



Nawiinginokiima Forest  
Management Corporation

# **Nawiinginokiima Forest Management Corporation**

2018-2019 Annual Report  
[www.nfmcforestry.ca](http://www.nfmcforestry.ca)

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Annual Report  
2018-2019**

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## Chair's Message

The 2018-2019 fiscal year brought the Nawiinginokiima Forest Management Corporation (NFMC) many challenges such as acquiring the management responsibilities of the White River Forest as the Sustainable Forest License holder and the operational challenges of executing a 10-year Forest Management Plan that was extended with two contingency years. But with challenges, comes the opportunity for successes.

The Board of Directors continued to work towards its vision established in the 2017-2021 Strategic Plan to ensure the progress of the Crown Agency as it continues to evolve. The NFMC is financially stable with the Board's continued commitment to build an Operating Reserve while investing in strategic initiatives to meet the objects set out by the Ministry of Natural Resources and Forestry.

The NFMC's staff have been instrumental to the Agency's success. Their dedication and work ethic have helped the Agency progress towards the 2017-2021 Strategic Plan's vision. Thanks to their efforts, the NFMC's commitment to being leaders in forest management practices continued through the third-party certification of the Pic River, Big Pic, and White River Forests.

The 2019-20 fiscal year will undoubtedly bring challenges and opportunities for successes. On behalf of the Board, I have no doubt that the NFMC we can achieve new heights and continue to meet the expectations of our Ministry and Province.

Respectfully,



Grant E. Goodwin  
Chair of the Board, Nawiinginokiima Forest Management Corporation

## General Manager's Message

During the 2018-2019 fiscal year, the Nawiinginokiima Forest Management Corporation (NFMC) achieved significant milestones such as acquiring the White River Forest Sustainable Forest License, achieving third-party certification on its entire management area (1.8 M hectares), managing the biggest silviculture program in its history, and continuing to provide local economic development opportunities to First Nations and Industry Stakeholders.

In 2018-2019, the NFMC invested over \$4 million in its silviculture program and was driven by the successful planting of 5.85 million trees across the management area.

The NFMC continued to provide local economic development opportunities with more than \$950,000 being directly invested in First Nation initiatives that have provided permanent full-time employment for the communities and assisted our Forest Industry Stakeholders.

Several years ago, the NFMC identified training as being a primary requirement for local First Nation communities and industry stakeholders; since then, the NFMC has made training a priority. In 2018-2019 alone, the NFMC invested over \$173,000 in health and safety training as well as harvesting training in order to help strengthen the local forest industry from the ground level.

The NFMC continues to place a high priority on ensuring the health and safety of the workers on its management area. To that end, the NFMC has maintained its Safe Workplace Ontario certification and encouraged its contractors to work towards the same certification.

I am very proud with what this Agency has achieved since 2014. To build on the Chair's message, the NFMC's staff is the foundation of our successes. Without them, the NFMC could not have achieved the vision and goals set out by its Board of Directors.

2019-2020 should bring the NFMC great opportunities to continue its successes as it will embark on a new Forest Management Plan for the newly amalgamated Pic Forest and continue into year two of the White River Forest Management Plan. The NFMC will continue to strive towards achieving the Board's vision and provide opportunities for the local forest industry to become stronger.

Carmelo Notarbartolo



General Manager

Nawiinginokiima Forest Management Corporation

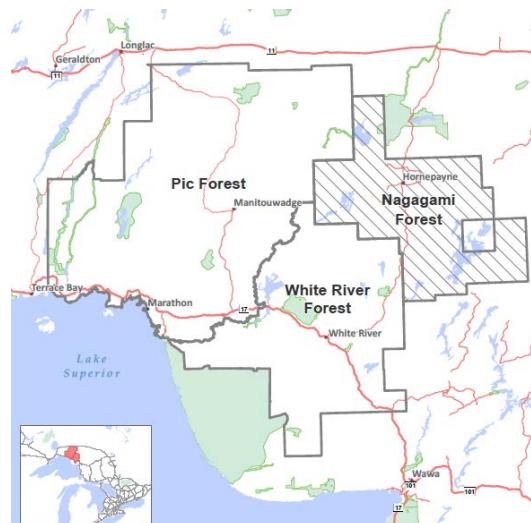
Respectfully,

Carmelo Notarbartolo  
General Manager, Nawiinginokiima Forest Management Corporation

# 1.0 Background

## 1.1 Company Overview

The Nawiinginokiima Forest Management Corporation (NFMC) is the first Ontario local forest management corporation (LFMC) established under the *Ontario Forest Tenure Modernization Act, 2011* (OFTMA) (<http://www.ontario.ca/laws/statute/11o10>). The NFMC was established through the passage of Regulation 111/12 under the *Ontario Forest Modernization Act, 2011 (OFTMA)* on May 29, 2012.



**Figure 1. Map of NFMC Management Area**

The current management area is comprised of three forest management units (FMUs): Big Pic, Pic River, and White River Forests. This area encompasses approximately 1.5 million hectares of productive Crown forest with an available harvest volume of 1.1 million m<sup>3</sup> of conifer and 543,000 m<sup>3</sup> of hardwood fibre annually based on current Forest Management Plans (FMPs). At the start of 2018-2019 the NFMC managed the White River, Big Pic and Pic River FMUs leaving only the Nagagami Forest outstanding from the original concept of what the NFMC management area would look like.

## 1.2 Corporate Governance

The NFMC has a Memorandum of Understanding (MOU) with the Ministry of Natural Resources and Forestry (MNRF). The MOU outlines the responsibilities of the Minister, Deputy Minister, Chair of the NFMC, the Board, and the General Manager (GM).

The GM is accountable to the Board, through the Chair, for the management of the Agency's operations and staff, while ensuring compliance with all applicable Acts, regulations and directives. The Board, in turn, is accountable to the Minister, through the Chair, for oversight and governance of the Agency, setting goals, objectives and strategic direction for the Agency, also while ensuring compliance with all applicable Acts, regulations and directives.

## Board of Directors

The Board includes representatives from Manitouwadge, Marathon, White River, Pic Mobert First Nation, Hornepayne and a member-at-large who broaden its functional knowledge base and experience. There are members of the public that have applied for membership to fill currently vacant positions who are undergoing review pursuant to the public appointments process. This process can be quite time consuming but the NFMC hopes that the new members will be added to the board during 2019-20. The NFMC is always on the lookout for individuals that could contribute to the organization and serve as a board member either representing their home community or as a member at large. There were six NFMC Board members in place at March 31, 2019 and their tenures are listed below. Three board members tenures expired in June 2019; the members have applied for an additional term. The Public Appointments Secretariat is currently processing their application.

Member Name	Position	Community	Tenure
Grant Goodwin	Chair	Manitouwadge	30-Jun-2016 - 29-Jun-2019*
Fraser Dunn	Vice-Chair	Member-at-large	30-Jun-2016 - 29-Jun-2019*
David Giuliano	Member	Marathon	22-Jun-2016 - 21-Jun-2019*

Julie Roy-Ward	Member	Hornepayne	02-May-2019 – 02-May-2022
Tina Forsyth	Member	White River	28-Jun-2017 - 27-Jun-2020
Donald Fry	Member	Pic Mobert First Nation	28-Jun-2017 - 27-Jun-2020

*\*Board Member has applied for an additional term and is being processed by Public Appointments Secretariat*

**Table 1. Current NFMC Board Members**

Collectively, the Board provides expertise in such areas as business administration, government relations, economic development, finance, forestry, Indigenous and local issues.

### **1.3 Board Committees**

In accordance with the OFTMA, the Board has established four standing committees:

#### **Audit and Finance Committee**

The Audit and Finance Committee is responsible for ensuring appropriate controls and accountabilities exist within the Agency with respect to audit, finance and areas of material risk.

*Chair: Tina Forsyth*

*Members: Grant Goodwin, Julie Roy-Ward, John MacGillivray*

#### **Governance Committee**

The Governance Committee provides advice and recommendations on governance matters, including board vacancies.

*Chair: Grant Goodwin*

*Members: All Board members*

*Non-voting Member: Carmelo Notarbartolo*

#### **Performance Management and Human Resources Committee**

The Performance Management and Human Resources Committee provides advice and recommendations on matters relating to performance management and human resources.

*Chair: Fraser Dunn*

*Members: Donald Fry, Grant Goodwin, Julie Roy Ward*

#### **Advisory Committees**

Also, in accordance with the OFTMA, the Board may establish a Stakeholder Advisory Committee whose membership will consist of individuals other than the current members of the Board. The Stakeholder Advisory Committee is intended to provide advice and recommendations to the Board on matters related to the Agency such as community interests or opportunities and forest industry expertise. The NFMC believes the committee will be established following the term of the current contingency plan.

*Chair and Members: To be determined*

### **1.4 Mandate**

The NFMC completed a mandate review in 2018 and therefore did not receive a mandate letter for 2018-2019. The NFMC was guided by the direction in the prior year's mandate letter, direction from the Board of Directors as well as the objects of the LFMC detailed in the OFTMA. The OFTMA states the objects of an LFMC as follows:

- To hold forest resources licences and manage Crown forests in accordance with the Crown Forest Sustainability Act, 1994 (CDSA) and to promote the sustainability of Crown forests.
- To provide for economic development opportunities for Indigenous peoples.
- To manage its affairs to become a self-sustaining business entity that optimizes value from Crown forest resources while recognizing the importance of local economic development.
- To market, sell and enable access to a predictable and competitively priced supply of Crown forest resources.
- To carry out such other objects as may be prescribed by regulation.

In 2017, NFMC initiated a strategic planning exercise that resulted in the document "Working Together – Strategic Plan 2017-2021" that established the priorities for the next four years. By 2019-2020, NFMC will strive to be recognized as a leader in sustainable forest management by implementing its vision to "manage forests in an exemplary manner to provide distinct opportunities to our communities."

## 2.0 Description of Activities

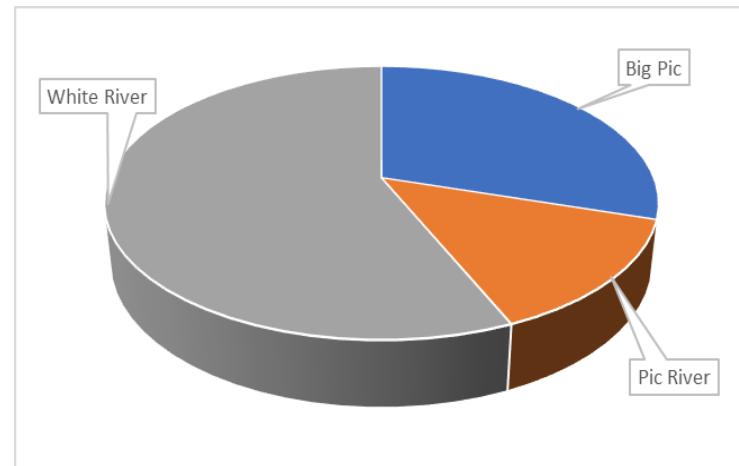
NFMC, a classified operational enterprise Crown Agency, is self-financing with the mandate to sustainably manage the forests within its mandated area and to harvest, market and sell the associated available wood supply. Forestry activities on these forests are carried out under the authority of an approved FMP. These activities are subject to an Independent Forest Audit (IFA) every five years and the audit results are tabled in the Ontario legislature and made available to the public.

Activities of NFMC are guided by the conditions of the licences it holds, consistent with the requirements of the CFSA and the OFTMA. The NFMC has four major program areas:

1. Forest Management Planning,
2. Forest Operations (including harvesting, renewal, roads and compliance activities),
3. Economic development initiatives, and
4. Timber sales and marketing.

The NFMC's management recognizes the need for trust and transparency when dealing with communities and its forest industry partners such as making presentations to chiefs, mayors, councils and local citizen committees, holding regular operations meetings with contractors and mills to develop harvest plans and consulted the forest industry in developing the budget for the upcoming year.

During the 2018-2019 fiscal year, 627,000 m<sup>3</sup> of wood was delivered from the White River, Big Pic and Pic River Forests to receiving mills. This is an increase over the previous year when the NFMC delivered 507,000 m<sup>3</sup>, however this is the first year that the NFMC managed three forests so comparisons to prior years are cautioned. The 2018-2019 deliveries were 190,000 m<sup>3</sup> below the budgeted levels. The unfavourable variance was on the Big Pic and Pic River and can be attributed to poor logging chances that resulted in lower volume per hectare realized and allocations not being accessible as the NFMC operated in the final year of the Contingency Plans that extended a ten-year plan to twelve years. The primary customers were AV Terrace Bay Inc., Lecours Lumber Co., Levesque Plywood Limited, White River Forest Products and Longlac Lumber Inc. Most volume was delivered by four primary contractors on the management area, B&M Hauling Ltd., Kabi Lake, AMIK Logging Limited Partnership/Lecours Lumber, and AV Terrace Bay Inc.



**Figure 2. NFMC harvest by SFL**

### 2.1 Staffing, Office Establishment and Health and Safety

The NFMC is a fully functioning Crown Agency with its own staff and primary office in Marathon. The contact information and mailing address for the NFMC is:

Nawiinginokima Forest Management Corporation  
P.O. Box 1479  
22 Peninsula Road  
Marathon, ON P0T 2E0  
Phone: 807-229-8118  
Website: [www.nfmcforestry.ca](http://www.nfmcforestry.ca)  
General inquiries: contact@nfmcforestry.ca

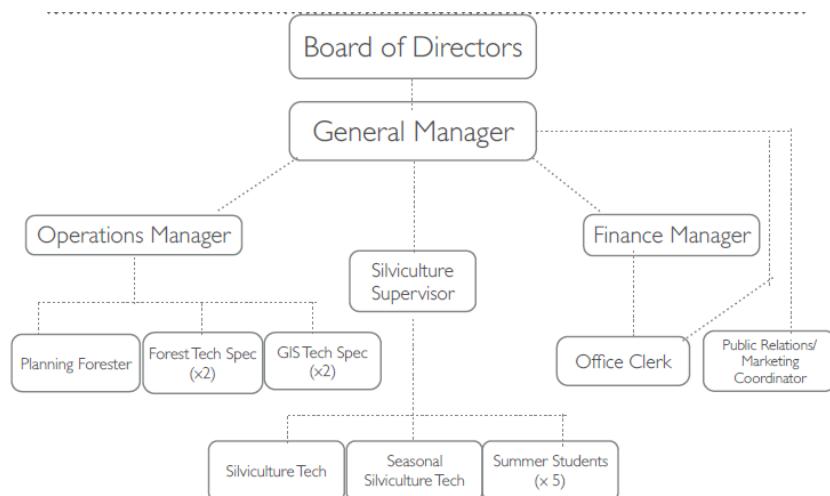
### **General Manager**

The General Manager (GM), reporting to the Board of Directors, is responsible for the day-to-day management of the NFMC. The GM is also responsible for developing and implementing the operational plan for the Agency and has the flexibility to determine whether delivery of the operational plan is completed by

in-house staff or through service providers based on its individual business conditions.

The NFMC has established its own human resource and procurement policies and is directly responsible for the terms and conditions of employment and health and safety in accordance with its human resource policies and applicable provincial and federal legislation and subject to approval by the Board. The NFMC is subject to all applicable Government of Ontario directives.

### **Organizational Chart (June 30, 2019)**



**Figure 3. NFMC organizational chart**

### **Staff Numbers**

The organizational structure for NFMC has been designed to be scalable and flexible to accommodate the needs of the Corporation as SFLs and associated responsibilities are assumed. The NFMC maintained its staffing level during the year at nine full-time employees. Additional staff will be added in 2019-2020 as the NFMC continues to grow, bringing the number of full-time employees to twelve. The NFMC will require additional staff to support the activities of forest management, marketing and selling of wood, and forest compliance, tasks now

performed by contractors, following the issuance or transfer of all SFLs. The NFMC will determine the appropriate mix of permanent and contract staff to meet varying forest management planning and operational demands at different times in the forest management planning cycle. This flexibility will also be an important tool for the GM to manage costs and operational risks associated with the current business climate in the NFMC management area. The management team continues to strive to make the NFMC a desirable place to work.

### **Health and Safety Program**

The management of the NFMC is committed to the health and safety of its employees and all who are involved in forestry and silviculture operations in its management area. The NFMC provides First Aid training for its staff and ensures that its operations staff are current. The NFMC is also committed to having an accident-free workplace through effective administration, education and training. To honour these commitments and to comply with provincial legislation and the Occupational Health and Safety Act (2018), the NFMC's comprehensive Health & Safety Program (H&SP) was audited and endorsed by Workplace Safety North. The NFMC considers its H&SP an evergreen document and as a result it continues to update its H&SP as required to ensure continued employee and contractor safety in its management area. To further cement its H&SP and promote safe work practices in forestry, the NFMC has established a partnership with Workplace Safety North to provide complementary health and safety training courses to the various stakeholders in its management area. The NFMC provides financial support to its contractors that require health and safety training for its employees.

### **2.2 Forest Management and Operations**

During 2018-2019, the NFMC continued to establish mechanisms and structures to ensure ongoing activities associated with forest management planning, forest renewal and forest operations including harvesting and road construction and maintenance.

The Planning Forester oversees the preparation of the Forest Management Plans (FMP) plus all the other requirements of the various manuals such as annual work schedule, annual report and compliance report preparation. The Forestry Tech is responsible for the oversight of harvesting and road construction activities on the Agency's land base. The Silviculturist plans and oversees the

renewal activities on the forests. The Silviculturalist ensures that the NFMC land base meets the forest renewal and sustainability requirements set out by the MNRF as well as third party certification programs (i.e. FSC). These staff report to the Operations Manager and are supported by NFMC GIS and administration staff in managing the Big Pic and Pic River SFL's. For the White River SFL, in 2018-2019, these tasks were carried out by an independent contractor. The NFMC has added staff required to fit the White River SFL under the NFMC's umbrella starting in 2019-2020.

## **2.3 Forest Certification and Environmental Policy**

### **Forest Certification**

The NFMC maintained its Forest Stewardship Council (FSC®) forest management certification on the White River, Pic River Forest and the Big Pic Forest. Certification of the forests under its management is considered a major accomplishment that demonstrates the NMFC's commitment to manage its forests sustainably, support its industry partners, and help facilitate local community and First Nation economic development.

The GM and board ensure the NFMC's staff, contractors and customers know the Agency's commitment to certification. The NFMC staff works hard to ensure the annual FSC surveillance audits are a success, this includes work by operations staff to safeguard the Agency's renewal and harvesting activities comply with its commitments, as well as planning and support staff that gather and maintain the volumes of information reviewed by the audit team.

### **Environmental Policy**

The NFMC recognizes environmental protection as one of our guiding principles and a key component of sound business performance. The NFMC has an established Environmental Policy with an ongoing commitment made to providing quality forest products and related services in a manner that ensures a safe and healthy workplace for employees and minimizes the potential impact on the environment. In addition, the NFMC will continue to operate in compliance with all relevant federal, provincial and municipal environmental legislation and strives to use pollution prevention and environmental best practices.

The Environmental Policy states that the NFMC will:

- integrate the consideration of environmental concerns and impacts into all our decision making and activities,
- promote environmental awareness among our employees and encourage them to work in an environmentally responsible manner,
- train, educate and inform our employees about environmental issues,
- where required by legislation or where significant health, safety or environmental hazards exist, develop and maintain appropriate emergency and spill response plans,
- regularly communicate our environmental program to our clients, customers and the public and encourage them to support it,
- commit to the advancement of sustainable forest management practices and the pursuit of FSC® certification on the NMFC management area, and
- strive to continually improve our environmental performance by periodically reviewing our environmental policy considering our current and planned future activities.

## **2.4 Forest Product Markets**

The current and projected markets for available wood fibre from the NFMC management area fall under four main forest product sectors: lumber, panel, pulp and paper and forest biomass. The recovery in lumber and pulp prices served to spur softwood demand in the region. In 2018-2019, the NFMC management area supplied over 627,000 m<sup>3</sup> of wood to its six main customers. The commodity prices dropped during the year and are expected to remain below 2017-2018's near historic high levels, but this should not impact demand in 2019-2020. The high prices presented the NFMC an opportunity to send volumes to mills outside the region to test the market. The NFMC is moving forward on strategic initiatives to increase contractor capacity, specifically through arrangements that support local and First Nation economic development which should also increase deliveries in 2019-2020.

## **2.5 Community Engagement**

Now that NFMC has three of the SFL's under its management and established the operating reserve it will be able to act on the community engagement component of its mandate. The GM and Board have made efforts to regularly meet with community leaders and their councils to provide updates on the NFMC and its operations. These meetings and updates took place during the

year and include formal activities such as presentations to municipal and band councils as well as informal activities such as meetings and phone calls.

NFMC has supported initiatives that would benefit the Big Pic and Pic River Forests over the years. Following the transfer of the White River SFL, the NFMC was able to provide the long-promised assistance to Pic Mobern FN to increase their forestry capacity. The NFMC has also taken a positive approach in the development of its Procurement Policy with provisions for local and Indigenous based businesses.

During the coming year, the NFMC will continue to engage with First Nations, communities and other key stakeholders to develop meaningful strategies and programs to achieve the objects of the Agency's mandate.

### **Training & Human Resources Development**

The NFMC supported training initiatives designed to improve Health & Safety or Environmental performance for several stakeholders during the year, including the following:

TRAINING COURSE	STAKEHOLDER
Competent Supervisor	AVTB, Longlac Lumber
First-Aid	B&M, Goliboski, D&G, MKWA
Forestry Common Core	B&M, TNT, MKWA, Goliboski
Grader Training	MKWA
Lockout Training	B&M
Planned Workplace Inspections	B&M, MKWA
SP 102	B&M, MKWA, WRF subcontractors
WHIMS	B&M
Working at Heights	B&M

**Table 2. List of training courses provided by NFMC to stakeholders**

## **3.0 Analysis of Performance**

### ***3.1 Performance Measures***

The NMFC will continue to develop operational performance measures and targets to ensure the achievement of its goals and objectives as well as the achievement of the objectives for the Agency (as described in the OFTMA). The NFMC's performance measures and achievements are outlined below.

1. World class forest management company
  - Maintained third party FSC Certification on the White River Forest, Big Pic Forest and the Pic River Forest.
  - Completed the amalgamated FMP for the Big Pic and Pic River Forests.
2. Becoming financially self-sufficient
  - Cash on hand on March 31/2019 of \$7.8 million.
  - SFL's for Big Pic, Pic River and White River now under NFMC control allowing the Agency to generate its own funds.
  - NFMC established its operating reserve at \$4.8 million on March 31, 2019.
3. Extending scope of usage
  - Commitment volumes made available but not fully utilized due to operational factors and conditions facing certain customers.
  - Supported wood requirements of new/re-opened mills in and around the NFMC management area.
  - Some volume was made available on the open market (less than 1%) during the year but this supply will be limited until the new FMP is implemented in 2021.
4. Meeting governance requirements
  - Timely submission of Annual Report, SFL Business Plan, and Agency Business Plan to MNRF.
  - Posted reports to its website; including travel, meal and hospitality expenses to the website for public disclosure.
  - Established the NFMC Governance Committee and Human Resources Committee.
5. Building new local forest related industry
  - Made payment to Pic Mobern as part of a plan to increase the Band's forestry capacity and increase volume available to local mills.
  - Continued to develop policies for implementation in 2018-2019.
6. Establishing a new baseline for First Nation engagement
  - Board approved NFMC strategic initiative policy to support other possible strategic initiatives for 2019-2020 and beyond.

- Moved forward on strategic initiatives related to road maintenance and harvesting capacity with a local First Nation. Invested over \$1 million in payments to Indigenous contractors for services or in direct support.
- Recruiting First Nations members to serve on Board of Directors including to fill currently vacant positions.
- NFMC travelled to area First Nations to review planned operations and have a dialogue with chiefs, councils and band members, including trips to Longlac, Pic River, Pic Mober.
- FMP public consultations and open houses were held during the year, NFMC reached out to all adjacent communities.

7. Engaging the community in forestry

- Board included representatives of Pic Mober and Pic River First Nations during the year (the Pic River position was vacant at year-end and is in the process of being filled).
- Staff attended community educational events and tradeshows across the region including Marathon, Terrace Bay, Longlac, Thunder Bay.
- Recruiting community members to fill other vacant positions to increase the representation of northern communities.
- Implemented the NFMC scholarship program. The program is open to students from NFMC communities studying relevant fields.
- Articles related to NFMC appeared in the Marathon Mercury, Wawa News, Working Forest, and Northern Ontario Business.

### 3.2 Operational Performance

During the 2018-2019 fiscal year, the volume harvested on the management area was approximately 627,000 m<sup>3</sup> which was below the budget of 816,000 m<sup>3</sup> by 190,000 m<sup>3</sup>.

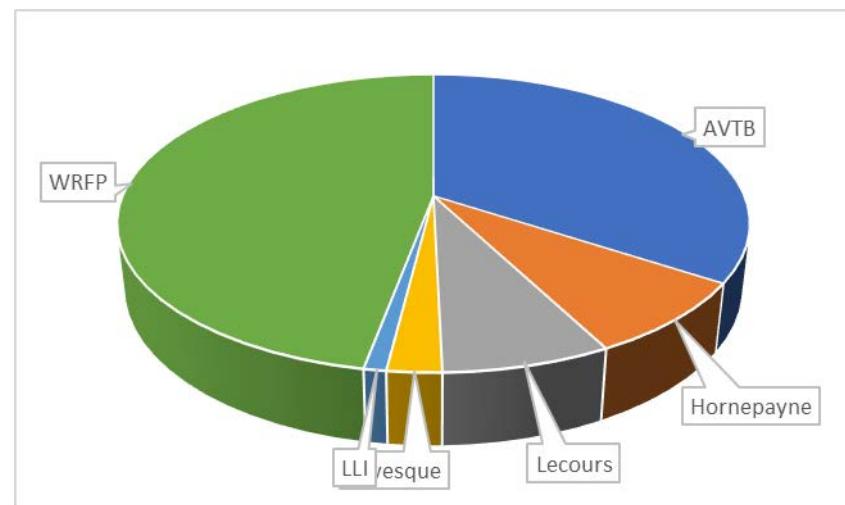
Most of the volume is softwood, which accounted for almost 95 percent of the deliveries. The NFMC was able to exceed its biomass delivery targets but the market for merchantable hardwood is still a challenge. The NFMC sells or enables the following mills to buy or access fibre from the White River, Big Pic and Pic River Forests.

Mill	Location	Product
AV Terrace Bay	Terrace Bay	Pulp/Biomass
Lecours Lumber Co. Ltd	Hearst	SPF Lumber
Levesque Plywood Ltd	Hearst	Poplar Veneer

Longlac Lumber Inc	Longlac	SPF Lumber
Hornepayne Lumber LP	Hornepayne	SPF Lumber
White River Forest Products	White River	SPF Lumber

**Table 3. List of NFMC primary customers (locations and products)**

The primary customers for the NFMC were AV Terrace Bay and White River Forest Products which together accounted for approximately 80 percent of delivered volume.



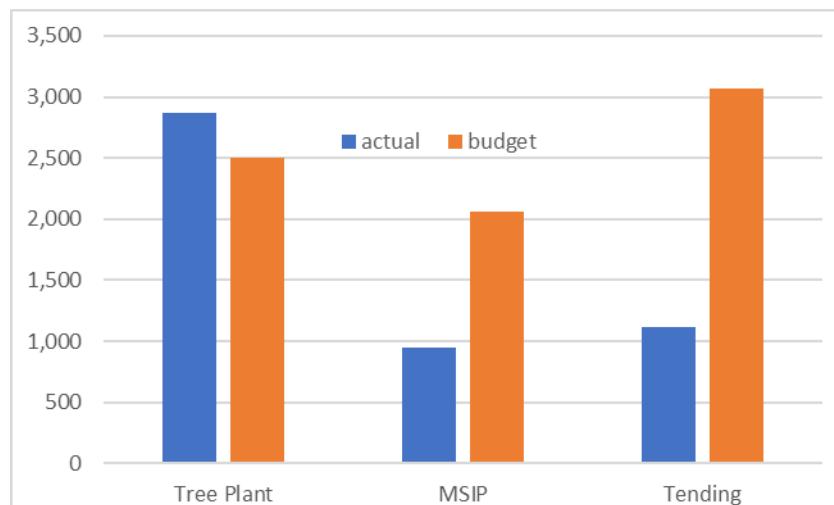
**Figure 4. Volume distribution by destination 2018-2019**

NFMC's work with mills and local First Nations should result in full utilization of the Pic Forest in the coming years. The NFMC managed the White River for the year and during that time almost 65% of the volume was sent to White River Forest Products, with smaller amounts going to Av Terrace Bay, Hornepayne and Levesque.

The NFMC has continued responsibility for the maintenance of the Caramat-Manitouwadge Industrial Road for the Ministry of Transport Ontario (MTO). The NFMC utilizes a local First Nation contractor to perform road maintenance and provide an economic opportunity to the First Nation's community. The NFMC maintains a website that allows the public to view the travel condition of the

Industrial Road, it also allows them to identify areas that may need maintenance.

Forest management activities were carried out with support from qualified service providers to facilitate ongoing forest operations including any required amendments to the Forest Management Plans and revisions to Annual Work Schedules. The NFMC continues to manage the renewal program with the objective of achieving improved results and cost control through the timely treatment of harvest blocks, Free to Grow surveys, etc. As a result, the Forest Renewal Trust (FRT) account now exceeds minimum balance for the White River, Big Pic and Pic River SFLs.



**Figure 5. Compare Actual Silvicultural Area Treated (ha) versus Budget for 2018-2019**

The program included the following activities in 2018-2019:

Mechanical Site Prep	1,084 ha
Debris Management	3,402 ha
Stock Production	6,146,000 trees
Planting	7,556,000 trees

The NFMC was responsible for the program in 2018-19 and worked with Jackfish Forest Management to ensure it was consistent with its vision for the future

forest condition. As a condition of the transfer, the White River Forest met the minimum balance requirements on March 31, 2018 and exceeded the balance through out the year. The Pic Forest also exceeded the minimum balance for the year.

### **3.3 Financial Performance**

The Agency appointed an independent auditor to review the accounts and financial transactions of the Agency for 2018-2019 (see Section 5.0). The NFMC is a Crown Agency and operates on a cost recovery basis and is exempt from income taxes under the federal Income Tax Act.

The NFMC recorded a net income of \$4.1 million in 2018-2019 compared to net income for 2017-2018 of \$8.67 million and a deficit in 2016-2017 of \$164,312 and 2015-2016 of \$632,373. The difference is primarily due to the receipt of LFMC funds from timber sales during the year for the White River and Pic Forests in 2018-2019. The large net income in 2017-2018 was the result of the NFMC receiving the former CRF funds following the issuance of the licenses.

### **Balance Sheet**

The NFMC maintained its cash position at over \$7.8 million during the 2018-2019 audit period. The balance of accounts receivable at the end of the audit period was \$7.5 million. The balance is comprised of funding from the MNRF's Roads Program fund, stumpage fees, MTO Northwest Region, Forest Renewal Trust Fund and trade receivables. Trade receivables include administration and permit fees receivable from various mill customers and overlapping licensees. The NFMC also added deliveries from the White River Forest to its accrual for deliveries in 2018-2019 but not invoiced by the province until the next year. The NFMC also had to accrue for residual stumpage for softwood pulp.

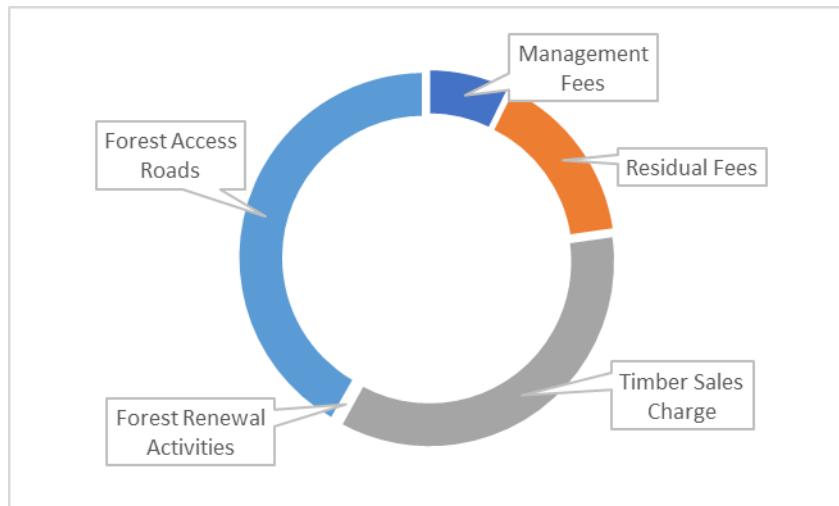
The NFMC acquired additional computer and software valued at \$3,000 during the audit period. No improvements or modifications were made to the building that the NFMC leases from the town of Marathon for office space. Equipment and other assets are recorded at cost less accumulated amortization.

Liabilities at year-end were almost \$2.2 million and are primarily related to the accrued Crown dues including deliveries in January-March 2019 but not billed

until after the year-end, and Provincial Forest Access Roads funds receivable by NFMC and repayable to the industry as part of the flow-through agreement.

### **Revenues**

Revenues from administrative fees and forest renewal charges are recognized when wood is delivered. Revenues from the MNRF's Provincial Forest Access Roads Program were recognized when the invoice was submitted for reimbursement.



**Figure 6. Revenue by Source 2018-2019**

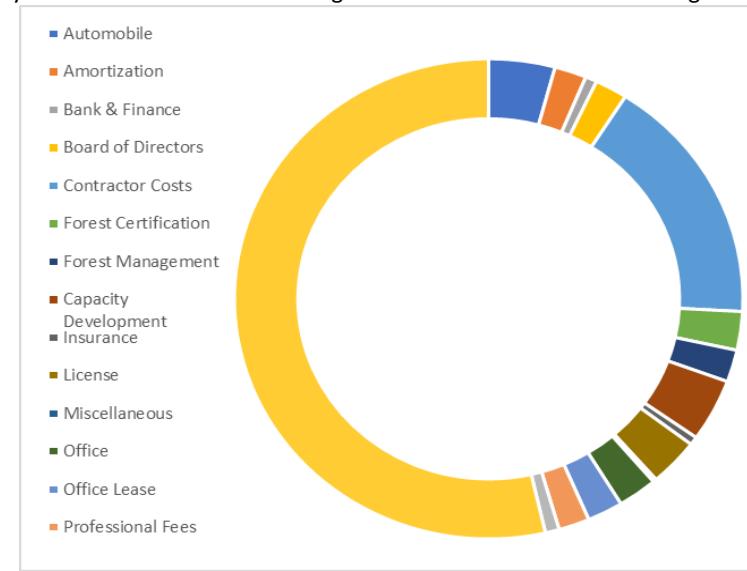
The total revenue for the period totalled \$7.8 million. Operating revenues from administration and similar fees for the audit period were \$530,000. Also, in 2018-2019 the NFMC collected residual stumpage charges of \$1.2 million as the price of lumber and softwood pulp exceeded the benchmark level. The former LFMC conversion funds and residual charges are referred to collectively as Timber Sales Charges reached almost \$2.7 million.

Roads funding for the audit period was \$3.3 million which includes funds received from the provincial forest access roads program and the agreement with the MTO to maintain the Industrial Road.

### **Expenditures**

Wages and benefit costs incurred during the audit period totalled \$780,000 a decrease from 2017-187 due to openings in full time technical and operating staff that was not filled until after the end of the year. The Board of Director's expenses totalled \$24,000, a reduction from the previous year as the number of board members decreased and many of the members utilized teleconference services to connect to the meetings held at the NFMC office in Marathon. The NFMC also incurred contractor services expenses to support management activities of \$248,000 such as FMP preparation and operations supervision.

The largest expenditure during the period was road construction and maintenance costs totalling over \$3 million, most which were recovered during the year from the MNRF Roads Program or the MTO Industrial Road agreement.



**Figure 7. Distribution of Expenses by Type for 2018-2019**

The NFMC incurred professional fees of \$72,000 for the preparation of audited financial statements and legal and accounting advice to support various agreements and corporate decisions. As a Crown Agency, the NFMC is subject to numerous rules and regulations not applicable to other SFL types and as a result what may otherwise be routine management decisions are subject to a thorough

review by its lawyers and auditors. The NFMC incurred office-related expenses of \$76,000, including rent. Additional expenditures included costs of \$33,000 to maintain the forest certification for the Pic River and Big Pic units and an additional \$25,000 for the White River. The NFMC incurred \$102,000 in vehicle, mileage and travel expenses during the year.

The NFMC invested \$173,000 in training and development for staff, contractors, and First Nations during the year. Per its mandate, the NFMC invested over \$150,000 in training and capacity development to provide for opportunities and a greater role for local and Indigenous communities in the management of Crown forests. The funds were used primarily to train employees at a First Nations based contractor that started operations on the management area during the year. The NFMC also invested \$20,000 in an initiative with the Town of Marathon and another \$17,000 in contractor training.

## 4.0 The Path Ahead

The NFMC now controls its three primary SFL's and is now able to start implementing the core of its mandate. The NFMC supported two local First Nations and implemented its scholarship program to help post-secondary students from local communities in natural resources fields of study. The NFMC will continue to build on its momentum and the strength of the forest products sector to look for new opportunities to build on its mandate.

The management of the NFMC believes its staff are the Agency's greatest asset. The NFMC recognizes the difficulties of attracting staff to Marathon and other small communities in the NFMC management area given the changing nature of work and the expectations of the so-called millennial generation. The NFMC will work to create an environment that encourages each staff member to achieve their full potential by encouraging professional development and growth.

The NFMC has successfully established its operating reserve and will now look at launching some strategic initiatives, especially those supported by local communities. One of the NFMC's priority areas for 2019-2020 will be the continued development of economic opportunities for the communities and First Nations in the NFMC management area. This will be accomplished through open and honest dialogue and business development collaboration and the development of the NFMC's Strategic Initiative Policy.

The biggest challenge facing NFMC's operations staff in 2019-2020 will be the completion of the Pic Forest FMP. In 2017-2018, the NFMC began the process of preparing the amalgamated FMP for the Big Pic and Pic River Forests. Contingency plans were prepared to align the two schedules and allow operations in 2017-2019. The new amalgamated FMP will not be completed until the second quarter of 2019-20, at the earliest, so the NFMC also prepared a contingency plan for 2019-20 to ensure operations can continue on the forest. The contingency plan did not affect the target date for amalgamating the forests, and the Pic Forest was amalgamated in April 2019.

The increased demand has put pressure on the NFMC, and it will work with harvesting contractors and receiving mills to ensure wood is delivered on time and at competitive prices, as well as working to maximize the value of the forest resource. NFMC will work to encourage new entrants and support initiatives that make sense for the communities, mills and forest sustainability. The NFMC is focussed on reducing the administration fees charged to mills as well as its renewal rate. The NFMC will work with its contractors to develop cost effective silviculture treatments that enhance forest health and productivity.

The NFMC will look to broaden the market for its products by working with new entrants. Attracting new investments means new jobs and a priority for the NFMC will be to find additional markets for under-utilized species such as poplar and birch. The NFMC believes that there are opportunities for future growth in the forest products sector. NFMC's ability to broaden its customer base and support new users will be available in 2019-2020 with the new FMP for the Pic Forest starting. The White River Forest started a new plan in 2018-19 and is expected to see an increase in harvest this year. The softwood volume from the White River is expected to be fully utilized by local mills, so the NFMC will be looking for opportunities to market the hardwood.

## **5.0 Audited Financial Statements**

**Nawiinginokiima Forest  
Management Corporation  
Financial Statements  
For the year ended March 31, 2019**

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## Independent Auditor's Report

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To the Board of Directors of Nawiinginokiima Forest Management Corporation

### Opinion

We have audited the financial statements of Nawiinginokiima Forest Management Corporation (the Corporation), which comprise the balance sheet as at March 31, 2019, and the statements of operations and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2019, and its results of operations and its cash flows for the period then ended in accordance with Canadian public sector accounting standards for not-for-profit organizations.

### Basis for Opinion

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

### Responsibilities of Management and Those Charged with Governance 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 for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Independent Auditor's Report (cont'd)

### Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
REPORT DATE

## Nawiinginokiima Forest Management Corporation Statement of Financial Position

March 31	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 7,898,362	\$ 3,235,155
Accounts receivable (Note 3)	7,584,907	7,882,246
Prepaid expenses	500,000	-
	<hr/>	<hr/>
	15,983,269	11,117,401
<b>Long term receivables (Note 3)</b>	-	1,073,532
<b>Roadside inventory (Note 4)</b>	900,000	900,000
<b>Property, plant and equipment (Note 5)</b>	10,541	30,638
	<hr/>	<hr/>
	\$ 16,893,810	\$ 13,121,571
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Bank Indebtedness	\$ 631,487	\$ -
Accounts payable and accrued liabilities (Note 6)	1,467,491	2,454,717
	<hr/>	<hr/>
<b>Net assets</b>		
Unrestricted	9,994,832	7,866,854
Operating reserve (Note 7)	4,800,000	2,800,000
	<hr/>	<hr/>
	14,794,832	10,666,854
	<hr/>	<hr/>
	\$ 16,893,810	\$ 13,121,571

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Nawiinginokiima Forest Management Corporation  
Statement of Operations and Accumulated Net Assets**

For the year ended March 31	2019	2018
<b>Revenue</b>		
Management fees	\$ 529,368	\$ 755,551
Forestry Futures Trust	2,773,389	7,562,596
Forest renewal activity	19,066	362,975
Forest access roads	3,286,233	3,012,298
Timber sales charges	1,218,907	1,549,472
	<u>7,826,963</u>	<u>13,242,892</u>
<b>Expenses</b>		
Amortization	20,098	30,021
Automotive	21,258	18,364
Bank charges	12,553	10,879
Board of Directors activities	23,962	30,592
Community/First Nation training and development	153,099	20,296
Contract services	249,185	248,857
Forest certification	58,350	38,449
Forestry equipment & supplies	68,211	32,048
Forest management services	454,513	74,610
Human resources development	44,574	42,006
Insurance	10,749	8,137
Licenses and subscriptions	17,056	47,467
Miscellaneous	2,927	3,283
Office	76,451	70,769
Professional fees	71,697	29,155
Public access road maintenance	1,620,770	3,021,929
Public relations	15,551	13,156
Wages and benefits	777,981	837,384
	<u>3,698,985</u>	<u>4,577,402</u>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>4,127,978</b>	<b>8,665,490</b>
<b>Net assets - unrestricted, beginning of the year</b>	<b>7,866,854</b>	<b>1,701,364</b>
Transfer to operating reserve (Note 7)	(2,000,000)	(2,500,000)
<b>Net assets - unrestricted, end of the year</b>	<b>\$ 9,994,832</b>	<b>\$ 7,866,854</b>
<b>Net assets - internally restricted, beginning of the year</b>	<b>\$ 2,800,000</b>	<b>\$ 300,000</b>
Transfer from operating reserve (Note 7)	2,000,000	2,500,000
<b>Net assets - internally restricted, end of the year</b>	<b>\$ 4,800,000</b>	<b>\$ 2,800,000</b>

## Nawiinginokiima Forest Management Corporation Statement of Cash Flows

For the year ended March 31	2019	2018
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 4,127,978	\$ 8,665,490
Item not involving cash:		
Amortization	20,098	30,021
	<hr/>	<hr/>
	4,148,076	8,695,511
<b>Change in non-cash working capital items:</b>		
Accounts receivable	1,370,870	(5,638,387)
Prepaid expenses	(500,000)	-
Accounts payable and accrued liabilities	(987,226)	(351,435)
	<hr/>	<hr/>
	4,031,720	2,705,689
<b>Cash used in investing activities</b>		
Long term receivable advances	-	(1,073,532)
	<hr/>	<hr/>
<b>Cash used in capital activities</b>		
Purchase of property, plant and equipment	-	(1,619)
	<hr/>	<hr/>
<b>Increase in cash and cash equivalents during the year</b>	4,031,720	1,630,538
<b>Cash and cash equivalents, beginning of year</b>	3,235,155	1,604,617
	<hr/>	<hr/>
<b>Cash and cash equivalents, end of year</b>	\$ 7,266,875	\$ 3,235,155
	<hr/>	<hr/>
<b>Represented by</b>		
Cash	\$ 7,898,362	\$ 3,235,155
Bank indebtedness	(631,487)	-
	<hr/>	<hr/>
	\$ 7,266,875	\$ 3,235,155
	<hr/>	<hr/>

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## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies

<b>Basis of Accounting</b>	These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.								
<b>Financial instruments</b>	<p>The Corporation's financial assets and financial liabilities are accounted for as follows:</p> <p>Cash is measured at fair value. Accounts receivable are recorded at amortized cost less any valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the statement of operations.</p> <p>Roadside inventory is recorded at cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.</p> <p>Accounts payable and accrued liabilities are recorded at cost.</p>								
<b>Property, Plant and Equipment</b>	<p>Property, plant and equipment are recorded at cost less accumulated amortization.</p> <p>Road costs are expensed when incurred.</p> <p>Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development that are directly attributable to the acquisition or construction of the asset.</p> <p>Amortization is provided for on a straight-line basis as follows:</p> <table><tbody><tr><td>Computer equipment</td><td>- 3 years</td></tr><tr><td>Furniture and fixtures</td><td>- 5 years</td></tr><tr><td>Leasehold Improvements</td><td>- 10 years</td></tr><tr><td>Computer software</td><td>- 3 years</td></tr></tbody></table>	Computer equipment	- 3 years	Furniture and fixtures	- 5 years	Leasehold Improvements	- 10 years	Computer software	- 3 years
Computer equipment	- 3 years								
Furniture and fixtures	- 5 years								
Leasehold Improvements	- 10 years								
Computer software	- 3 years								

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2019

### 1. Significant Accounting Policies (cont'd)

<b>Revenue Recognition</b>	Revenue from management fees and timber sales 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.  Revenue from forest renewable activity and forest access roads is recognized when earned and collection is reasonably assured.
	The Corporation accounts for Forestry Futures Trust Funding when an agreement is signed by the Corporation, MNR and the Forestry Futures Trust Committee.
<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. The principal estimates used in the preparation of these financial statements are the useful lives of property, plant and equipment, allowance for doubtful accounts and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.
<b>Contributed Materials and Services</b>	Contributed materials and services which are used in the normal course of the Corporation's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.
<b>Cash and Cash Equivalents</b>	Cash and cash equivalents consist of cash on hand, bank balances and bank indebtedness which are held for the purpose of meeting short-term cash commitments.

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2019

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### 2. Nature of Business

The Nawiinginokiima Forest Management Corporation (NFMC) is a Crown Agency which was established by the Ontario Government on May 29, 2012 under the Ontario Modernization Act of 2011. Operations commenced in February 2013. NFMC was established to operate within the defined management area that includes the communities of the Ojibways of the Pic River First Nation, Pic Robert First Nation, Hornpayne Aboriginal community, Marathon, Hornpayne, Manitouwadge and White River. NFMC operates on a not-for-profit basis and is exempt from income taxes under the Income Tax Act.

The mandate for Nawiinginokiima Forest Management Corporation is as follows:

- Manage Crown forests sustainability in accordance with the *Crown Forest Sustainability Act, 1994* including the development and implementation of Forest Management Plans.
- Market and sell available Crown timber.
- Provide economic benefits to communities.
- Provide for opportunities and greater role for local and Aboriginal communities in the management of Crown forests.
- Promote and attract forest sector investment in the local management area.
- Operate as a self financing business, which includes establishing an operating reserve which will ensure continued sustainable forest management in response to variations in economic cycles.
- Reinvest in the forest to improve the Crown forest asset.
- Advise the Minister of Natural Resources on matters related to the forest industry and forest sector.
- Collect, maintain and provide Crown timber sales and pricing information.

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### 3. Accounts Receivables

	2019	2018
Roads program	\$ 2,113,244	\$ 131,307
Stumpage fees	1,956,297	1,327,957
Trade	2,928,409	2,521,491
Forestry Futures Trust - LFMC	<u>641,358</u>	<u>5,029,424</u>
	<u>7,639,308</u>	<u>9,010,179</u>
Less: long term portion	-	(1,073,532)
Less: allowance for doubtful accounts	<u>(54,401)</u>	<u>(54,401)</u>
	<u><u>\$ 7,584,907</u></u>	<u><u>\$ 7,882,246</u></u>

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2019

### 4. Roadside Inventory

The Corporation has committed to provide advances to a contractor, B&M Hauling Ltd., to a maximum amount of \$900,000 for roadside inventory. As at March 31, 2019 the maximum committed advance amount has been provided. The advance is secured by wood processed at roadside or delivered to mills and a general security agreement covering all assets of B&M Hauling Ltd.

In March of 2019, the Corporation entered into a service agreement with B&M Hauling Ltd., whereby B&M Hauling Ltd. will provide certain services to the Corporation, and a percentage of the service fee will be applied against the roadside inventory advance until the amount is paid in full.

### 5. Property, Plant and Equipment

	2019	2018		
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 67,167	\$ 67,167	\$ 67,167	\$ 53,734
Leasehold improvements	20,000	10,000	20,000	8,000
Computer software	49,215	49,215	49,215	45,090
Computer equipment	41,207	40,666	41,207	40,127
	<hr/> <u>\$ 177,589</u>	<hr/> <u>\$ 167,048</u>	<hr/> <u>\$ 177,589</u>	<hr/> <u>\$ 146,951</u>
Net book value	<hr/> <u>\$ 10,541</u>		<hr/> <u>\$ 30,638</u>	

### 6. Accounts Payable

	2019	2018
Trade	\$ 519,393	\$ 2,009
HST payable	268,957	105,180
Roads	396,065	1,922,931
Stumpage fees	198,225	380,094
Wages	84,851	44,503
	<hr/> <u>\$ 1,467,491</u>	<hr/> <u>\$ 2,454,717</u>

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2019

### 7. Operating Reserve

The Board has established an operating reserve for the purpose of funding future possible operating deficits of Nawiinginokiima Forest Management Corporation. The release of these internally restricted amounts must be approved by representatives of the Board.

Subsequent to the year end, on December 20, 2018, the board approved an additional transfer to the operating reserve of \$2,000,000.

	2019	2018
Balance, beginning and end of year	\$ 2,800,000	\$ 300,000
Transfer from unrestricted net assets	2,000,000	2,500,000
Balance, end of year	<u>\$ 4,800,000</u>	<u>\$ 2,800,000</u>

### 8. Remuneration

Total remuneration of the Board members of the Corporation was approximately \$13,745 (\$16,363 - 2018) during the year.

### 9. Financial Risks and Concentration of Credit Risk

#### General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Corporation's General Manager. The Board of Directors receives monthly reports from the Corporation's General Manager through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

NFMC is not exposed to significant interest rate or foreign currency risk.

#### Liquidity risk

Liquidity risk is the risk that NFMC encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, NFMC will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and commitments. Management is of the opinion that the Corporation is not exposed to significant liquidity risk.

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## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2019

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### 9. Financial Risks and Concentration of Credit Risk (cont'd)

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. NFMC is exposed to credit risk from its accounts receivable and roadside inventory advances. NFMC mitigates its potential credit risk through proactive credit management policies that include approval and monitoring processes. Certain receivables are from government sources and the Corporation works to ensure it meets all eligibility criteria in order to qualify to receive credits. Furthermore, it evaluates the collectibility of accounts receivable and roadside inventory and records an impairment allowance for doubtful accounts, which reduces the receivables to the amount management believes will be collected. At year end, NFMC's accounts receivable are as follows; current \$1,329,587.10 (\$6,452,210 - 2018), 31 to 60 days \$2,678,257.76 (\$1,086,113 - 2018), 61 to 90 days \$435,868.64 (\$371,024 - 2018), and over 90 days \$3,740,447.19 (\$1,100,83 - 2018).

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### 10. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

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risk arises from accounts payable, long-term debt and commitments.