



ALGONQUIN
FORESTRY AUTHORITY

Maintaining the Balance since 1975



Annual Report
2015 - 2016

Forty-First Annual Report 2015 – 2016



TO HER HONOUR

The Lieutenant Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR

The undersigned begs respectfully to present to Your Honour the
Annual report of the Algonquin Forestry Authority for the year
beginning April 1, 2015 and ending March 31, 2016.

The Honourable Kathryn McGarry
Minister



THE HONOURABLE KATHRYN MCGARRY
Minister of Natural Resources and Forestry

Honourable Madam:

I have the honour to submit to you the Annual Report of the
Algonquin Forestry Authority for the year beginning April 1, 2015
and ending March 31, 2016.

DAVID STEWART
Chair

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ROLE AND MANDATE

The Algonquin Forestry Authority (AFA) operates under the Algonquin Forestry Authority Act, R.S.O. 1990. The Authority is a self-financing operational enterprise Crown agency. The Minister of Natural Resources and Forestry is responsible for the administration of the Algonquin Forestry Authority Act. This legislation sets out the management, objectives and powers of the AFA.

- Ensuring the sustainable management of Algonquin's forests
- Planning of all forestry operations
- Harvesting and distribution of wood products to mills
- Monitoring forestry operations

All forestry activities are carried out under the direction of a Ministry of Natural Resources and Forestry's approved Forest Management Plan (FMP). These activities are subject to an Independent Forest Audit every five years and the audit results are tabled in the Ontario Legislature and made available to the public. In addition, the Algonquin Park forest is certified to Canada's national forest certification standard CSA Z-809. This certification demonstrates the Authority's commitment to sustainable forest management and provides the public access to results from independent forest audits to defined standards.

A key component of the CSA Z-809 standard is the AFA's environmental management system (EMS). The EMS has been registered to the International Standards Organization (ISO) 14001 standard since 2001. Key components of the EMS are prevention of pollution, continual improvement and compliance with applicable laws and guidelines. AFA receives management direction from several different plans and legislation, but its Sustainable Forest Management (SFM) Policy guides its day-to-day activities.

AFA's commitment to SFM can be found in its Vision Statement:
**To achieve the highest standards of sustainable forest management practices,
 in order to maintain Park values for future generations.**

The Authority applies the principles of SFM to balance the public's concern for protecting Park values. Protection of recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while maintaining a supply of forest products to mills dependent on Park timber. Harvesting is carefully regulated to minimize impacts on other forest values. The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested supports 12 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Killaloe and Eganville. Another five to ten mills in the region receive periodic supplies.



CHAIR'S MESSAGE

By David Stewart

I am pleased to present this Annual Report outlining Algonquin Forestry Authority (AFA) operations for the 2015-2016 operating year. This report marks AFA's 41st year of delivering sustainable forest management in Algonquin Provincial Park.

The Authority is committed to its mandate and the important economic, social and environmental benefits derived from the Algonquin Park Forest. The cover photo (Chief Forester, Gord Cumming with students attending Forest Ontario's Forest Connects program in Algonquin Park) is an example of AFA demonstrating the commitment of the Authority through outreach and education communication initiatives.

The commentary and figures presented in this report compare performance targets established in the Authority's 2015-2018 Agency Business Plan to its annual operations.

Demand for timber that we produce from the Algonquin Park Forest has been stronger from most of our clients within the region. The industry in this part of Ontario is back on its feet, creating opportunity for AFA to achieve positive results from both financial and forest management perspectives. We remain optimistic the economic opportunities will continue as we move forward with strategies to improve our productive capacity and achievement of objectives.

During the year separate independent audits were completed on finance and administration, and environmental performance. The Office of the Auditor General's audited financial report is provided herein. The AFA's Environmental Management System is registered to the ISO 14001 standard and the operations of AFA are certified to the CSA Z809 standard. I am happy to report that all of these audits have had successful outcomes and we continue on a path of continual improvement. The Board is satisfied with the financial statements in this annual report and that the AFA's mandate and Business Plan objectives have been met.

In conjunction with the Authority's celebration of 40 years of operations last summer, we were one of two Canadian hosts to one of two Prince of Wales Forest Leadership Award winners from the UK, Keira Tedd, sponsored by His Royal Highness the Prince of Wales, the Duchy of Cornwall, the Canadian Institute of Forestry and the TD Bank. We were happy to be part of this prestigious international forestry exchange program and pleased to announce our continuance as host again this year and welcome Nicholas Hill to his Algonquin experience.

Keira Tedd, AFA's Scottish Forester, June-September, 2015



As Chair of the Authority, I am grateful for the dedicated members of the governing Board of Directors and their contributions of leadership, oversight and advice to management and staff. A small but effective group, we are looking forward to being joined by new directors currently going through the public appointments process. See page 12 for a complete list of directors serving during this term.

On behalf of the Board, I would like to congratulate all forestry contractors, their employees, and AFA staff for their part in meeting the Authority's objectives and for their continued dedication.

Sincerely,

DESCRIPTION OF ACTIVITIES

The activities of the Algonquin Forestry Authority are described primarily as harvesting and forest management. As the Authority is self-financing, it relies on sales of forest products harvested to fund all aspects of its operations including forest management activities such as forest access and renewal operations. The next sections titled harvesting and forest management outline specific activities and a brief discussion of annual operational performance levels and target achievement. Targets discussed herein are set out in the agency's 2015 to 2018 business planning document.

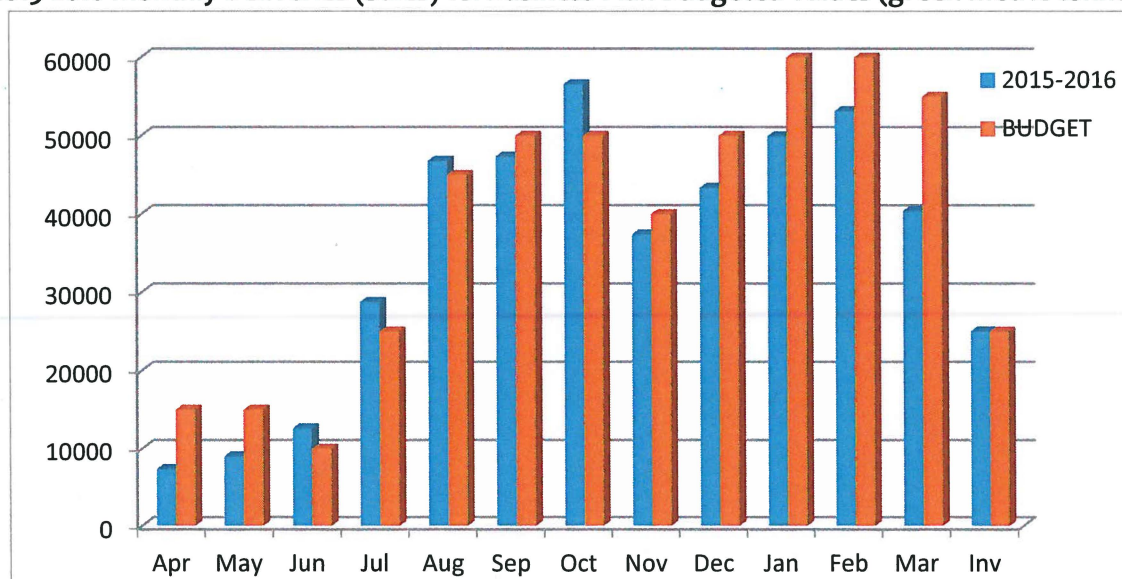
Factors affecting achievement of objectives are market demand for forest products, weather conditions, Algonquin Park recreational and biological timing limitations on operating. Business planning and budget setting are conducted 3-6 months prior to the beginning of AFA's fiscal year start in April, which is also another six months before full production is underway. Most of the harvest is conducted between September and March, while forest management activities begin in May and mostly conclude in December.

The approved forest management plan and AFA's sustainable forest management plan also set targets to which operational performance is measured and reported in separate reporting documents as required by the Crown Forest Sustainability Act (CFSA) and Canadian Standards Association (CSA) Z-809 standard requirements, respectively.

Harvesting

The approved 2010-2020 Forest Management Plan for the Algonquin Park Forest states that a sustainable annual harvest of 783,075 cubic metres (m3) is available from the forest. The 2015-2018 AFA Agency Business Plan set out a planned level of 500,000 m3 for 2015-2016 based on economic and operational factors. The 2015-2016 harvest from the forest was 423,641 m3 (source: MNRF iTrees June 9, 2016) which is well within the sustainable level that the Algonquin forest can provide, yet reflective of harvest levels in a recovering economy.

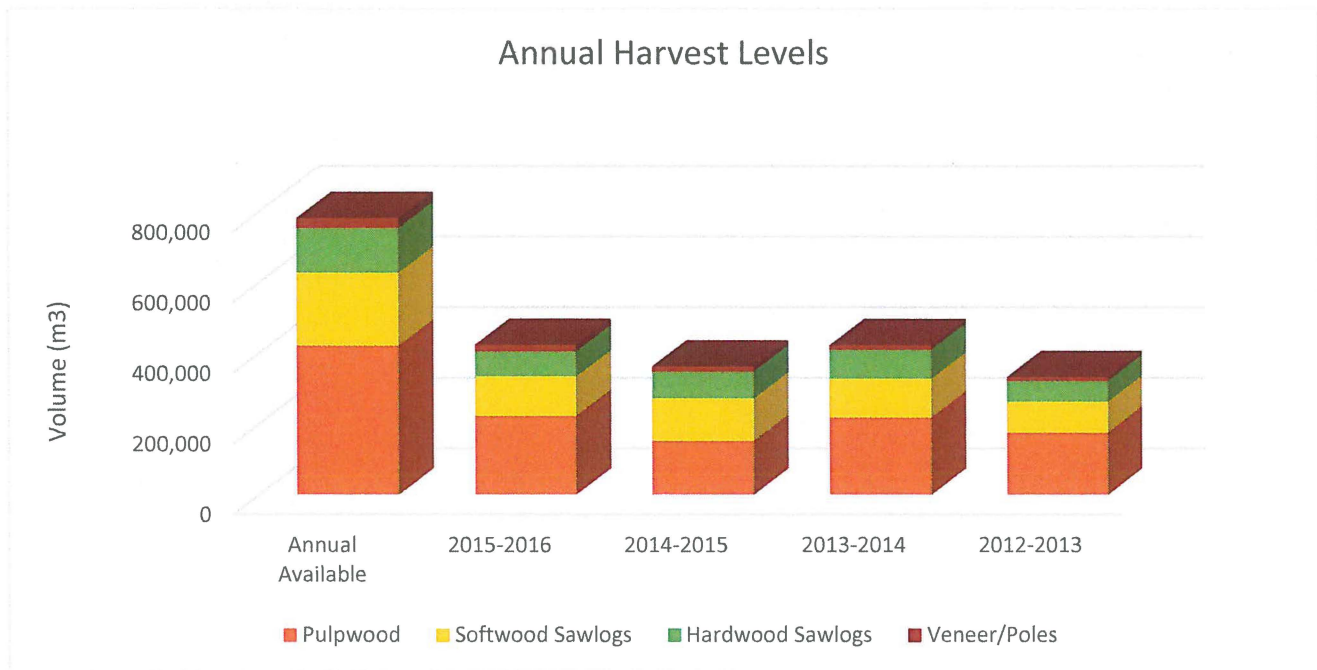
2015-2016 Monthly Deliveries (Sales) vs. Business Plan Budgeted Values (green metric tonnes)



This year's harvest level was 85% of business planned levels contributing to better achievement of financial and forest management objectives than in 2014-2015. Monthly delivery (sales) targets are compared to business plan budgeted values in the preceding chart. At the start of the year, spring inventories were low due to good hauling conditions in March of the previous fiscal year. June through November deliveries were very good until a wet fall and mild winter created conditions less favorable for harvesting and hauling. Production remained steady, but at reduced levels due to

the loss of one major contractor. Exceptional late winter conditions allowed extended operations that produced budgeted inventories to provide for a strong start to the next fiscal year. The inventoried volume is not reported with the total harvest volume for this term. The overall harvest level increased 17% from the previous year. Volume harvested in 2015-2016 is illustrated by broad product category in the following graph and is compared to the annual available harvest (described in the FMP) and harvest performance for the previous three years.

There is a larger proportion of pulpwood quality timber available from the forest. Improvement in demand and therefore harvesting and sales of pulpwood quality timber (firewood & fibre) is almost 50% better than the previous year.



The Authority's 2015-2018 Agency Business Plan identifies strategies to increase production. Generally, to develop existing contractor capacity, secure new contractors and provide additional effort in terms of human and financial resources in response to increasing demands for forest products in all areas.

The Authority retains a professional and responsible work force to achieve its objectives and as such actively promotes safe and effective work practices. W. F. Dombroski & Sons Logging Contractors of Barry's Bay, ON was awarded the annual Safety Award for the 2015/16 season, a repeat performance from the previous two years. This award is presented annually to the Algonquin Park logging contractor maintaining the best safety record. In addition to the safety award, AFA and the contractors administer an "Environmental and Safety Award System" that recognizes positive work practices. Based on the point system, the top logging crews and operators on each contractor operation are formally recognized. The hauling and road construction sectors are also recognized for their contributions to the overall results.

Forest Management

The approved 2010-2020 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives and strategies for the ten-year period and outlines specific operations for two 5- year terms. The Authority is operating in the second term, 2015-2020. Forest management activities in Algonquin Park must follow FMP prescriptions. Targets set out in the FMP are further refined in the Agency Business Plan (see the following table) as required to reflect economic and operational considerations.

AFA Harvest & Forest Management Programs – 2015-2016 Budget versus Actual

Program	2015/16 Budget	2015/16 Actual
Harvest (m3)	500,000	423,641
Silvicultural Activities		
Silvicultural Effectiveness Monitoring Surveys (ha)	6,000	3,400
Scarification (ha)	60	0
Site preparation (ha)	490	622
Stand Improvement (ha)	3,200	1,617
Tending (ha)	630	1,296
Tree marking (ha)	9,000	7,109
Tree planting (# trees'000s)	577	568
Tree planting stock ('000s)	488	615
Tree seed collection (hl)	40	12

Forest management activities such as prescription setting and tree marking occur in advance of harvesting at a level sufficient to provide for planned harvest operations, while forest renewal activities that follow the harvest, such as site preparation and tending reflect actual harvest levels in preceding years and subsequent actual renewal treatment needs. The partial harvesting systems predominantly used in Algonquin Park rely heavily on natural regeneration. To date, this has been largely successful.

Tree Marking

To implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which ones are to be retained, while protecting other resource values. This is done by skilled tree markers who follow the prescriptions prepared by Registered Professional Foresters in the Forest Management Plan. Tree marking was carried out on 7,109 hectares in 2015/16 representing 79% of business planned levels and was more than sufficient to provide for the actual area harvested and some marking for the upcoming year.

Site Preparation, Tree Planting and Scarification

Trees planted in Algonquin Park are grown from seed sources appropriate for planting within the Park. Seed collection of 12 hectolitres is only 30% of business planned levels, reflecting low seed availability this past season. A review of stored seed inventories reveals sufficient volume of seed for our near term growing stock needs. A total of 567,890 tree seedlings were planted on 507 hectares in 2015/16 representing target achievement of 98%.

About 622 hectares were site prepared for planting in future years, which is 27% more than business planned. Private nurseries are growing seedlings under contract with AFA for planting in upcoming years. Additional stock is required to regenerate the additional area site prepared this year. Program increases reflect site preparation and tree planting needed to ensure harvested and windstorm damaged areas are successfully regenerated. Most areas harvested regenerate naturally. Sometimes scarification is conducted to prepare seedbeds for natural regeneration and timed with good seed crops. No scarification work was required on sites this year.

Tending and Stand Improvement

Manual tending was performed on 433 hectares to release established white pine and red pine regeneration from competing vegetation. A further 158 hectares of white pine, red pine and jack pine were pre-commercially thinned and 705 hectares of even aged understory improvement work was completed in order to improve light conditions for regeneration establishment. This represents more than double the tending target, a function of receiving special project funding from Forestry Futures and renewal treatment needs identified through silviculture effectiveness monitoring. Stand improvement was completed on 1,617 hectares to assist growth of residual trees and natural regeneration in areas managed under the selection system. We are not concerned that this is only 51% of business planned levels. It is an improvement over last year, however stand improvement is sometimes carried out concurrently with harvest operations, without the need for renewal account funding, such as when firewood and pulpwood markets are strong. Only funded stand improvement is budgeted and reported.

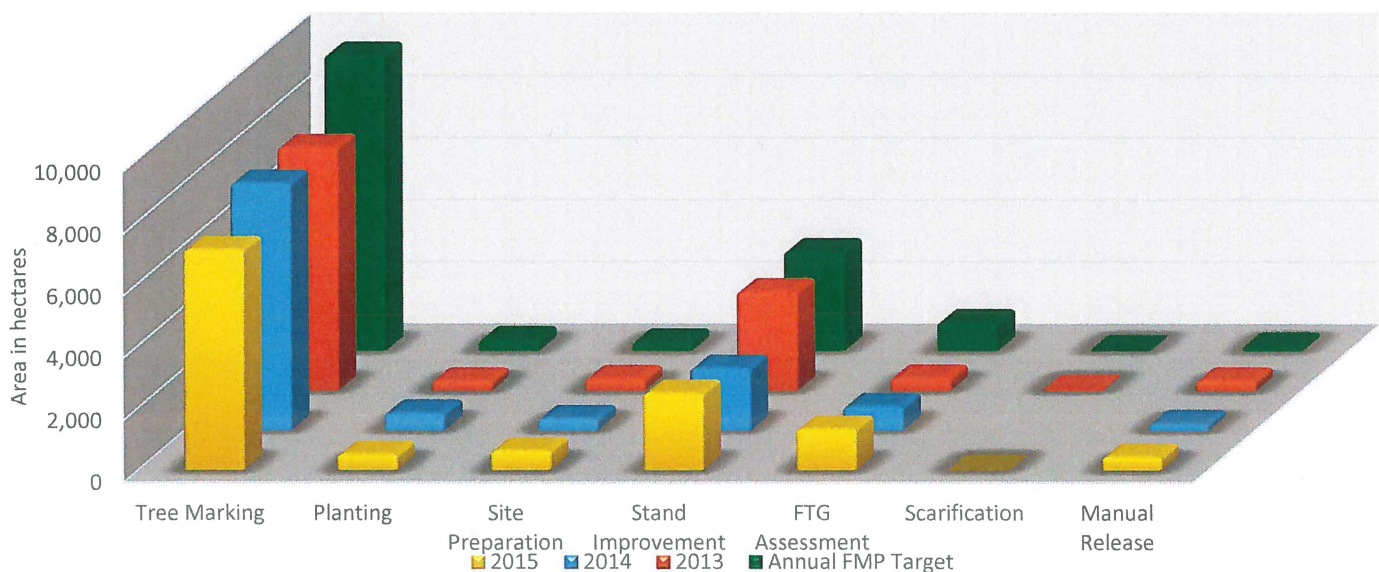
Silvicultural Effectiveness Monitoring

Regeneration assessments were conducted on over 3,400 hectares to ensure that regeneration treatments are progressing as planned. Results of 'Free to Grow' assessments, a requirement of the CFSA, are reported in the Management Unit Annual Report to MNRF in November each year and available to the public. Additionally, all selection management areas have received tree marking and audits to ensure appropriate results to predetermined standards. Regeneration assessments conducted represent 56% of planned surveys. The annual monitoring target was set higher than required. Annual monitoring targets have been reduced due to acquiring more information and a better understanding of survey needs.

The 2015/16 forest management program is illustrated below and is compared to annual FMP targets. The program is the sixth year of the approved 2010-2020 FMP.

The Authority is satisfied with its operational performance relative to annual harvest levels and forest management activities that responded to actual needs to renew the forest during this year of operation. Development and revision of targets to ensure achievement of FMP and CSA SFM targets are completed within the business planning, work planning and budgetary processes.

Forest Management Summary 2013/14 - 2015/16



FINANCIAL RESULTS

AFA Financial Performance – 2015-2016 Budget versus Actual

	2015/16 Budget General Fund \$ (000s)	2015/16 Budget Renewal Fund \$ (000s)	2015/16 Budget Total \$ (000s)	2015/16 Actual General Fund \$ (000s)	2015/16 Actual Renewal Fund \$ (000s)	2015/16 Actual Total \$ (000s)
Revenue	23,788	2,464	26,252	23,635	2,124	25,759
Expense	21,857	2,036	23,893	21,337	1,564	22,901
Operating Income	1,931	428	2,359	2,298	560	2,858
Administrative & Other	1,731	394	2,125	1,604	292	1,896
Net Income <Loss>	200	34	234	694	268	962

Harvesting and the Statement of Operations

The following commentary references financial information in the Audited Financial Statements and are summarized in the table above to compare with budgeted targets.

Operating revenues for the year were \$25,759,397 which represents an increase of \$3,719,218 or 17.3 % compared to 2014/15. Demand for our contractor produced forest products increased by 14.9% during the year and slightly higher stumpage and selling prices were achieved resulting in a 17.2% increase in product sales dollars. Standing timber sales volumes increased by 14.3% in 2015/16 but the decrease in the quality of products produced and their related stumpage resulted in revenue decreases of about 30%.

"Other revenue" includes approximately \$1,580,000 (\$1,060,000 in 2014-2015) of provincial road maintenance funding which was reimbursed to AFA for maintenance activities performed. Amounts then reimbursed by AFA directly to the forest industry as reduction to both product sales and standing timber sales amounted to approximately \$455,050 (\$304,000 in 2014-2015). Other income also includes funding from the Ministry of Natural Resources and Forestry – Ontario Parks for some special projects that amounted to about \$274,151 (\$300,000 in 2014/15).

Costs for contracted production, direct labour and stumpage were higher than the previous year due to increased production levels. Combined with decreased spending on public access road maintenance and operations planning, the results show an increase in operating income to \$2,857,988 as compared to \$1,520,761 in the previous year. Operations planning costs associated with our Environmental Management System, CSA certification and the FMP process were \$275,180 as compared to \$294,770 in the previous year.

Administration costs for the year were \$1,896,309 which represents an increase of \$121,923 or 6.9% compared to 2014/15. The increase is primarily related to the allocation of planning forester wages and benefits, our 40th anniversary celebrations, staff travel and the addition of Directors and Officers insurance to our insurance policies.

Forest Renewal Fund

The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and is to be used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of \$1,802,007 (\$1,513,839 in 2014/15) from stumpage represents amounts actually charged by the Ministry to customers during the year for renewal fund purposes. Higher sales volumes have helped to increase the current year results.

Actual allowable forest renewal expenditures incurred during the year amounted to \$1,856,835 as compared to \$1,768,172 in 2015. Total revenue in the renewal fund of \$2,124,617 (\$1,770,784 in 2014/15) has been sufficient to cover the costs of renewal operations and administration in this term. This is the third consecutive year of a surplus \$267,782 (\$2,612 in 2014/15) after eight consecutive years of losses.

Financial Position- Balance Sheet

The Statement of Financial Position disclosure reflects disclosure requirements affecting government not-for-profit organizations, such as the Authority, recommended by the Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. Funds received in advance of the planned expenditure are disclosed as "Deferred Contributions" and amounts once referred to, in a single disclosure component, as "Retained Income" have been disclosed as three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

At March 31, 2016 our cash was \$1,217,707 higher and our accounts receivable balance was \$290,055 lower than the previous year balances. Knowing that our cash position was positive additional inventories were produced at the end of the season for delivery in the spring of 2016/17 to meet the anticipated early demand for products.

March 31 payables and accruals were slightly lower by \$12,582 compared to 2014/15 as a result of having available cash on hand to settle accounts on a timelier basis. Also included in the \$1,283,815 balance is approximately \$455,050 (\$304,000 in 2014/15) of provincial road maintenance funding that was reimbursed to AFA for maintenance activities performed and then reimbursed by AFA directly to the forest industry in June 2016. The Renewal Account balance of \$2,935,404 (\$2,667,622 in 2015) remains well above the minimum required balance of \$1,500,000.

PUBLIC APPOINTMENTS – BOARD of DIRECTORS

	<u>DATE OF APPOINTMENT</u>	<u>CURRENT TERM'S EXPIRATION</u>
<u>CHAIR:</u> David Stewart Cobden, ON	February 18, 2009	March 21, 2017
<u>VICE-CHAIR:</u> David Lemkay Douglas, ON	September 12, 2012	September 11, 2018
Sarah Bros North Bay, ON	February 1, 2013	January 31, 2018
Charles Lauer Peterborough, ON	January 5, 2015	January 4, 2018
Karen LeClerc Laurentian Hills, ON	November 10, 2005	December 13, 2017
John Pineau Mattawa, ON	January 28, 2015	January 27, 2018

The total remuneration paid to Directors for this period is \$12,100.

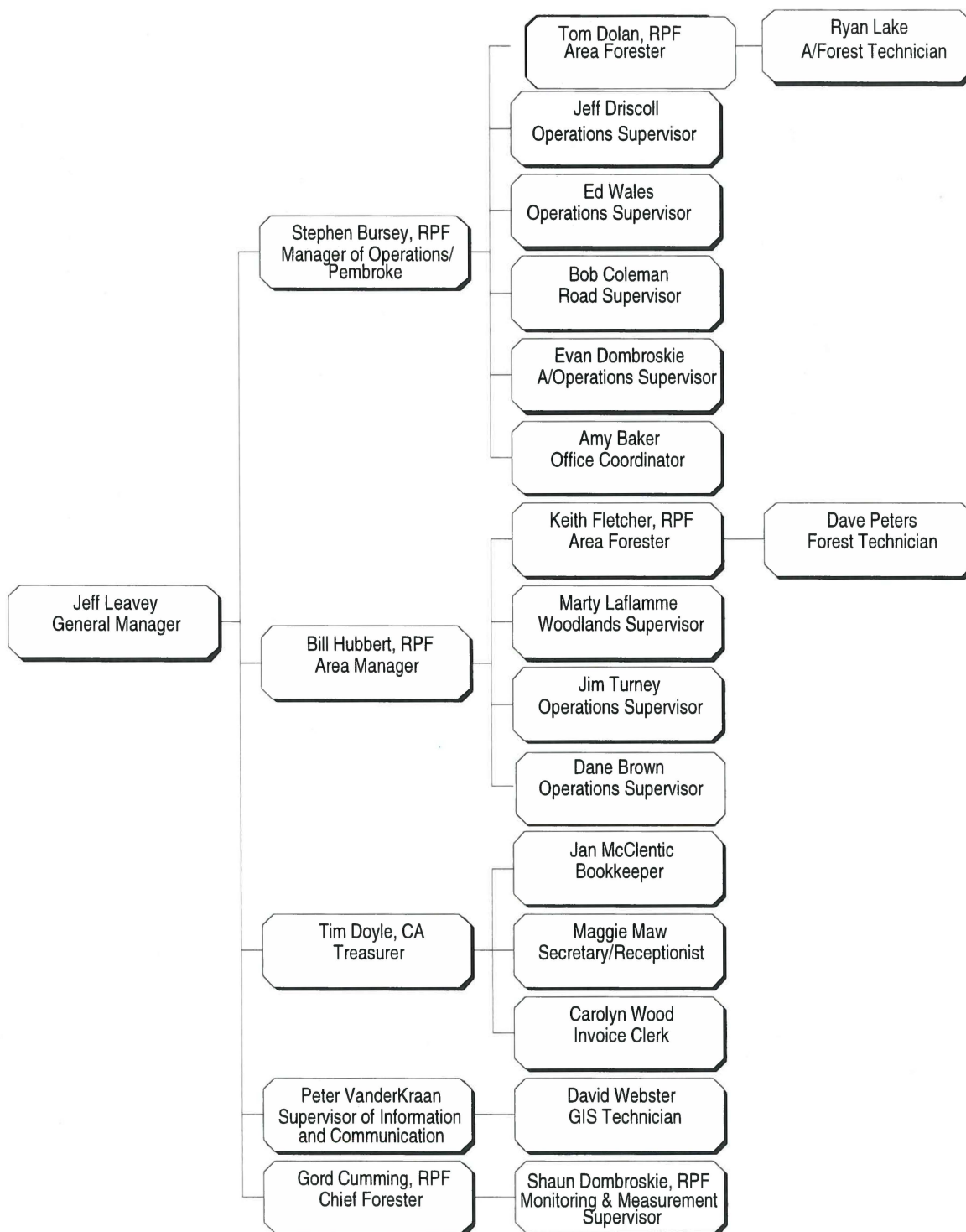
OFFICERS:

Jeffrey W. Leavey General Manager	Timothy K. Doyle, CPA, CA Secretary-Treasurer
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GENERAL MEETINGS:

May 1 - 2, 2015 Peterborough, ON	July 15, 2015 Teleconference	July 24 – 25, 2015 Algonquin Park, ON
October 30 - 31, 2015 Algonquin Park / Pembroke, ON	December 4 - 5, 2015 Huntsville, ON	February 5 - 6, 2016 Mattawa, ON

ORGANIZATION CHART



Financial Statements

Algonquin Forestry Authority

March 31, 2016

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Algonquin Forestry Authority
Year ended March 31, 2016

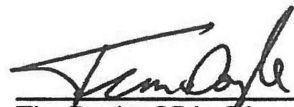
Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on Management's best estimates and judgements.

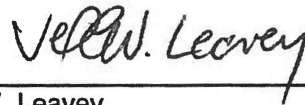
The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Algonquin Forestry Authority Act*.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the audited financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources and Forestry for approval.

The financial statements have been examined by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.



Tim Doyle, CPA, CA
Treasurer



Jeff W. Leavey
General Manager



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

Algonquin Forestry Authority
and to the Minister of Natural Resources and Forestry

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets 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 public sector accounting standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Algonquin Forestry Authority as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
July 22, 2016

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

Algonquin Forestry Authority

Statement of Financial Position

As at March 31

2016

2015

Assets

Current assets

Cash	\$ 1,606,560	\$ 388,853
Accounts receivable (Note 2)	8,657,659	8,947,714
Inventories held for sale	328,608	170,446
Prepaid expenses	7,401	1,962
	<u>10,600,228</u>	<u>9,508,975</u>

Capital assets (Note 3)

	<u>275,257</u>	<u>289,022</u>
	<u>\$ 10,875,485</u>	<u>\$ 9,797,997</u>

Liabilities

Current liabilities

Accounts payables and accrued liabilities	\$ 1,283,815	\$ 1,296,397
Contractors' performance holdbacks	80,007	66,301
Due to Consolidated Revenue Fund (Note 15)	292,876	204,086
Deferred contributions (Note 4)	25,849	-
	<u>1,682,547</u>	<u>1,566,784</u>

Obligation for employee future benefits (Note 5)

Deferred capital contributions (Note 6)

	436,834	419,508
	-	17,280
	<u>2,119,381</u>	<u>2,003,572</u>

Net assets

Restricted - Forest Renewal Fund (Notes 7 and 9)

Invested in capital assets (Note 8)

Unrestricted - General Fund

	2,935,404	2,667,622
	275,257	271,742
	5,545,443	4,855,061
	<u>8,756,104</u>	<u>7,794,425</u>
	<u>\$ 10,875,485</u>	<u>\$ 9,797,997</u>

On behalf of the Board:

 Director

 Director

Algonquin Forestry Authority

Statement of Operations

Year Ended March 31

2016

2015

	General Fund	Forest Renewal Fund	Total	Total
Revenue				
Product sales	\$ 21,203,665	\$ -	\$ 21,203,665	\$ 18,085,714
Forest renewal activity	-	1,802,007	1,802,007	1,513,839
Standing timber sales	212,645	-	212,645	301,731
Other (Note 10)	2,218,470	322,610	2,541,080	2,066,895
	<u>23,634,780</u>	<u>2,124,617</u>	<u>25,759,397</u>	<u>21,968,179</u>
Expenses				
Direct program costs	17,812,675	1,564,164	19,376,839	17,071,739
Crown timber stumpage charges	2,941,724	-	2,941,724	2,433,197
Operations planning	275,180	-	275,180	294,770
Public access road maintenance	274,151	-	274,151	615,211
Wood measurement	33,515	-	33,515	32,501
	<u>21,337,245</u>	<u>1,564,164</u>	<u>22,901,409</u>	<u>20,447,418</u>
Operating income	<u>2,297,535</u>	<u>560,453</u>	<u>2,857,988</u>	<u>1,520,761</u>
Administrative and other				
Salaries and benefits	1,215,382	222,839	1,438,221	1,342,743
Amortization of capital assets	96,044	46,870	142,914	159,066
Office supplies and other	107,553	233	107,786	107,664
Office rent	43,503	12,836	56,339	55,666
Public relations	37,392	-	37,392	14,784
Staff travel and training	32,845	2,143	34,988	18,077
Directors' allowance	34,270	-	34,270	39,376
Insurance	23,470	7,750	31,220	25,655
Consulting, legal and miscellaneous	11,551	-	11,551	8,534
Interest and bank charges	1,628	-	1,628	2,821
	<u>1,603,638</u>	<u>292,671</u>	<u>1,896,309</u>	<u>1,774,386</u>
Excess (deficiency) of revenue over expenses	<u>\$ 693,897</u>	<u>\$ 267,782</u>	<u>\$ 961,679</u>	<u>\$ (253,625)</u>

Algonquin Forestry Authority

Statement of Changes in Net Assets

Year Ended March 31

2016	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
Balance, beginning of year	\$ 271,742	\$ 2,667,622	\$ 4,855,061	\$ 7,794,425
(Deficiency) excess of revenue over expenses (Note 8)	(125,634)	267,782	819,531	961,679
Invested in capital assets (Note 8)	129,149	-	(129,149)	-
Balance, end of year	<u>\$ 275,257</u>	<u>\$ 2,935,404</u>	<u>\$ 5,545,443</u>	<u>\$ 8,756,104</u>
2015	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
Balance, beginning of year	\$ 244,239	\$ 2,665,010	\$ 5,138,801	\$ 8,048,050
(Deficiency) excess of revenue over expenses (Note 8)	(116,322)	2,612	(139,915)	(253,625)
Invested in capital assets (Note 8)	143,825	-	(143,825)	-
Balance, end of year	<u>\$ 271,742</u>	<u>\$ 2,667,622</u>	<u>\$ 4,855,061</u>	<u>\$ 7,794,425</u>

Algonquin Forestry Authority

Statement of Cash Flows

Year Ended March 31

2016

2015

Cash flows from operating activities:

Excess (deficiency) of revenue over expenses	\$ 961,679	\$ (253,625)
Adjustments for		
Amortization of capital assets	142,914	159,066
Amortization of deferred capital contributions	(17,280)	(42,745)
Gain on sale of capital assets	(22,811)	(3,417)
Obligation for employee future benefits	17,326	20,729
	<u>1,081,828</u>	<u>(119,992)</u>

Change in non-cash operating working capital:

Accounts receivable	290,055	1,403,793
Inventories held for sale	(158,162)	154,492
Prepaid expenses	(5,439)	-
Accounts payable and accrued liabilities	(12,582)	(596,564)
Contractors' performance holdbacks	13,706	(28,308)
Due to Consolidated Revenue Fund	88,790	(170,433)
Deferred contributions	25,849	(146,069)
	<u>1,324,045</u>	<u>496,919</u>

Cash flows from financing activities

Decrease in demand line of credit	-	(1,000,000)
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Cash flows from capital activities

Acquisition of capital assets	(129,149)	(143,825)
Proceeds from sale of capital assets	22,811	3,417
	<u>(106,338)</u>	<u>(140,408)</u>

Net increase (decrease) in cash	1,217,707	(643,489)
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Cash

Beginning of year	<u>388,853</u>	<u>1,032,342</u>
End of year	<u>\$ 1,606,560</u>	<u>\$ 388,853</u>

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

Algonquin Forestry Authority (the "Authority") is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is responsible for forest management in Algonquin Provincial Park and operates on a not-for-profit basis. The Authority is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies

Basis of accounting

The Authority's financial statement are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

Fund accounting

The General Fund accounts for the Authority's revenue generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

Revenue recognition

Revenue from product sales and forest renewal charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

The Authority accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Grants relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Other income is recognized when earned.

Inventories held for sale

Inventories held for sale, which consist of harvested wood not yet delivered to customers, are measured at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is estimated selling price in the ordinary course of business less any applicable selling expenses.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

1. Significant accounting policies (continued)

Capital assets

Capital assets are stated at cost. Amortization is provided on the straight-line basis using the following annual rates:

<u>Asset</u>	<u>Rate</u>
Automotive equipment and trailers	25%
Portable steel structures	20%
Technical and data processing equipment	10%
Furniture and fixtures	10%
Leasehold improvements	10%

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized on the same basis and at the same rates as the assets mentioned above.

Financial instruments

The Authority's financial assets and financial liabilities are accounted for as follows:

Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.

Accounts receivable are recorded at amortized cost less any amount for valuation allowances. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of Operations.

Accounts payable and accrued liabilities, contractors' performance holdbacks and Due to Consolidated Revenue Fund are recorded at amortized cost.

The Authority does not use derivative financial instruments.

Employee future benefits

The Authority provides termination benefits to qualifying employees for services rendered prior to January 1, 2016. The costs of severance entitlements under the *Public Service of Ontario Act* and unused vacation entitlements earned by employees during the year are accrued for in the financial statements. The costs of any legislated severance are recognized when earned by eligible employees.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

1. Significant accounting policies (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include determination of the allowance for doubtful accounts receivable and employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. Accounts receivable

	2016	2015
Trade receivables	\$ 8,267,725	\$ 8,621,559
Billable stumpage and other	427,848	364,069
	8,695,573	8,985,628
Less allowance for doubtful accounts	(37,914)	(37,914)
	\$ 8,657,659	\$ 8,947,714

3. Capital assets

	2016	
	Cost	Accumulated amortization
		Net book value
Bridges and access roads	\$ 5,346,799	\$ 5,346,799
Portable steel structures	681,279	629,597
Forest renewal assets	433,026	320,532
Automotive equipment	430,954	339,815
Technical equipment	176,007	170,920
Data processing equipment	74,720	68,668
Furniture and fixtures	50,608	50,608
Leasehold improvements	44,804	44,804
Trailers	23,432	14,629
	\$ 7,261,629	\$ 6,986,372
		\$ 275,257

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

3. Capital assets (continued)

		2015	
	Cost	Accumulated amortization	Net book value
Bridges and access roads	\$ 5,346,800	\$ 5,346,800	\$ -
Portable steel structures	681,278	606,977	74,301
Forest renewal assets	455,226	355,053	100,173
Automotive equipment	449,049	345,626	103,423
Technical equipment	199,564	192,774	6,790
Data processing equipment	149,267	149,267	-
Furniture and fixtures	83,358	83,358	-
Leasehold improvements	44,803	44,695	108
Trailers	18,386	14,159	4,227
	<u>\$ 7,427,731</u>	<u>\$ 7,138,709</u>	<u>\$ 289,022</u>

4. Deferred contributions

Deferred contributions represent unspent resources received from the Ontario Ministry of Natural Resources and Forestry ("the Ministry") in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	Road construction and maintenance	Public access road maintenance	2016 Total	2015 Total
Balance, beginning of year	\$ -	\$ -	\$ -	\$ 146,069
Add: contributions received in the year	1,584,209	300,000	1,884,209	1,365,882
Less: amount spent in the year	(1,584,209)	274,151	(1,858,360)	(1,511,951)
Balance, end of year	<u>\$ -</u>	<u>\$ 25,849</u>	<u>\$ 25,849</u>	<u>\$ -</u>

During 2015, the Authority incurred public access road maintenance expenses of \$169,142 which were not funded or reimbursed by the Ministry.

5. Employee future benefits

(a) Multi-employer pension plan

The Authority's full-time employees participate in the Public Service Pension Fund ("PSPF") which is a defined benefit pension plan for certain employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to PSPF. As the sponsor is responsible for ensuring that the pension fund is financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of \$106,694 (2015 - \$108,932) are included in salaries and benefits in the Statement of Operations.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

5. Employee future benefits (continued)

(b) Termination benefits

The Authority provides termination benefits to qualifying employees. All full-time employees hired before April 1, 2014 qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority provided before January 1, 2016, to a maximum of one-half of the employees' annual salary. During the year, the obligation for employee future benefits was curtailed due to changes under the *Public Service Act of Ontario*. The total obligation for vested severance payments amounts to \$436,834 (2015 - \$419,708) at year end.

(c) Non-pension post-retirement benefits

The cost of other non-pension post-retirement benefits is the responsibility of the Province of Ontario, a related party, and accordingly is not accrued or included in the Statement of Operations.

6. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as other revenue in the Statement of Operations.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 17,280	\$ 60,025
Less amounts amortized to revenue	<u>(17,280)</u>	<u>(42,745)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 17,280</u>

7. Forest renewal fund

Effective September 6, 2012, the Authority renewed its agreement with the Ministry, a related party, to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund. The term of the agreement commenced April 1, 2007 and expires March 31, 2027.

The agreement also requires the Authority to maintain a minimum balance of \$1,500,000 in the Forest Renewal Fund.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

8. Invested in capital assets

	<u>2016</u>	<u>2015</u>
(a) Investment in capital assets is calculated as follows:		
Capital assets	\$ 275,257	\$ 289,022
Amounts financed by:		
Deferred capital contributions	<u>-</u>	<u>(17,280)</u>
	<u>\$ 275,257</u>	<u>\$ 271,742</u>
(b) Change in net assets invested in capital assets is calculated as follows:		
Deficiency of revenues over expenses:	\$	\$
Amortization of deferred contributions related to capital assets	17,280	42,745
Amortization of capital assets	<u>(142,914)</u>	<u>(159,067)</u>
	<u>\$ (125,634)</u>	<u>\$ (116,322)</u>
(c) Net change in investment in capital assets:		
Purchase of capital assets	<u>\$ 129,149</u>	<u>\$ 143,825</u>

9. Interfund transfer

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenues, net of related capital asset amortization, during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below \$2,500,000 shall be funded by the General Fund. No amount has been transferred during the year (2015 - \$Nil).

10. Road maintenance funding

Included in General Fund Other Revenue is revenue of \$1.58 million (2015 - \$1.06 million) received by the Authority pursuant to an agreement with the Ministry. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes. In fiscal year 2016, \$455,050 (2015 - \$304,000) was passed on to the Authority's customers and is netted in product sales in the Statement of Operations.

11. Remuneration of appointments

Total remuneration of the Board members of the Authority was approximately \$12,100 during the fiscal year (2015 - \$17,900).

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

12. Financial instruments risk management

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. The Authority's credit risk arises from its financial assets including cash and receivables. The Authority's receivables are due from various customers and from government agencies and are collectible. All cash deposits are held with financial institutions. As such, the Authority is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet all cash outflow obligations as they come due. The Authority is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, contractors' performance holdbacks and amounts due to the Consolidated Revenue Fund. The Authority mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining adequate cash balances in the near-term if unexpected cash outflows arise.

13. Demand line of credit

As part of its financial arrangements, the Authority has negotiated a line of credit in the amount of \$1,500,000 with its banker. The line of credit is unsecured, due on demand and bears interest at the bank's prime rate minus 0.5%. As at March 31, 2016, no amount was outstanding under this facility (2015 - \$Nil).

14. Due to Consolidated Revenue Fund

Due to Consolidated Revenue Fund represents amounts owed by the Authority for Crown Stumpage charges incurred in the normal course of operations. Year end balances are normally settled in full in the first quarter of the following year.

15. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

The Algonquin Forestry Authority

222 Main St. W.
Huntsville, ON P1H 1Y1
Tel: 705-789-9647 Fax: 705-789-3353
Huntsville.office@algonquinforestry.on.ca

84 Isabella Street, #7
Pembroke, ON K8A 5S5
Tel: 613-735-0173 Fax: 613-735-4192
pembroke.office@algonquinforestry.on.ca



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Sur demande, vous pouvez obtenir la version française de ce rapport annuel.*

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