

LEGACY LAND TRUST SOCIETY
Financial Statements
Year Ended December 31, 2022



Dart Bryant LLP
Chartered Professional Accountants
250, 1319 Edmonton Trail NE
Calgary, Alberta - T2E 4Y8
www.dartbryant.com
P. 403-230-3764
F. 403-230-3766

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, 2022, 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, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021 and net assets as at January 1 and December 31 for both 2022 and 2021 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 limitation of scope.

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 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 these 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 ASNPO, 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.

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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.

May 25, 2023



Chartered Professional Accountant

LEGACY LAND TRUST SOCIETY
Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 222,951	\$ 209,449
Goods and services tax recoverable	2,566	2,436
	225,517	211,885
INTERNALLY RESTRICTED CASH <i>(Note 4)</i>	1,031,661	868,515
INVESTMENTS <i>(Cost \$150,000) (Note 5)</i>	152,134	-
CONSERVATION EASEMENTS <i>(Note 6)</i>	7,453,300	5,339,800
	\$ 8,862,612	\$ 6,420,200
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 11,000	\$ 18,936
CEBA loan payable <i>(Note 7)</i>	60,000	-
	71,000	18,936
CEBA LOAN PAYABLE <i>(Note 7)</i>	-	60,000
DEFERRED CONTRIBUTIONS - ALTGP <i>(Note 8)</i>	690,422	854,200
DEFERRED CONTRIBUTIONS - OTHER <i>(Note 9)</i>	10,157	27,435
	771,579	960,571
NET ASSETS	8,091,033	5,459,629
	\$ 8,862,612	\$ 6,420,200

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

The accompanying notes are an integral part of these financial statements

LEGACY LAND TRUST SOCIETY
Statement of Revenues and Expenses
Year Ended December 31, 2022

	2022	2021
REVENUES		
Grants - ALTGP <i>(Note 8)</i>	\$ 134,332	\$ 159,998
Grants - Other <i>(Note 9)</i>	36,273	23,424
Grants - Casino <i>(Note 9)</i>	24,247	-
Grants - Operations	-	10,000
Donations	79,956	10,414
Events, products and workshops	14,385	13,340
Interest and investment income <i>(Note 8)</i>	14,016	11,492
	<u>303,209</u>	<u>228,668</u>
EXPENSES		
ALTGP <i>(Note 12)</i>	156,413	174,807
Other projects <i>(Note 9)</i>	36,273	23,424
Self-funded projects <i>(Note 10)</i>	14,140	4,063
Total conservation projects	206,826	202,294
General and administration	64,778	39,525
Outreach and events	4,757	12,227
	<u>276,361</u>	<u>254,046</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 26,848	\$ (25,378)

The accompanying notes are an integral part of these financial statements

LEGACY LAND TRUST SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2022

	2021 Balance	Excess of revenues over expenses	Contributions/ Withdrawals	Transfers	2022 Balance
Unrestricted	\$ 1,391	\$ 37,628	\$ -	\$ 2,134	\$ 41,153
Internally restricted (Note 10)	118,438	(12,914)	-	-	105,524
Easements (Note 6)	5,339,800	-	2,113,500	-	7,453,300
Endowment (Note 11)	-	2,134	491,056	(2,134)	491,056
	\$ 5,459,629	\$ 26,848	\$ 2,604,556	\$ -	\$ 8,091,033

	2020 Balance	Excess of revenues over expenses	Contributions	Withdrawals	2021 Balance
Unrestricted	\$ 41,438	\$ (40,047)	\$ -	\$ -	\$ 1,391
Internally restricted	103,769	14,669	-	-	118,438
Easements	2,187,800	-	3,152,000	-	5,339,800
	\$ 2,333,007	\$ (25,378)	\$ 3,152,000	\$ -	\$ 5,459,629

The accompanying notes are an integral part of these financial statements

LEGACY LAND TRUST SOCIETY
Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 26,848	\$ (25,378)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	(7,938)	7,938
Goods and services tax recoverable	(130)	(828)
Deferred Contributions - ALTGP	499,198	48,764
Deferred contributions - Other (Note 9)	(17,277)	27,435
	<u>473,853</u>	<u>83,309</u>
Cash flow from operating activities	<u>500,701</u>	<u>57,931</u>
INVESTING ACTIVITIES		
Additions to land easements (Note 8)	(182,000)	(240,000)
Investment return from the Red Deer Foundation (Note 8)	10,081	11,168
Purchase of investments	(150,000)	-
Reinvested dividends from investments	(2,134)	-
	<u>(324,053)</u>	<u>(228,832)</u>
Cash flow used by investing activities	<u>(324,053)</u>	<u>(228,832)</u>
FINANCING ACTIVITY		
Advance of CEBA loan (Note 7)	-	20,000
	<u>-</u>	<u>20,000</u>
Cash flow from financing activities	<u>-</u>	<u>20,000</u>
INCREASE (DECREASE) IN CASH FLOW	176,648	(150,901)
Cash - beginning of year	<u>1,077,964</u>	<u>1,228,865</u>
CASH - END OF YEAR	\$ 1,254,612	\$ 1,077,964
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 222,951	\$ 209,449
Internally restricted cash (Note 4)	1,031,661	868,515
	<u>\$ 1,254,612</u>	<u>\$ 1,077,964</u>

The accompanying notes are an integral part of these financial statements

LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

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 charity 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, the allocation rate for staff and administrative overhead 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.

Financial instruments subsequently measured at amortized cost include cash and restricted cash, accounts receivable, accounts payable and accrued liabilities and CEBA loan payable.

Financial instruments subsequently measured at fair value include investments.

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LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Contributions of endowments are recognized as direct increases in net assets in the period the endowment is received and agreed to be an endowment.
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 and investment income and events, products and workshops revenues are recorded when earned and collection is reasonably assured.

Conservation Easements

A conservation easement is an interest in land and 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.

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LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Legacy Land Society Trust Fund

When a conservation project is completed with unspent balance, the Society has three options:

1. 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 the capital contributions as conservation expenses and income distributions as deferred contributions - ALTGP until the amount spent on its conservation proposals and monitoring is recognized.
2. Contribute the unspent amount from the Alberta Land Trust Grant Program (ALTGP) to the Legacy Land Society Trust Endowment Fund managed by the Society, The Society has no access to the capital of the fund, except under exceptional circumstances under the ALTGP guidelines. The Society will be able to use income of the investment in the Endowment on its conservation motioning expenses. When the Society makes a contribution to the fund, it transfers the deferred contribution balance to the endowment fund as contributions directly in net assets.
3. Return the fund to the Alberta Land Trust Grant Program (ALTGP). When the Society returns the fund, the deferred contribution balance will be reduced by the amount of the refund.

Cash and cash equivalents

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.

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 \$2,387 (2021 - \$650) and \$120 (2021 - \$nil) 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.

LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

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.

Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities (Note 5).

4. RESTRICTED CASH

Cash that has been restricted from current use consists of ALTGP deferred contributions as well as internally restricted net assets for self-funded projects.

	2022	2021
Deferred Contributions - ALTGP (Note 8)	\$ 690,422	\$ 854,200
Internally restricted - self-funded projects (Note 10)	183	14,315
Endowment (Note 11)	341,056	-
	\$ 1,031,661	\$ 868,515

5. INVESTMENTS

	2022	2021
Balanced mutual funds <i>Fair value: \$152,127</i>	\$ 152,127	\$ -
Cash and cash equivalents	7	-
	\$ 152,134	\$ -

6. CONSERVATION EASEMENTS

The continuity of conservation easements and agreements is as follows:

	2022	2021
Balance, beginning of year	\$ 5,339,800	\$ 2,187,800
Contributed (i.e. donated) during the year	1,899,500	2,912,000
Purchased during the year (Note 8)	214,000	240,000
	\$ 7,453,300	\$ 5,339,800

LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

7. CEBA LOAN PAYABLE

The Canadian Emergency Business Account (CEBA) loan payable bears interest at 0% per annum until December 31, 2023. If the loan is not repaid by December 2023, it will be converted into a 3-year term loan bearing interest at 5% per annum.

The Society was further advanced \$nil in 2022 (\$60,000 in 2021). \$20,000 of the total loan balance will be forgiven if the loan is repaid by December 2023. The forgiven amount was not recognized as revenue in the current year as it is unknown if the loan will be repaid within the established timeline.

8. DEFERRED CONTRIBUTIONS - ALBERTA LAND TRUST GRANT PROGRAM (ALTGP)

The Society receives grants from the Alberta Land Trust Grant Program (ALTGP) with approved grant objectives to establish conservation easements on designated land parcels. Grants are received prior to legal finalization of the conservation easement, and unspent grant funding is restricted according to approved grant objectives. These deferred contributions remain liabilities until spent. In exceptional cases where the assessed fair market value of the property is lower than anticipated or expenses are lower than anticipated in the approved grant, funds may be returned to the grantor.

A portion of the ALTGP grant (typically 15% of the property fair market value) is transferred to the Society and set aside as a permanent "Conservation Easement Stewardship Endowment" (stewardship fund) to allow for long-term monitoring and stewardship of each conservation easement property. Multiple ALTGP stewardship funds can be pooled together, but investment income from these funds can only be spent on ALTGP properties.

	2022	2021
Balance, beginning of year	\$ 854,200	\$ 1,034,268
Grants received	649,268	216,150
Interest earned	7,159	3,780
Grants - ALTGP	(134,332)	(159,998)
Amounts recognized as conservation easements (Note 6)	(214,000)	(240,000)
Transfer to endowment fund upon completion of conservation easements (Note 11)	(446,056)	-
Returned to the Alberta government	(25,817)	-
	\$ 690,422	\$ 854,200

The Society has the option to manage stewardship funds by investing them in either a community foundation (e.g., Red Deer and District Community Foundation or Calgary Foundation) or by directly investing them in accordance with Society policy.

When pooled stewardship funds are managed by a community foundation, the Society has no access to the capital of the fund. However, the investment return from the funds is available to the Society to cover monitoring and stewardship expenses. In 2022, the Society received \$10,081 (2021 - \$11,168) from the Red Deer and District Community Foundation and utilized this amount for monitoring and stewardship expenses (Note 12).

During the year, the Society transferred \$446,056 (2021 - Nil) to its in-house stewardship fund pool. This will be invested in securities and fixed income assets and the investment income will be used for long-term monitoring and stewardship expenses. The Society recorded a return of \$2,134 (2021 - Nil) on its own stewardship fund pool and has utilized this amount on ongoing monitoring and stewardship efforts (Note 12).

LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

9. DEFERRED CONTRIBUTIONS - OTHER

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

	2021	Addition	Utilization	2022
Alberta Real Estate Foundation	\$ 10,435	\$ 6,250	\$ 16,685	\$ -
Red Deer Foundation	17,000	145	6,988	10,157
Canada Summer Job program	-	12,600	12,600	-
	<u>27,435</u>	<u>18,995</u>	<u>36,273</u>	<u>10,157</u>
AGLC Casino Fund	-	24,247	24,247	-
	<u>\$ 27,435</u>	<u>\$ 43,242</u>	<u>\$ 60,520</u>	<u>\$ 10,157</u>

10. INTERNALLY RESTRICTED FUNDS

	2021	Additions	Utilized	2022
Legal defence fund	\$ 10,058	\$ 30	\$ -	\$ 10,088
Dedicated fund	94,065	1,188	-	95,253
Self-funded projects	14,315	8	14,140	183
	<u>\$ 118,438</u>	<u>\$ 1,226</u>	<u>\$ 14,140</u>	<u>\$ 105,524</u>

11. ENDOWMENT

At completion of the conservation easement, a portion of the ALTGP grant (typically 15% of the property fair market value) is transferred to the Society and set aside as a permanent "Conservation Easement Stewardship Endowment" (stewardship fund) to allow for long-term monitoring and stewardship of each conservation easement property. The Endowment fund managed directly by the Society represents the pooled stewardship funds invested in securities and fixed income assets.

The Society does not access the capital of the pooled direct investment stewardship funds except under exceptional circumstances consistent with ALTGP guidelines. The investment return from the directly managed stewardship funds is available to the Society to cover monitoring and stewardship expenses.

	2022	2021
<u>ALTGP Stewardship Endowment</u>		
Endowment - ALTGP (Note 8)	\$ 446,056	\$ -
Endowment - Other donors with similar goals	45,000	-
Endowment income	2,134	-
Withdrawals for monitoring expenses (Note 12)	<u>(2,134)</u>	<u>-</u>
Endowment, ending balance	<u>\$ 491,056</u>	<u>\$ -</u>

LEGACY LAND TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

12. ALBERTA LAND TRUST GRANT PROGRAM (ALTGP) EXPENSES

	<u>2022</u>	<u>2021</u>
Proposals	\$ 3,813	\$ 11,283
Conservation	138,883	159,999
Monitoring (Note 11)	13,717	3,525
	<u>\$ 156,413</u>	<u>\$ 174,807</u>

13. HEALTH PANDEMIC

During 2020 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 company in future periods.

As at year end, the majority of public health measures were lifted in Alberta and management has implemented appropriate actions to return to more normal operations in fiscal 2023.
