

**Yellowstone to Yukon
Conservation Initiative Society**

Financial Statements

December 31, 2017

Yellowstone to Yukon Conservation Initiative Society

Financial Statements

December 31, 2017

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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, 2017, 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, 2017, 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
August 9, 2018, except as to Note 11 which is as
of October 31, 2018

Crowe MacKay LLP
Chartered Professional Accountants

Yellowstone to Yukon Conservation Initiative Society

Statement of Operations

For the year ended December 31,	2017	2016
Revenues		
Grants	\$ 3,871	\$ 11,700
Commissions	11,953	1,985
Interest income	16,753	7,300
Y2Y contract revenue (note 5)	2,714,529	2,437,867
Other income (note 5)	147,440	123,968
	2,894,546	2,582,820
Expenditures		
Development Fund	236,446	265,690
Program Fund	2,260,064	1,838,179
General Fund	462,899	288,851
Capital Asset Fund	4,890	3,476
	2,964,299	2,396,196
Excess (deficiency) of revenues over expenditures before other item	(69,753)	186,624
Other income (expense)		
Loss on foreign exchange	(7,321)	(30,809)
Excess (deficiency) of revenues over expenditures	\$ (77,074)	\$ 155,815

Yellowstone to Yukon Conservation Initiative Society

Statement of Changes in Fund Balances

For the year ended December 31, 2017

2017

	Total	Development Fund	Program Fund	General Fund	Trust Fund	Capital Asset Fund
Balance, beginning of year	\$ 1,963,144	\$ -	\$ 960,633	\$ 503,833	\$ 483,954	\$ 14,724
Excess (deficiency) of revenues over expenditures	(77,074)	109,815	(553,648)	371,649	-	(4,890)
Interfund transfers	-	-	-	(19,456)	-	19,456
Balance, end of year	\$ 1,886,070	\$ 109,815	\$ 406,985	\$ 856,026	\$ 483,954	\$ 29,290

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	-	-	-	(18,200)	-	18,200
Balance, end of year	\$ 1,963,144	\$ -	\$ 960,633	\$ 503,833	\$ 483,954	\$ 14,724

Yellowstone to Yukon Conservation Initiative Society

Statement of Financial Position

December 31, 2017 2016

Assets

Current

Cash (note 3)	\$ 348,013	\$ 521,289
Marketable securities (note 4)	528,512	607,415
Accounts receivable (note 5)	1,119,193	934,271
Deposits	13,999	16,192

2,009,717

2,079,167

Property and equipment (note 6)

29,290

14,724

\$ 2,039,007

\$ 2,093,891

Liabilities

Current

Accounts payable and accrued liabilities	\$ 135,308	\$ 130,747
Deferred revenue	17,629	-

152,937

130,747

Fund balances

Development Fund	109,815	-
Program Fund	406,985	960,633
General Fund	856,026	503,833
Trust Fund	483,954	483,954
Capital Asset Fund	29,290	14,724

1,886,070

1,963,144

\$ 2,039,007

\$ 2,093,891

Commitments (note 7)

Approved on behalf of the Board:

_____ Director

_____ Director

Yellowstone to Yukon Conservation Initiative Society

Statement of Cash Flows

For the year ended December 31,	2017	2016
Cash provided by (used for)		
Operating activities		
Excess (deficiency) of revenues over expenditures	\$ (77,074)	\$ 155,815
Items not affecting cash		
Amortization	4,890	3,476
	(72,184)	159,291
Change in non-cash working capital items		
Accounts receivable	(184,922)	(810,096)
Deposits	2,193	(1,052)
Accounts payable and accrued liabilities	4,560	(12,338)
Deferred revenue	17,629	(7,565)
	(232,724)	(671,760)
Investing activities		
Purchase of property and equipment	(19,455)	(18,200)
Net proceeds from sale of marketable securities	78,903	658,206
	59,448	640,006
Decrease in cash	(173,276)	(31,754)
Cash, beginning of year	521,289	553,043
Cash, end of year	\$ 348,013	\$ 521,289

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2017

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 and facilitate the 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 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, 2017

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 an 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) Property and equipment

Property and equipment are recorded at cost. The Society provides for amortization using the declining balance and straight-line methods at rates designed to amortize the cost of the assets over their estimated useful lives, as set out in note .

When property and equipment are sold or retired, the related cost and accumulated amortization are removed from the accounts and any gain or loss is charged against earnings in the period.

Property and equipment acquired or constructed during the year are not amortized until they are put into use.

One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies (continued)

(f) 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.

(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 and accrued liabilities.

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.

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies (continued)

(h) 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.

3. Cash

Included in the cash balance is a guaranteed investment certificate in the amount of \$100,000 (2016 - \$500,000). The guaranteed investment certificate earns interest at 1.53%, and matures on November 1, 2018.

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, 2017.

	2017	2016
Money market funds - RBC Canadian portfolio	\$ 170,920	\$ 169,122
Money market funds - RBC US portfolio	357,592	438,293
	\$ 528,512	\$ 607,415

The RBC portfolios include funds of \$418,858 (2016 - \$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.

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2017

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 directors on their respective Boards of Directors.

Y2Y-Alberta is related to Y2YCIF through common management and three 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.

	2017	2016
Revenue		
Y2Y-Montana contract	\$ 1,940,029	\$ 1,718,918
Y2Y-Montana management fees	147,440	123,968
Y2YCIF contract	774,500	718,949
	\$ 2,861,969	\$ 2,561,835

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	\$ 1,118,936	\$ 806,915
Y2YCIF	-	126,600
	\$ 1,118,936	\$ 933,515

6. Property and equipment

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment (20% straight line)	\$ 71,614	\$ 45,550	\$ 26,064	\$ 10,691
Office equipment (20% straight line)	14,843	11,617	3,226	4,033
	\$ 86,457	\$ 57,167	\$ 29,290	\$ 14,724

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2017

7. Lease commitments

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

2018	\$ 107,781
2019	108,450
2020	109,133
2021	109,829
2022	110,539
Subsequent years	392,784
	<hr/>
	\$ 938,516

8. Economic dependence

During the year, Y2Y-Alberta received \$2,087,469 (2016 - \$1,842,886), which represents 72% (2016 - 72%) 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.

9. Allocation of expenses

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

10. 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 prior year, 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:

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2017

10. Financial instruments (continued)

(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, 2017. 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.

	2017	2016
Cash (overdraft)	\$ 34,483	\$ (1,163)
Marketable securities	357,592	438,293
Accounts receivable	1,118,936	806,915
Accounts payable	5,963	5,035
	\$ 1,516,974	\$ 1,249,080
	2017	2016
Contract revenue	\$ 1,940,029	\$ 1,718,918
Other income	147,440	123,968
	\$ 2,087,469	\$ 1,842,886

(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.

Yellowstone to Yukon Conservation Initiative Society

Notes to the Financial Statements

December 31, 2017

10. Financial Instruments (continued)

(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 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.

11. Dual dated statements

Subsequent to the release of the audited financial statements, the allocation of expenses between programs was amended, however the net income remains unchanged.

Yellowstone to Yukon Conservation Initiative Society

Schedule 1 - Statement of Operations by Fund

For the year ended December 31,	2017 Development Fund	2017 Program Fund	2017 General Fund	2017 Capital Asset Fund	2017 Total	2016 Total
Revenues						
Grants	\$ -	\$ 3,871	\$ -	\$ -	\$ 3,871	\$ 11,700
Commissions	-	-	11,953	-	11,953	1,985
Interest income	-	-	16,753	-	16,753	7,300
Other income (note 5)	-	147,440	-	-	147,440	123,968
Restricted individual gifts	-	-	-	-	-	-
Y2Y contract revenue (note 5)	346,261	1,555,105	813,163	-	2,714,529	2,437,867
	346,261	1,706,416	841,869	-	2,894,546	2,582,820
Expenditures						
Conference expense	-	-	-	-	-	10,141
Consulting fees	5,698	569,646	7,672	-	583,016	449,451
Grants	360	223,194	71,040	-	294,594	257,546
Office	38,710	299,187	93,973	4,890	436,760	359,468
Professional fees	-	-	20,064	-	20,064	13,786
Salaries and related benefits	175,089	1,062,038	236,886	-	1,474,013	1,134,861
Travel	16,589	105,999	33,264	-	155,852	170,943
	236,446	2,260,064	462,899	4,890	2,964,299	2,396,196
Excess (deficiency) of revenues over expenditures before other income	109,815	(553,648)	378,970	(4,890)	(69,753)	186,624
Other Income						
Gain (loss) on foreign exchange	-	-	(7,321)	-	(7,321)	(30,809)
Excess (deficiency) of revenues over expenditures	\$ 109,815	\$ (553,648)	\$ 371,649	\$ (4,890)	\$ (77,074)	\$ 155,815