Legal defence fund	\$ 10,003	\$ 3	\$ -	\$ 10,006
Dedicated fund	89,902	87	-	89,989
	\$ 99,905	\$ 90	\$ -	\$ 99,995

LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

9. ALBERTA LAND TRUST GRANT PROGRAM (ATLGP) EXPENSES

	<u>2019</u>	<u>2018</u>
Proposals	\$ 10,726	\$ -
Conservation	56,733	216,130
Monitoring	10,200	-
	<u>\$ 77,659</u>	<u>\$ 216,130</u>

10. SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization categorized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has led to a number of public health and emergency measures which have been put in place by various levels of government to attempt to combat the spread of the virus. At this time, the duration and potential impact of COVID-19 is unknown and it is not possible to reliably estimate the impact these events may have on the financial results and condition of the Society in future periods.

11. COMPARATIVE FIGURES

Certain of these figures have been reclassified to conform to the current year presentation.

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