

**Yellowstone to Yukon
Conservation Initiative Society**

Financial Statements

December 31, 2016

Yellowstone to Yukon Conservation Initiative Society

Financial Statements

December 31, 2016

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Independent Auditors' Report

To the Directors of Yellowstone to Yukon Conservation Society

We have audited the accompanying financial statements of Yellowstone to Yukon Conservation Society, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the society's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yellowstone to Yukon Conservation Society as at December 31, 2016, 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.

Edmonton, Canada
July 4, 2017

Crowe MacKay LLP
Chartered Professional Accountants

Yellowstone to Yukon Conservation Initiative Society

Statement of Operations

For the year ended December 31,	2016	2015
Revenues		
Grants	\$ 11,700	\$ 33,600
Commissions	1,985	1,674
Interest income	7,300	6,422
Y2Y contract revenue (note 5)	2,437,867	1,682,590
Other income (note 5)	123,968	101,400
	2,582,820	1,825,686
Expenditures		
Development Fund	265,690	217,512
Trust Fund	-	33,250
Program Fund	1,838,179	1,304,324
General Fund	288,851	162,486
Capital Asset Fund	3,476	-
	2,396,196	1,717,572
Excess of revenues over expenditures before other item	186,624	108,114
Other income (expense)		
Gain (loss) on foreign exchange	(30,809)	206,049
Excess of revenues over expenditures	\$ 155,815	\$ 314,163

Yellowstone to Yukon Conservation Initiative Society

Statement of Changes in Fund Balances

For the year ended December 31, 2016

		2016				
	Total	Development Fund	Program Fund	General Fund	Trust Fund	Capital Asset Fund
Balance, beginning of year	\$ 1,807,329	\$ -	\$ 803,072	\$ 520,303	\$ 483,954	\$ -
Excess (deficiency) of revenues over expenditures	155,815	-	157,561	1,730	-	(3,476)
Interfund transfers (note 7)	-	-	-	(18,200)	-	18,200
Balance, end of year	\$ 1,963,144	\$ -	\$ 960,633	\$ 503,833	\$ 483,954	\$ 14,724

		2015				
	Total	Development Fund	Program Fund	General Fund	Trust Fund	Capital Asset Fund
Balance, beginning of year	\$ 1,493,166	\$ -	\$ 668,466	\$ 307,496	\$ 517,204	\$ -
Excess (deficiency) of revenues over expenditures	314,163	(3,007)	134,606	215,814	(33,250)	-
Interfund transfers (note 7)	-	3,007	-	(3,007)	-	-
Balance, end of year	\$ 1,807,329	\$ -	\$ 803,072	\$ 520,303	\$ 483,954	\$ -



Yellowstone to Yukon Conservation Initiative Society

Statement of Financial Position

December 31,	2016	2015
Assets		
Current		
Cash (note 3)	\$ 521,289	\$ 553,043
Marketable securities (note 4)	607,415	1,265,621
Accounts receivable (note 5)	834,271	124,175
Deposits	16,192	15,140
	2,079,167	1,957,979
Property and equipment	14,724	-
	\$ 2,093,891	\$ 1,957,979
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 130,747	\$ 143,085
Deferred revenue	-	7,565
	130,747	150,650
Fund balances		
Development Fund	-	-
Program Fund	960,633	803,072
General Fund	503,833	520,303
Trust Fund	483,954	483,954
Capital Asset Fund	14,724	-
	1,963,144	1,807,329
	\$ 2,093,891	\$ 1,957,979

Commitments (note 6)

Approved on behalf of the Board:


 _____ Director

 _____ Director

Yellowstone to Yukon Conservation Initiative Society

Statement of Cash Flows

For the year ended December 31,	2016	2015
Cash provided by (used for)		
Operating activities		
Excess of revenues over expenditures	\$ 155,815	\$ 314,163
Items not affecting cash		
Amortization	3,476	-
	159,291	314,163
Change in non-cash working capital items		
Accounts receivable	(810,096)	(13,429)
Deposits	(1,052)	(5,140)
Accounts payable and accrued liabilities	(12,338)	(25,602)
Deferred revenue	(7,565)	3,565
	(671,760)	273,557
Investing activities		
Purchase of property and equipment	(18,200)	-
Net proceeds from sale of marketable securities	658,206	-
Net purchase of marketable securities	-	(100,169)
	640,006	(100,169)
Increase (decrease) in cash	(31,754)	173,388
Cash, beginning of year	553,043	379,655
Cash, end of year	\$ 521,289	\$ 553,043

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2016

1. Nature of operations

Yellowstone to Yukon Conservation Initiative Society (Y2Y-Alberta) was incorporated under the Societies Act of Alberta on December 12, 2000 and began operations in January 2001. Y2Y-Alberta qualifies for tax-exempt status under paragraph 149(1)(l) of the Income Tax Act of Canada.

Y2Y-Alberta along with Yellowstone to Yukon Conservation Initiative Foundation (Y2YCIF) and Yellowstone to Yukon Conservation Initiative (Y2Y-Montana) forms the Yellowstone to Yukon (Y2Y) group. The Y2Y group works together to fund, facilitate, and operate activities and programs that will connect and protect habitat from Yellowstone to Yukon so people and nature can thrive.

Y2Y-Alberta is the primary Canadian service company and is the Canadian employer and contracting entity. Y2Y-Alberta has entered into agency agreements with Y2YCIF and Y2Y-Montana to carry out the charitable activities of the respective organizations.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund accounting

Y2Y-Alberta follows the restricted fund method of accounting for contributions. Under this method operations are separated between unrestricted and restricted activities with a set of self-balancing accounts for each fund. Y2Y-Alberta maintains the following funds:

The Development fund includes revenues and expenses related to the fundraising for Y2Y-Alberta. This fund is an unrestricted fund.

The Program fund includes revenues and expenses related to activities of Y2Y-Alberta through which it accomplishes its goals. This is a restricted fund.

The General fund includes general revenues and expenditures of Y2Y-Alberta and contributions relating to the administration and coordination of Y2Y-Alberta. This fund is unrestricted and includes interest income from restricted funds for general operation purposes.

The Trust fund includes contributions received that have been restricted for land conservation projects.

The Capital Asset fund includes revenues, expenses and contributions received that have been restricted for the purchase of capital assets for the use of Y2Y-Alberta in carrying out its operations.

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2016

2. Significant accounting policies (continued)

(b) Revenue recognition

Restricted contributions relating to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the respective fund to which the applicable expenditure are incurred.

Investment income includes dividends and interest income recorded on the accrual basis, realized investment gains and losses as well as unrealized gains and losses on financial instruments subsequently measured at fair value. Investment income is included in the statement of operations in the fund in which the related financial instrument is recorded. Unrestricted investment income is recognized as revenue when earned.

Revenue from the sale of services is recognized upon the provision of the services to the purchaser.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, money market funds and other highly liquid interest-bearing instruments.

(d) Contributed services

Volunteers contributed time to assist Y2Y-Alberta in carrying out its programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(e) Foreign exchange

Y2Y-Alberta uses the temporal method to translate its foreign currency transactions and balances. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the rates of exchange in effect on the date the assets were acquired or liabilities incurred, unless such items are carried at fair value in which case they are translated at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing on the date the transaction occurred. Exchange gains or losses arising on translation or settlement of a foreign currency-denominated monetary item or a non-monetary item carried at market are included in operations for the year.

(f) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2016

2. Significant accounting policies (continued)

(g) Financial instruments

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

The Society subsequently measures the following financial assets and financial liabilities at amortized cost:

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable.

The Society subsequently measures marketable securities at fair value, without adjustment for transaction costs and with changes in fair value recognized in operations in the period in which they occur:

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

3. Cash

Included in cash, are guaranteed investment certificates in the amounts of \$50,000, \$150,000 and \$300,000 (2015 - \$nil). The guaranteed investment certificates earn interest at rates of 0.82%, 1.01% and 1.12% respectively, and maturing on October 2017, August 2017, and May 2017 respectively.

4. Marketable securities

Marketable securities consists of investments in RBC Funds and are recorded at market value. Since the market value of the marketable securities is equal to the book value there are no unrealized gains or losses recognized in the statement of operations. The balance of the US portfolio is denominated in Canadian Dollars translated using the exchange rate as at December 31, 2016.

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2016

4. Marketable securities (continued)

	2016	2015
Money market funds - RBC Canadian portfolio	\$ 169,122	\$ 681,330
Money market funds - RBC US portfolio	438,293	584,291
	\$ 607,415	\$ 1,265,621

The RBC portfolios include funds of \$483,954 (2015 - \$483,954) that have been externally restricted for the purpose of purchasing land, the long term stewardship of purchased land and raising additional funds for the purchase of land.

5. Related party transactions

On February 25, 2001, Y2Y-Alberta entered into an agency agreement with Y2Y-Montana whereby Y2Y-Montana provides Y2Y-Alberta with funds to be administered and disbursed by Y2Y-Alberta in satisfying the objectives of the Y2Y group. Y2Y-Alberta is related to Y2Y-Montana through common management and four common members on their respective Boards of Directors.

Y2Y-Alberta is related to Y2YCIF through common management and four common members on their respective Boards of Directors. Y2YCIF is incorporated under the Societies Act of Alberta and is a registered charitable organization under the Income Tax Act.

Y2YCIF has entered into an agency agreement with Y2Y-Alberta to provide the funding necessary for Y2Y-Alberta to carry out the charitable activities of the Foundation.

During the year, Y2Y-Alberta entered into the following transactions with related parties.

	2016	2015
Revenue		
Y2Y-Montana contract	\$ 1,718,918	\$ 1,126,140
Y2Y-Montana management fees	123,968	101,400
Y2YCIF contract	718,949	556,450
	\$ 2,561,835	\$ 1,783,990

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Included in accounts receivable are the following balances with related parties:

Y2Y Montana	\$ 806,915	\$ 116,610
Y2YCIF	126,600	7,565
	\$ 933,515	\$ 124,175

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Notes to the Financial Statements

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6. Lease commitments

Y2Y-Alberta's total commitment, under various operating leases and a property lease agreement, exclusive of occupancy costs, is as follows:

2017	\$ 107,125
2018	107,781
2019	108,450
2020	109,133
2021	109,829
	<hr/>
	\$ 542,318

7. Property and equipment

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer equipment (20% straightline)	\$ 52,158	\$ 41,467	\$ 10,691	\$ -
Office equipment (20% straightline)	14,843	10,810	4,033	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 67,001	\$ 52,277	\$ 14,724	\$ -

8. Interfund transfers

The interfund transfer of \$nil (2015 - \$3,007) from the General Fund to the Development Fund was recorded to offset the operating deficiency of revenues over expenditures in the Development Fund.

The interfund transfer of \$18,200 (2015 - nil) from the General Fund to the Capital Asset Fund was recorded to cover the purchase of capital assets during the year.

9. Economic dependence

During the year, Y2Y-Alberta received \$1,842,886 (2015 - \$1,227,540), which represents 72% (2015 - 67%) of its revenue, from Y2Y-Montana. If Y2Y-Montana should substantially reduce or cease its contributions, Y2Y-Alberta's ability to continue viable operations may be affected.

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

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9. Financial instruments

Transacting in and holding of financial instruments exposes Y2Y-Alberta to certain financial risks and uncertainties. These risks, which have not changed from the previous period, include:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Y2Y-Alberta's exposure to credit risk relates to donors as well as investments in RBC and arises from the possibility that a donor or debtor does not fulfil its obligations. Management believes this risk is minimal as Y2Y-Alberta has a significant number of donors and investments in a well established financial institution which minimizes the concentration of credit risk. Management performs continuous evaluation of its financial assets and records impairment in accordance with the stated policy.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Y2Y-Alberta is exposed to market risk as follows:

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fair values of fixed rate financial instruments fluctuate as market rates of interest change. Y2Y-Alberta does not employ derivative financial instruments to hedge its exposure to interest rate risk but management does not anticipate significant effect on future cash flows.

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The following financial assets and financial liabilities were held in US Dollars, denominated in CDN Dollars below, by Y2Y-Alberta, as at December 31, 2016. The Society is exposed to the currency risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates.

	2016	2015
Cash	\$ (1,163)	\$ 321,938
Marketable securities	438,293	584,291
Accounts receivable	806,915	116,610
Accounts payable	5,035	25,039
	<u>\$ 1,249,080</u>	<u>\$ 1,047,878</u>

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2016

9. Financial instruments (continued)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk, whether those changes are caused by factors specific to the individual financial instrument or issuer, or factors affecting all similar financial instruments or issuers. Y2Y-Alberta's investments in marketable securities exposes Y2Y-Alberta to price risks as these instruments are subject to price changes in an open market for a variety of reasons including, investor sentiment and expectations, changes in market rates of interest, general economic indicators and restrictions of credit markets. Y2Y-Alberta does not employ derivative financial instruments to hedge its exposure to other price risk. Management mitigates this risk by closely monitoring market rates of return and interest.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Y2Y-Alberta's exposure to liquidity risk relates to accounts payable and accrued liabilities and due to related party and arises from the possibility that the timing and amount of its cash inflows will not be sufficient to enable it to meet its financial obligations as they become due. Management believes this risk is minimized by ensuring that it documents when authorized payments become due. In the opinion of management, the liquidity risk exposure to Y2Y-Alberta is low and not material.

10. Allocation of expenses

Administration costs are allocated to programs based on the proportion of time spent administrating the program.

Yellowstone to Yukon Conservation Initiative Society

Schedule 1 - Statement of Operations by Fund

For the year ended December 31,	2016 Development Fund	2016 Program Fund	2016 General Fund	2016 Capital Asset Fund	2016 Total	2015 Total
Revenues						
Grants	\$ -	\$ 11,700	\$ -	\$ -	\$ 11,700	\$ 33,600
Commissions	-	2,646	(661)	-	1,985	1,674
Interest income	-	-	7,300	-	7,300	6,422
Other income (note 5)	-	123,968	-	-	123,968	101,400
Restricted individual gifts	-	-	-	-	-	-
Y2Y contract revenue (note 5)	265,690	1,848,028	324,149	-	2,437,867	1,682,590
	265,690	1,986,342	330,788	-	2,582,820	1,825,686
Expenditures						
Conference expense	-	10,141	-	-	10,141	1,955
Consulting fees	1,984	446,679	788	-	449,451	303,706
Grants	-	257,546	-	-	257,546	81,800
Land conservation	-	-	-	-	-	33,250
Office	43,046	213,297	99,649	3,476	359,468	184,128
Professional fees	-	-	13,786	-	13,786	13,950
Salaries and related benefits	206,405	789,108	139,348	-	1,134,861	958,025
Travel	14,255	121,408	35,280	-	170,943	140,758
	265,690	1,838,179	288,851	3,476	2,396,196	1,717,572
Excess (deficiency) of revenues over expenditures before other income	-	148,163	41,937	(3,476)	186,624	108,114
Other income						
Gain (loss) on foreign exchange	-	9,398	(40,207)	-	(30,809)	206,049
Excess (deficiency) of revenues over expenditures	\$ -	\$ 157,561	\$ 1,730	\$ (3,476)	\$ 155,815	\$ 314,163