

2023 Annual Report



One of SALTS' 2023 conservation easements helping keep ranch lands intact along the Cowboy Trail



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 2023

Message from the Chair of the Board

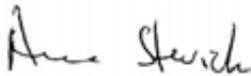
I was honoured to step into the role of SALTS Board Chair in 2023. While I am relatively new to SALTS, I am not new to grassland conservation or to the challenges that SALTS is trying to address to help keep ranching on the landscape.

Where I live, between Pincher Creek and Waterton, I see firsthand the pressures for land to be converted to non-agricultural land uses and fragmented into smaller parcels. With these pressures, ranching becomes less viable and of course the important co-benefits that come with intact ranchlands, including wildlife habitat and healthy watersheds, are diminished. You could say that our area is particularly susceptible to these pressures, but there are many ranchland areas in Alberta that are experiencing the same pressures. These areas are where SALTS has excelled in supporting landowners who want to see their land stay in agriculture, habitat, and healthy watersheds.

I believe that we need as many tools as possible to keep our grasslands and foothills in ranching. The conservation easements that SALTS does in partnership with landowners, however, are currently one of the few tools that are achieving meaningful conservation of our foothills and grasslands. The number of landowners interested in working with SALTS each year highlights the effectiveness and value of our conservation easements for ranching families and other rural landowners.

We are so appreciative of all the landowners who choose to work with us and for all those partners, including governments, foundations, and individuals who support our work. Alberta has something truly unique in the world with its intact ranchlands. In the face of ongoing development and growth, preserving the many benefits of these precious landscapes is something worth fighting for.

Sincerely,

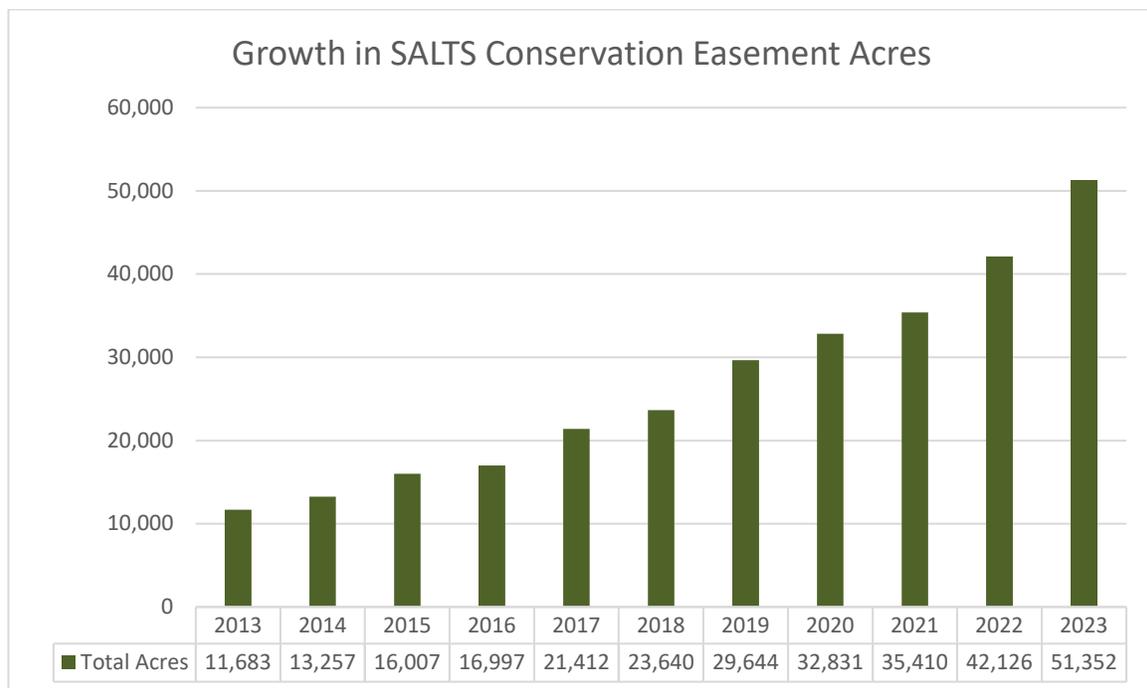


Anne Stevick
Chair of the Board

Conservation & Operations Report

New Conservation Easements

SALTS completed four conservation easements with landowners in 2023, conserving an additional 9,236 acres, bringing our total to 51,352. This was a record number of acres for SALTS in a single year due to two easements with large ranches. All of the four easements were what SALTS would call our “bread and butter”. First, helping to conserve large areas of native grassland from fragmentation and potential conversion to non-agricultural land uses and second, keeping riparian areas and the surrounding natural uplands healthy and intact.



More specifically, SALTS 2023 conservation easements:

- ✓ Added to the conservation of undeveloped ***grasslands along the Cowboy Trail*** south of Longview;
- ✓ Built on the significant efforts by landowners to conserve the large area of ***Foothills Fescue grasslands along the eastern side of the Porcupine Hills***;
- ✓ Protected a valuable section of ***riparian area along Drywood Creek*** near Twin Butte; and
- ✓ Conserved a ***large block of Dry Mixedgrass prairie*** near Bassano which hosts many grassland species at risk and forms part of an important corridor of remaining native grasslands in an area with high conversion to cropland.

In addition to the four projects we completed in 2023, we had interest from many other landowners. Several of these we continue to work with in hopes of completing a conservation easement in 2024 or 2025. For several others we weren't able to move forward either due to SALTS resources or insufficient alignment between their property and the priorities of the various funding sources that SALTS applies for. Whenever a landowner wants to work with us to conserve their property, SALTS does our best to try and make it happen within the constraints that we're faced with.

Here are a few photos from the projects SALTS completed with landowners this year.



SALTS 2023 easement conserving Foothills Fescue grasslands along the eastern side of the Porcupine Hills.

SALTS 2023 easement conserving riparian areas and adjacent grasslands along Drywood Creek.



Existing Conservation Easements

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

In 2023 SALTS worked with several partners to support range and riparian stewardship projects with our conservation easement landowners. These partners included Cows and Fish, Waterton Biosphere Reserve, the Alberta Government Watershed Restoration and Resiliency Program (WRRP), and the Weston Family Prairie Grasslands Stewardship Investment Program. Through these partnerships SALTS was able to facilitate 13 range and riparian stewardship projects with our landowners.



One of several solar waterers facilitated through SALTS in 2023 to support range and riparian management.

One of several razer grazers facilitated through SALTS in 2023 to facilitate adaptive grazing and range health.



Staffing and Capacity

SALTS has slowly built its staffing capacity over the last ten years. During this time, we have gone from 1 employee in 2014 to 4.6 full time equivalents at the end of 2023. We built this capacity in response to the demand from landowners to work with us, the positive support from funding partners, and to manage the five-fold increase in acres under conservation easements over the decade.

We are also working to provide more value for our conservation easement landowners by facilitating investments in range and riparian stewardship projects.

With SALTS now holding conservation easements valued at almost \$100 million, more than 70 agreements, and over 50,000 acres to monitor, SALTS is no longer a small organization. This increased scale means we need to up our game in terms of governance, financial management, field staff, and human resource management.

Accordingly, at the end of 2023 we decided to add some new and key roles at SALTS. In early 2024 we hired a new Director of Conservation, Director of Operations, and Outreach Manager. This has put our total staff complement at 6.6 full time equivalents (8 staff total). In their short time with SALTS our new staff have been fantastic and have really added to the strength of the existing team of Justin, Carey, Mike, Dawn, Cody, and Rylee (currently on mat leave). Our new staff are:



Sasha Harriott, Director of Conservation. Sasha lives in the Crowsnest Pass.



Erin Prosser, Director of Operations. Erin lives in Calgary.



Tamara Garstin, Outreach Manager. Tamara lives near Longview.

As always, my thanks go out to our landowners, staff, Board, and supporters. We're appreciative that so many people have a shared vision for the conservation of Alberta's open, ranching landscapes and have chosen SALTS as a way to support that vision.

A handwritten signature in blue ink, appearing to read 'Justin Thompson'.

Justin Thompson
Executive Director

Financial Report

A Thank You to SALTS Financial Supporters

First off, we want to recognize the charitable donations made by our conservation easement landowners through the Ecological Gifts Program. By far the biggest financial component of all our projects are the landowner donations of the conservation easement in return for a charitable donation. We would also like to recognize the many organizations and individuals who support SALTS financially. There are many different expenses associated with conservation easements and with running a land trust organization. These supporters include:

- The Alberta Government
- The Federal Government
- The Calgary Foundation
- The Daryl Seaman and Rocky Mountain Elk Foundations through the Calgary Foundation
- Donor direct funds through the Edmonton Community Foundation
- The Weston Family Foundation
- A number of generous individuals

Commentary – 2023 Financial Operating Results

2023 Highlights

SALTS had another successful year in 2023 completing four new conservation easements (CEs). At the end of the year, SALTS had achieved a total of 51,352 acres under CEs, a growth of 21.9% over the prior year and has now accumulated a total of \$97,330,972 in CE value (based on the value of the CE at the time it was completed).

Other 2023 financial highlights include:

- Achieved a net operating surplus of \$122,050.
- Increased unrestricted working capital by \$167,050 to a total of \$677,535.
- Contributed \$2,146,412 to the Financial Sustainment Fund.

Statement of Financial Position (page 4 of the Financial Statements)

For the 3rd consecutive year, SALTS has significantly improved its overall financial position, building upon its financial operating strength in both unrestricted working capital and the Operating Reserve contingency fund.

In 2023:

1. Unrestricted net assets of \$677,535 grew by \$167,050, representing an annual growth of 32.7%; and
2. Restricted Operating Reserve of \$396,870 grew by \$37,285, representing an annual growth of 10.4%.

In aggregate over the past three years, SALTS has increased its unrestricted working capital and its Operating Reserve contingency fund from a combined total of \$802,604 to \$1,074,405, a 3-year increase of \$274,801.

2023 Significant Changes in Financial Position

Unrestricted Cash & Cash Equivalents

Cash and cash equivalents of \$521,827 increased by \$202,330 year over year. This was due largely to the \$122,050 net operating surplus achieved during the year. Excess operating cash is deposited to a T-Bill savings account, ensuring that short-term fluctuations in cash flow are invested to earn interest during the year.

Restricted Current Assets

Restricted current assets of \$530,110 at the end of 2023 decreased by \$1,115,408 from the beginning of the year. This decrease was largely due to the transfer of \$1,467,843 from the internally restricted designated SAF fund previously set aside at the end of 2022, to the SAF Sustainment fund in 2023.

Operating Reserve

The restricted Operating Reserve of \$396,870 increased by \$37,285 from the beginning of the year. SALTS continued to grow the restricted Operating Reserve contingency fund for any future cash shortfalls required to cover ongoing non-stewardship operating expenses. The Operating Reserve is 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 under the investment strategies and objectives to grow the fund in pace with inflation plus 2% over the long term.

SALTS achieved a 9.9% portfolio return in 2023, exceeding the 5.4% investment objective for the year by 4.5%.

Sustainment Funds (Note 4, page 12 of the Financial Statements)

SALTS Sustainment Funds are made up of 1) Stewardship Assurance Funds (SAF) managed by SALTS through investment managers, and 2) Endowment Funds with the Calgary Foundation. The fair market value of SALTS SAF of \$6,725,264 at the end of 2023 increased by \$2,439,260 from the beginning of the year of \$4,286,004.

SALTS continues to set aside funds to ensure that its future conservation easement stewardship obligations can be met. In 2023, SALTS transferred \$1,467,843 from the internally restricted designated SAF fund set aside at the end of 2022 for that year's CE projects, reinvested \$57,675 of the Stewardship income surplus from 2022, and contributed \$620,894 allocated for two of the four CEs closed during 2023.

For 2023, the overall SAF investment portfolio achieved 8.5% vs. the investment return objective of 10.9%. 2023 was a transitional year, with SALTS adding Fiera Capital as a new SAF investment manager in late 2023 to manage our SAF funds previously held with the Calgary Foundation.

SALTS also has four Endowment Funds held and managed by the Calgary Foundation that provide annual Stewardship Income. The fair market value of the collective assets held in the Endowment Funds at the end of 2023 was \$2,643,041 compared to \$2,600,093 at the beginning of the year, an increase of \$42,903.

Combining the SALTS SAF funds with the Endowment Funds, total Sustainment Funds had a fair market value of \$9,368,305 at the end of 2023, an overall increase of \$2,482,163 from the beginning of the year.

Conservation Easements

SALTS increased the value of its CEs by \$9,155,000 in 2023 to a total of \$97,330,972. 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.

Unrestricted Net Assets

SALTS' unrestricted net assets of \$677,535 (as shown at the bottom line of Net Assets), increased by \$167,050 from the beginning of the year. Unrestricted Net Assets is comprised of current assets minus current liabilities. The increase was due to two items:

- 1) Increase of \$122,050 from SALTS Unrestricted Net Operating Surplus for the year; and
- 2) Increase of \$45,000 by way of Board resolution approving the release of the restricted CE Stewardship contingency fund previously set aside in 2022, due to receiving approval in March 2024 for these funds under a provincial grant.

Statement of Operations (page 5 of the Financial Statements)

REVENUE

Grant funding:

Total government grant revenue of \$1,872,764 recognized in 2023 decreased by \$6,706,084 from 2022 mostly due to executing four CEs during the year compared to eight CEs in the previous year. 2022 was unique in terms of the number and scale of CE projects so this significant drop in revenue year over year is a bit misleading, as there was also a significant drop in CE related expenses of \$5,849,093 year over year.

In 2023, SALTS was successful in securing four grants totalling \$1,468,890 through the Alberta Land Trust Grant Program under Alberta Environment and Protected Areas to secure conservation easements on 9,236 acres.

In 2023, SALTS was successful in securing a new grant of \$500,000 under the Environment and Climate Change Canada (“ECCC”) Species at Risk Partnerships on Agricultural Lands (SARPAL) program spread over a 3-year term ending March 31, 2026, to fund CE development and securement on grasslands.

In 2023, SALTS received a grant of \$188,452 under Alberta Environment and Protected Areas Watershed Resiliency and Restoration Project (“WRRP”) to be spread over 2-years ending March 31, 2025, to fund solar watering systems to enhance grazing management of riparian and wetland areas along the Eastern Slopes.

Donations

Donations of \$57,434 received in 2023 decreased by \$78,157, primarily due to receiving a gift of publicly traded shares of \$97,552 in 2022.

Net Stewardship Income

In 2023, Net Stewardship income of \$346,959 increased by \$46,348, primarily due to the additional returns on SAF contributions of \$2,146,412 added during the year.

Special projects revenues

Special projects revenues of \$167,391 increased by \$85,012 largely due to \$63,169 additional grants for range and riparian stewardship projects.

Casino revenue

Casino revenue of \$39,978 was recognized to match related eligible expenses in 2023, which was drawn from deferred revenue of the casino fund raising event in 2022.

EXPENDITURES

Qualifying CE expenditures of \$1,014,073 decreased \$5,849,093 in line with the decrease in CE government grants recognized in 2023.

Development CE expenditures of \$62,344 increased by \$41,091 for the year, primarily due to receiving new funding from ECCC for development and securement of CE projects.

Stewardship expenditures of \$287,499 increased by \$44,563 for the year, due to additional operating expenses and payroll of \$33,372 by SALTS associated with supporting ongoing stewardship of its existing CEs.

Special projects expenditures of \$270,775 increased by \$208,115 for the year due to an increase in the number of range and riparian stewardship projects SALTS was helping to deliver.

SALTS financial management continues to get more sophisticated each year. My thanks go to all those who help with the oversight, management, and preparation of SALTS finances including the Finance Committee of SALTS Board, Shannon Matthyssen SALTS Board Treasurer, and Dawn Mitchell SALTS Finance/Admin Manager.



Carey Donkervoort
Director of Finance

APPENDIX

SOUTHERN ALBERTA LAND TRUST SOCIETY

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

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, 2023, 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, 2023, 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, 2023 and December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 2023 was only modified because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of The Southern Alberta Land Trust Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Society’s audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Calgary, Alberta
April 24, 2024

Chartered Professional Accountants

SOUTHERNALBERTA LAND TRUST SOCIETY

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	Note	2023	2022
ASSETS			
UNRESTRICTED CURRENT ASSETS			
Cash and cash equivalents		\$ 521,827	\$ 319,497
Accounts receivable		279,770	286,921
Prepaid expenses		4,356	4,072
		<u>805,953</u>	<u>610,490</u>
RESTRICTED CURRENT ASSETS	2	530,110	1,645,518
OPERATING RESERVE	3	396,870	359,585
SUSTAINMENT FUNDS	4	6,725,264	4,286,004
CONSERVATION EASEMENTS	5	97,330,972	88,175,972
		<u>\$ 105,789,169</u>	<u>\$ 95,077,569</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 128,418	\$ 60,027
Deferred revenue	8	-	39,978
		<u>128,418</u>	<u>100,005</u>
CONSERVATION EASEMENTS	5	97,330,972	88,175,972
NET ASSETS			
Internally restricted - Sustainment funds	4	6,725,264	4,286,004
Internally restricted - Operating reserve	3	396,870	359,585
Internally restricted - Sustainment fund designation	2	-	1,467,843
Internally restricted - Stewardship income	2	59,461	57,675
Externally restricted - ALTGP projects	2	301,242	-
Externally restricted - WRRP projects	2	115,701	-
Internally restricted - CE Special project fund	2	53,706	75,000
Internally restricted - CE Stewardship project contingency	2	-	45,000
Unrestricted net assets		677,535	510,485
		<u>8,329,779</u>	<u>6,801,592</u>
		<u>\$ 105,789,169</u>	<u>\$ 95,077,569</u>

Approved by the Board of Directors



Director



Director

The accompanying notes form an integral part of these financial statements

SOUTHERNALBERTALANDTRUST SOCIETY

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

	Note	2023	2022
Revenues			
Contributions:			
Grant funding	6	\$ 1,872,764	\$ 8,578,848
Donations		57,434	135,591
		<u>1,930,198</u>	<u>8,714,439</u>
Sustainment Fund unrealized gains (losses)	1,4(b)	292,848	(580,303)
Operating Reserve unrealized gains (losses)	1,3	23,444	(1,053)
Net Stewardship income	7	346,959	300,611
Special projects revenues		167,391	82,579
Casino revenue		39,978	-
Operating Reserve income	3	13,841	10,638
Interest and other income		10,698	6,166
		<u>2,825,357</u>	<u>8,533,077</u>
Expenditures			
Conservation easement payments		850,000	6,755,000
Salaries and benefits		358,008	338,936
Special projects expenses		208,545	62,660
Consulting fees		166,506	50,192
Travel		26,397	20,260
Office and miscellaneous expenses		14,075	11,304
Legal and audit fees		13,500	16,520
Computer equipment		12,600	6,402
Materials		11,190	1,419
Insurance		11,076	7,818
Telephone and internet		9,028	7,635
Rent		6,434	7,298
Communications and advertising		5,460	842
		<u>1,692,819</u>	<u>7,286,286</u>
Excess of revenues over expenditures		1,132,538	1,246,791
Unrealized gains and (losses)	3,4	(316,292)	581,356
Allocations to restricted net assets	2,3,4	(649,196)	(1,920,266)
Change in unrestricted net assets during year		167,050	(92,119)
Unrestricted net assets, beginning of year		510,485	602,604
Unrestricted net assets, end of year		\$ 677,535	\$ 510,485

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 Funds	Internally restricted Operating Reserve	Internally restricted Sustainment Designation	Internally restricted Stewardship Income	Externally restricted ALTGP Easement Projects	Externally restricted WRRP Special Projects	Internally restricted CE Special Project Fund	Internally restricted CE Stewardship Project Contingency	Unrestricted	2023 Total	2022 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	4,286,004	359,585	1,467,843	57,675	-	-	75,000	45,000	510,485	6,801,592	5,782,553
Revenues		13,841		346,959	1,634,967	75,005			438,293	2,509,065	9,114,434
Unrealized gains (losses) (Notes 3 & 4)	292,848	23,444								316,292	-581,356
Expenditures				(287,498)	(1,014,073)	(75,005)			(316,243)	(1,692,819)	(7,286,286)
Excess of revenues over expenses	292,848	37,285	-	59,461	620,894	-	-	-	122,050	1,132,538	1,246,791
Sustainment designation allocations (Note 4)	1,467,843		(1,467,843)							-	-
Stewardship income allocation (Note 4)	57,675			(57,675)						-	-
Sustainment fund allocations (Note 4)	620,894				(620,894)					-	-
ALTGP Easement projects (Note 2(c))					301,242					301,242	(227,752)
WRRP Special projects (Note 2(d))						115,701				115,701	-
CE Special project fund (Note 2(e))							(21,294)			(21,294)	-
CE Stewardship contingency allocation (Note 3(f))								(45,000)	45,000	-	-
Change during year	2,439,260	37,285	(1,467,843)	1,786	301,242	115,701	(21,294)	(45,000)	167,050	1,528,187	1,019,039
Net assets, end of year	6,725,264	396,870	-	59,461	301,242	115,701	53,706	-	677,535	8,329,779	6,801,592

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	2023	2022
Cash flows from operating activities			
Excess of revenues over expenses for the year		\$ 1,132,538	\$ 1,246,791
Items not affecting cash:			
Unrealized losses (gains) on Sustainment Funds		(292,848)	580,303
Unrealized losses (gains) on Operating Reserve		(23,444)	1,053
Net change in non-cash working capital items:			
Decrease (increase) in preferred shares receivable		-	300,000
Decrease (increase) in accounts receivable		7,151	(82,083)
(Increase) Decrease in prepaid expenses		(284)	(2,259)
Increase (decrease) in accounts payable		68,391	(37,104)
(Decrease) Increase in deferred revenue		(39,978)	39,978
Net cash generated from operating activities		851,527	2,046,679
Investing activities			
Conservation Easement project grants received		1,468,890	6,358,740
Interest earned on unspent Conservation Easement project grants		47,059	108,200
Qualifying conservation easement expenditures		(1,214,707)	(6,667,692)
Conservation Easement project grants repaid		-	(27,000)
Special project grants		94,407	-
Net cash provided by (used in) investing activities		395,649	(227,752)
Financing activities			
Decrease (increase) in restricted cash in Operating reserve		-	(200,000)
Investments made in Operating reserve		(13,841)	(160,638)
Investments made in Sustainment funds		(2,146,412)	(180,593)
Net cash used in financing activities		(2,160,253)	(541,231)
Change in cash and cash equivalents during the year		(913,078)	1,277,696
Cash and cash equivalents – beginning of year		1,965,015	687,319
Cash and cash equivalents – end of year		\$ 1,051,937	\$ 1,965,015
Cash and cash equivalents are comprised of:			
Unrestricted cash and cash equivalents		521,827	319,497
Restricted cash and cash equivalents	2	530,110	1,645,518
		\$ 1,051,937	\$ 1,965,015

The accompanying notes form an integral part of these financial statements

Purpose of the Organization

The Southern Alberta Land Trust Society (“**Society**”, “**SALTS**”) was incorporated under the Societies Act of Alberta on January 13, 1998, as a not-for-profit organization and is a registered charity under the Income Tax Act. The Society is also registered under the Charitable Fundraising Act of Alberta and has considered all required disclosures under Section 7(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 (“**ASNFP**”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses during the reporting period. Accounts 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 Revenue (Note 7) 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.

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 4) and Operating Reserve (Note 3), 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.

2) Restricted current assets

SALTS has six 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) Alberta Environment and Protected Areas special project grants under the Watershed Resiliency and Restoration Program ("WRRP") externally restricted by the terms of the grant; (e) restricted cash set aside and designated by the Board for funding of specific conservation easement range and riparian health projects; and (f) restricted cash set aside from unrestricted funds as a contingency against securing grant funding for a conservation easement stewardship project.

2 (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 4) for the four conservation easements completed during the last quarter of 2022. During the year ended December 31, 2023, this amount was transferred as a contribution to the Sustainment Fund.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

2 (b Stewardship Income:

Pursuant to SALTS' By-Laws the use of Stewardship Income (Note 4) is restricted to coverage of costs incurred in connection with the conduct of Conservation Easement stewardship (Note 5), 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 Revenue account for the purpose of segregating Stewardship Revenue upon receipt (Note 7). The Stewardship Income is held as an internally restricted fund, which includes both the restricted cash balance in the Stewardship Revenue account and any amount of Stewardship Revenue accrued but not yet received and deposited to that account.

Reconciliation of the Stewardship income for 2023 and 2022 is as follows:

	2023	2022
	<u>\$</u>	<u>\$</u>
Stewardship Income balance, beginning of year	57,675	59,400
Net Stewardship income (note 7)	346,959	300,611
Stewardship expenses	(287,498)	(242,936)
SAF Sustainment fund contributions (note 4)	(57,675)	(59,400)
Stewardship Income balance, end of year	<u>59,461</u>	<u>57,675</u>

2 (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.

Reconciliation of the ALTGP grant funds for 2023 and 2022 is as follows:

	2023	2022
	<u>\$</u>	<u>\$</u>
ALTGP grants balance, beginning of year	-	227,752
ALTGP Grants repaid	-	(27,000)
ALTGP Grants awarded	1,468,890	6,358,740
Interest earned	47,059	108,200
Total ALTGP Grants funding	<u>1,515,949</u>	6,667,692
Easement expenses	(193,813)	(155,739)
Easement payments	(400,000)	(4,855,000)
Sustainment Fund contributions (Note 4)	(620,894)	(114,110)
Sustainment Fund designation (Note 2(a))	-	(1,467,843)
Restricted for CE Special project fund (Note 2(d))	-	(75,000)
ALTGP grants balance, end of year	<u>301,242</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

2 (c) Restricted ALTGP Grants (continued):

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

2(d) Restricted WRRP Grants:

Cash grant received by SALTS under the Alberta Environment and Protected Areas for Watershed Resiliency and Restoration Program (“WRRP”) special projects can only be recognized as revenue upon the payment of qualifying project expenditures during the two-year term beginning March 31, 2023, and ending March 31, 2025. Any grant amount not used for qualified project expenditures is required to be repaid to the Province of Alberta. The WRRP grant is held as an externally restricted fund until applied to qualified expenditures or repaid to the Province of Alberta.

Reconciliation of the WRRP grant fund for 2023 is as follows:

	2023
	\$
WRRP grant balance, beginning of year	-
WRRP Grant awarded	188,452
Interest earned	2,254
Total WRRP Grant funding	190,706
WRRP Solar watering system payments	(75,005)
WRRP grant balance, end of year	115,701

Interest earned on the WRRP grant while restricted is treated as additional restricted WRRP funding in accordance with the WRRP agreement and is accordingly recorded as WRRP grant funding.

2(e) CE Special Project Fund:

The CE Special Project Fund was established in December 2022 in the amount of \$75,000 as 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. In 2023, \$21,294 was drawn down from the fund as payments towards CE Special project range and riparian health. The fund balance at the end of 2023 was \$53,706 (2022 - \$75,000).

2(f) CE Stewardship Contingency Fund:

In 2022, SALTS acquired a conservation easement under arrangements that did not provide funding for ongoing stewardship. SALTS had set aside \$45,000 for ongoing stewardship from unrestricted funds as a contingency towards securing grant funding for this CE. In March 2024, SALTS was approved for a \$45,000 grant under the ALTGP for this CE, thereby allowing the \$45,000 release of the restricted CE Stewardship contingency fund back to unrestricted net assets on December 31, 2023.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

3) 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 are internally restricted and 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.

Reconciliation of the Operating Reserve for 2023 and 2022 is as follows:

	2023	2022
	TOTAL	TOTAL
	\$	\$
	<u> </u>	<u> </u>
Operating Reserve balance, beginning of year	359,585	200,000
Transferred from unrestricted net assets	-	150,000
Operating Reserve income	13,841	10,638
Unrealized gains (losses)	23,444	(1,053)
Operating Reserve balance, end of year	<u>396,870</u>	<u>359,585</u>

4) 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, 2023, SALTS’ Sustainment Funds consisted of the Endowment Funds referred to in Note 4(a) and the SAF Sustainment Funds referred to in Note 4(b).

4(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 7 (Net Stewardship Revenue).

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.

SOUTHERN ALBERTA LAND TRUST SOCIETY

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

4(a) Endowment Funds (continued):

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 at the end of 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Endowment Funds, at fair market value end of year	<u><u>2,643,041</u></u>	<u><u>2,600,093</u></u>

4(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, 2023, the SAF was comprised of three Sustainment Funds, (i) a managed investment account established with ATB Financial Inc.’s ATB Wealth division (the “ATB SAF Account”), (ii) a managed investment account established with The Calgary Foundation (the “TCF SAF Account”), and (iii) a managed investment account established with Fiera Capital Corporation’s Fiera Capital Private Wealth division (the “FCC SAF Account”).

In 2023, SALTS contributed to the FCC SAF Account (i) \$1,080,687 transferred from the TCF SAF Account (2022 - \$nil), (ii) \$1,467,843 of designated funds from the prior year government CE stewardship funding (2022 - \$nil), (iii) \$57,675 of Stewardship Income considered surplus to SALT’s near term CE stewardship funding requirements (2022 - \$66,483), and (iv) \$620,894 of government CE stewardship funding (2022 - \$114,110).

Unrealized gains of \$292,848 were recognized for 2023 and unrealized losses of \$580,303 were recognized in 2022.

The reconciliation of the SAF Sustainment Funds for 2023 and 2022 at fair market value is as follows:

	ATB	FCC	TCF	2023	2022
SAF Sustainment Funds, beginning of year	3,216,597	-	1,069,407	4,286,004	4,685,714
Transfers between funds	-	1,080,687	(1,080,687)	-	-
Contributed from designated funds	-	1,467,843	-	1,467,843	-
Contributed from ALTGP grants	-	620,894	-	620,894	114,110
Contributed from Stewardship income surplus	-	57,675	-	57,675	66,483
Unrealized gains and (losses)	252,059	26,308	14,481	292,848	(580,303)
SAF Sustainment Funds, end of year	<u><u>3,468,657</u></u>	<u><u>3,253,407</u></u>	<u><u>3,201</u></u>	<u><u>6,725,264</u></u>	<u><u>4,286,004</u></u>

5) 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 “Land”). A conservation easement encumbers the 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 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 Land.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

5) Conservation Easements (continued)

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 Land) is appraised by an independent appraiser certified to appraise ecological gifts. In order to enable SALTS to provide a charitable receipt to the landowner under the Federal Ecological Gifts Program, this appraisal is reviewed by Environment Canada, which issues a determination of the value of the conservation easement having regard to the appraisal (the “Appraised Value”). On execution of the conservation easement, SALTS issues to the landowner a charitable receipt, and in some cases a component of cash, in the amount of the Appraised Value. The conservation easement is then booked in SALTS’ financial accounts as an asset with a book value equal to the Appraised Value. SALTS does not adjust this book 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 4) to build a source of funding for SALTS’ ongoing conservation easement stewardship obligations.

During its 2023 fiscal year SALTS conserved 9,226 acres under conservation easements having a total Appraised Value of \$9,155,000 (2022 – 6,855 acres having a total Appraised Value of \$26,814,000).

6) Grant Funding

Total Grant funding recognized as revenue during 2023 was \$1,872,764 (2022 - \$8,878,848) as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Government grants:		
Provincial CE grants ALTGP (Note 2 (c))	1,234,984	6,667,692
Federal CE grants - Wildlife Habitat Canada	450,000	900,000
Provincial Special Projects grants - WRRP (Note 2 (d))	75,005	-
Federal Special Project grants - ECCC SARPAL	97,775	-
Provincial Alberta Now grant	-	11,156
Total Government grants	1,857,764	7,578,848
The Calgary Foundation grants	15,000	1,000,000
	<u>1,872,764</u>	<u>8,578,848</u>

The \$97,775 federal grant received from Environment and Climate Change Canada (“ECCC”) program under the Species at Risk Partnerships on Agricultural Lands (“SARPAL”) was used for SALTS Special Projects CE engagement and development costs, and the \$15,000 collective grants received from The Calgary Foundation were used for SALTS Strengthening Critical Governance Capacity initiatives and for general purposes.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

7) Net Stewardship Income

Income generated by or derived from investments or other assets held in any Sustainment Fund (Note 4) (“**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 4(a)), these fees are recovered by TCF from Endowment Funds capital. In the case of the SAF Sustainment Funds (Note 4(b)), these fees are deducted directly from income realized and are accordingly deducted in determining net Stewardship Income in the Statement of Operations.

As described in Note 4(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 2023 was 5.0%. For 2023, SALTS used 5.0% for its estimated Endowment Fund income accrual. The minimum DQ set by the CRA for 2022 was 3.5%; however, TCF set an actual DQ of 4.5% for 2022. 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.

Net Stewardship Income earned during 2023 was \$346,959 (2022 - \$300,611) as follows:

	2023	2022
	<u>\$</u>	<u>\$</u>
SAF Sustainment Funds:		
Investment revenue	267,417	208,505
Investment management fees	(50,483)	(42,875)
Endowment Funds revenue	130,025	134,981
Net Stewardship Income	<u>346,959</u>	<u>300,611</u>

8) Deferred Revenue

In December 2022, SALTS received \$39,978 in proceeds from a casino fund raising event and was used in full for related eligible expenses as they were incurred during 2023.

9) 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 Board approved investment policies.