

# **Nawiinginokiima Forest Management Corporation**

## *2020-21 Annual Report*



[www.nfmcforestry.ca](http://www.nfmcforestry.ca)

## Table of Contents

1.0 Background.....	5
1.1 Company Overview.....	5
1.2 Mandate.....	5
1.3 Mission Statement.....	6
1.4 Corporate Governance.....	6
2.0 Description of Activities.....	7
2.1 Staffing, Office Establishment and Health and Safety.....	7
2.2 Forest Certification and Environmental Policy.....	8
2.3 Forest Product Markets.....	8
2.4 Community Engagement.....	8
3.0 Analysis of Operational Performance.....	11
3.1 Performance Measures.....	11
3.2 Operational Performance.....	11
4.0 Analysis of Financial Performance .....	15
5.0 Risk Events and Mitigation Strategies.....	18
6.0 Board of Directors.....	20
6.1 Board Committees.....	20
7.0 The Path Ahead.....	22
8.0 Audited Financial Statements.....	23

Submitted to the  
LIEUTENANT GOVERNOR IN COUNCIL

Date: JANUARY 19, 2023

## Chair's Message

I was appointed as Chair of the Nawiinginokiima Forest Management Corporation (NPMC) in the summer of 2020, marking the 2020-21 fiscal year as my first with the Crown Agency. Along with my appointment, the Board's membership experienced significant turnover with four new appointees and three members renewing their terms.

The members of the NPMC's Board of Directors take their responsibilities to guide the NPMC seriously and I believe the current composition of the NPMC Board will successfully navigate the challenges NPMC faces. In the short period of time the Board has spent together it is obvious to me that the Board of Directors is working toward common goals and successes for the Agency.

As a collective, the Board of Directors is in the beginning stages of becoming familiar with NPMC staff, and the intricacies of operations on two forest management units, and the Agency's current Strategic Plan which is set to expire at the end of 2021. One of the priorities of the Board will be to establish a new Strategic Plan for 2022-2027. A second priority for the Board will be further establishing relationships with local First Nations, municipalities, industry, and the Ministry of Northern Development, Mines, Natural Resources and Forestry.

The time spent so far at NPMC has assured me of the motivated, dynamic, and talented team of staff members in place that are more than ready to take on new and exciting initiatives. The Board of Directors looks forward to working with them for years to come.

A handwritten signature in dark ink, consisting of a stylized 'L' followed by a long horizontal stroke that curves slightly upwards at the end.

Respectfully,

Laird Van Damme, Chair of the Board  
Nawiinginokiima Forest Management Corporation

## General Manager's Message

The 2020-21 fiscal year brought significant challenges to not only NFMC, but also our communities and industry as the world faced the presence and consequences of the Coronavirus. From an operations perspective, the COVID-19 pandemic initially resulted in markets slowing, mills temporarily halting production, and communities facing an uncertain economic future. Thankfully, Canadians, government leaders, and health care professionals adapted quickly to the pandemic's challenges and as Canadians became more informed and better prepared to handle the pandemic, the forestry market outperformed pre-pandemic economic conditions. While NFMC's harvest levels by the end of 2020 never truly recovered compared to pre-pandemic projections, NFMC's mills nevertheless finished the 2020-21 fiscal year financially sound and operations in the Pic and White River forests continue to be strong.

The positive markets for the forestry industry resulted in NFMC benefitting from residual value revenues, which were not expected, but resulted in creating a substantial portion of our overall surplus. This influx of cash flow has allowed NFMC to increase our operating reserve therefore strengthening the financial position of the Agency for future years.

I am very proud of the work done by NFMC staff during the 2020-21 fiscal year. The NFMC responded and adapted quickly to the changing environment and did not allow its operations to be hindered significantly by the COVID-19 pandemic. Work continued in less-than-ideal circumstances, but strong work ethic and dedication, allowed NFMC staff to identify creative ways to remain efficient and manage the NFMC's responsibilities with minimal interruptions.

Unfortunately, one of the setbacks caused by the pandemic was the lack of progress on creating and assisting our local communities with NFMC programs, including economic and capacity development initiatives. This will be a major focus for the NFMC as we head in the 2021-22 fiscal year, as NFMC continues its work of meeting the goals and objectives set by the Board of Directors as well as the mandate of the provincial government.

Finally, I want to thank the NFMC's Board members, several of whom saw their appointment's expire over the past year. Thank you for guiding the NFMC and driving the Agency to always achieve more. To the new members on the Board, thank you for volunteering to be part of this Agency and on behalf of the NFMC's staff, we look forward to working with you and establishing a new Strategic Plan that reflects your vision of the Agency for years to come.

Sincerely,

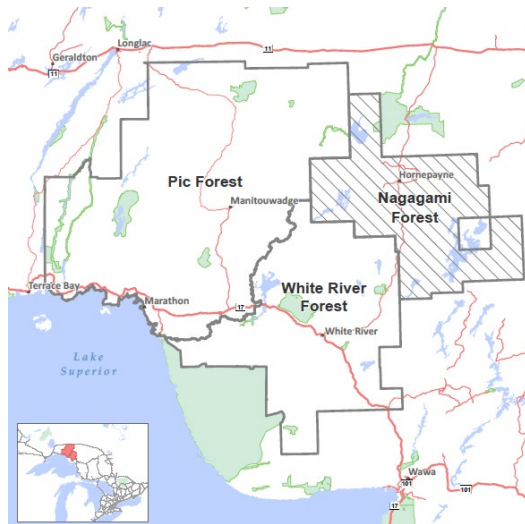
A handwritten signature in black ink, appearing to read 'C. Notarbartolo', with a stylized flourish at the end.

Carmelo Notarbartolo, General Manager  
Nawiinginokiima Forest Management Corporation

# 1.0 Background

## 1.1 Company Overview

Nawiingnokiima Forest Management Corporation (NPMC) 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>). NPMC was established through the passage of Regulation 111/12 under the *Ontario Forest Modernization Act, 2011* on May 29, 2012.



**Figure 1. Map of NPMC Management Area (as of March 31, 2021)**

The management area in 2020-21 was comprised of two forest management units (FMUs): Pic Forest and White River Forest, leaving only the Nagagami Forest outstanding from the original concept of what NPMC management area would include.

NPMC, 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 approved Forest Management Plans (FMPs). These activities are subject to an Independent Forest Audit (IFA) and the audit results are made available to the public.

## 1.2 Mandate

NPMC 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.”

NPMC completed a mandate review in 2018 and did not receive a mandate letter for 2020-21. NPMC was guided by the direction outlined in prior years’ mandate letters, direction from the Board of Directors as well as the objects of the LFMC detailed in the OFTMA. The OFTMA states the objects of a Local Forest Management Corporation (LFMC) as follows:

- To hold forest resources licences and manage Crown forests in accordance with the Crown Forest Sustainability Act, 1994 (CFSA) 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, NPMC initiated a strategic planning exercise that resulted in the document “Working Together – Strategic Plan 2017-2021” that established the Agency’s priorities for the next five years. Between 2017 and 2021, NPMC’s staff and Board put in place a number of programs or developed policies to support the goals of the Strategic Plan (summary provided in Table 1). NPMC has begun the process of creating a new strategic plan for 2022-2027 that will guide its direction for the next five years.

Strategic Area	Proposed Strategy	Status/Strategic Initiatives
Stakeholder	Engagement Strategy	-Policy for observers at Board meetings -Forest Industry Stakeholder Advisory Committee -Communications Strategy under development -Strategic Initiative Policy developed
	Talent Management & Compensation Strategy	-GM and other members of the management team recruited -Compensation Strategy approved -Performance Management & HR Committee formed
	Education Strategy	-Scholarship Program established for local youth attending university or college
	Partnership in Innovation Strategy	-Strategic Initiative Policy established
Economics	Economic Development Strategy	-Established Procurement Policy -Established Strategic Initiatives Policy
	First Nation Economic Development Strategy	-Procurement Policy established -Established Strategic Initiatives Policy
	Maximizing Value from the Forest Strategy	-Long-term MOAs with customers -Available wood supply report -Established Strategic Initiatives Policy
	Financial Management & Reinvestment Strategy	-Building stable and sufficient cash flow -Establishment of Operating Reserve -Established Strategic Initiatives Policy
Marketing	Wood Marketing Strategy	-Open Market Sales Program developed and draft policy developed
	Brand Strategy	-Communication strategy under development
	Forest Industry Strategy	-Long-term MOAs with customers -Forest Operation Committee established

**Table 1. Summary of NFMC's 2017-2021 Strategic Plan**

### **1.3 Mission Statement**

The mission of NFMC is:

- To hold forest resource licences (FRLs) and sustainably manage Crown forests in accordance with the CFSA 1994 and to promote the sustainability of Crown forests.
- To provide for economic development opportunities for Indigenous peoples.
- To become a self-sustaining business entity and to optimize the 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.

### **1.4 Corporate Governance**

NFMC has a Memorandum of Understanding (MOU) with the Ministry of Northern Development, Mines, Natural Resources and Forestry (MNDMNR). The MOU outlines the responsibilities of the Minister, Deputy Minister, Chair of 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 of the MNDMNR, 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.

## 2.0 Description of Activities

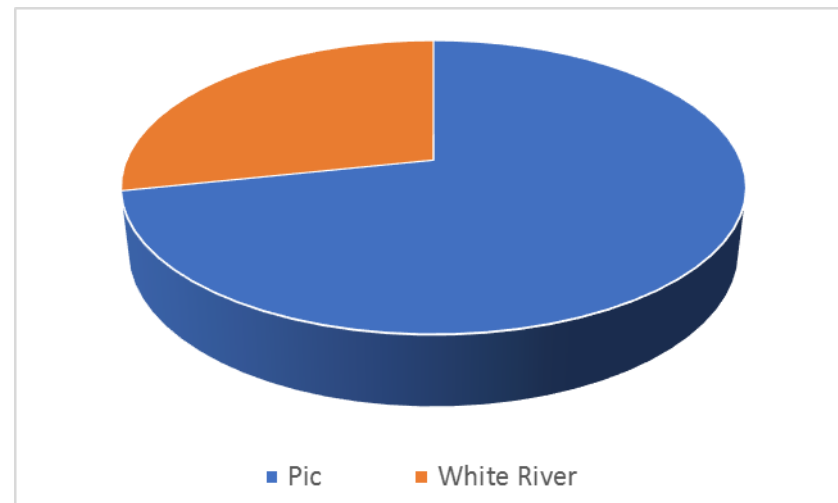
Activities of NFMC are guided by the conditions of the licences it holds, consistent with the requirements of the CFSA and the OFTMA. NFMC has four major program areas:

1. Forest management planning;
1. Forest operations (including harvesting, renewal, roads, and compliance activities);
3. Economic development initiatives, and
4. Timber sales and marketing.

The NFMC's Planning Forester oversees the preparation of FMPs plus all the other requirements of the various manuals such as annual work schedule (AWS), Annual Report, and compliance report preparation. The NFMC's Forest Technical Specialists are responsible for the oversight of harvesting and road construction activities on the Agency's land base. The Silviculture Technicians plan and oversee the renewal activities on the forests. The Silviculturist ensures that the NFMC forests meet the forest renewal and sustainability requirements set out by the MNMNR as well as third-party certification programs such as Forest Stewardship Council (FSC®). These staff members report to the Operations Manager and are supported by NFMC's Forestry Geographical Information System (GIS) Technical Specialists and administration staff in managing the Pic and White River Sustainable Forest Licenses (SFLs).

During the 2020-21 fiscal year, 688,000 m<sup>3</sup> of wood and 50,000 m<sup>3</sup> of biomass were delivered from the White River and Pic Forests to receiving mills. This is an increase over the previous year when NFMC delivered 651,000 m<sup>3</sup>. Even though we have a favourable variance, the industry continues to encounter challenges with its contractors plus reduced operating levels due to the concerns over COVID-19.

NFMC's primary customers are AV Terrace Bay Inc., Lecours Lumber Co., Levesque Plywood Limited, White River Forest Products, Hornepayne Lumber LP and Longlac Lumber Inc. Most volume was delivered by four primary contractors on the FMUs: B&M Hauling Ltd., Kabi Lake, AMIK Logging Limited Partnership/Lecours Lumber, and AV Terrace Bay Inc. NFMC is moving forward on strategic initiatives to increase contractor capacity, specifically through arrangements that support local and First Nation economic development which should increase deliveries.



**Figure 2. NFMC Harvest by SFL**

Factors affecting achievement of objectives are typically fluctuating market demand for forest products, extreme weather conditions, recreational and biological timing limitations on operations and the availability of human and physical resources. The harvest volume in the first quarter of 2020-21 was below the target level because of local mills curtailing production in April and May 2020. Mills anticipated reduced demand due to the COVID-19 pandemic. While the Canadian and United States (U.S.) governments put in place various levels of restrictions (and lumber companies forecasted a reduced demand for wood products), the stay-at-home orders actually resulted in a significant increase in demand for home renovation projects and resulting in a surge in the lumber market. Deliveries from NFMC's management area were strong in the final three quarters of 2020-21 due to the increased demand for lumber.

### 2.1 Staffing and Office Establishment

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

Nawiinginiima Forest Management Corporation  
P.O. Box 1479  
14 Hemlo Drive  
Marathon, ON P0T 2E0  
Phone: 807-229-8118  
Website: [www.nfmcforestry.ca](http://www.nfmcforestry.ca)  
General inquiries: [contact@nfmcforestry.ca](mailto:contact@nfmcforestry.ca)

NFMC also maintains a satellite office in White River, Ontario to support operations on the White River Forest.

## **2.2 Forest Certification and Environmental Policy**

### **Forest Certification**

NFMC maintained its FSC® certification on the White River and Pic Forests in 2020-21. FSC® certification of the forests under its management is considered a major accomplishment that demonstrates NFMC's commitment to manage its forests sustainably, support its industry partners, and help facilitate local community and First Nation economic development. NFMC staff work hard to ensure the annual surveillance audits are successfully completed, 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 for the audit teams.

## **2.3 Forest Product Markets**

NFMC supplies four main forest product sectors: lumber, panel, pulp and paper, and forest biomass. The COVID-19 pandemic struck at the end of the previous fiscal year and did not have a significant impact on 2019-2020. The impact on 2020-21 appears to be positive. Commodity prices, in particular lumber, increased during the year and are expected to remain high into at least the first half of 2021-22. Northern Bleached Softwood Kraft (NBSK) prices showed resilience during the initial stages of the pandemic and held through 2020-21. Lumber prices may remain high as they are tied closely to the U.S. housing markets which is in-turn related to the overall U.S. economy. However, most economists predict a decline from the record prices seen in 2020-21, before the end of 2021. As the pandemic appears to be winding down, the outlook for 2021-22 is uncertain.

The spike in commodity prices may be a result of rising inflation, government debt levels, and changes in the workplace place (people working from home). These multitude of factors will affect businesses in different sectors and a spike in real estate prices, especially single-family homes, are characterizing the post pandemic economy. The speed of the recovery is unknown, and projections vary greatly therefore the NFMC must prepare for an uncertain year.

## **2.4 Community Engagement**

The pandemic limited the amount of engagement NFMC could have with its stakeholders. Out of an abundance of caution the NFMC office was closed to the public for most of the year. Also, meetings and presentations were held virtually rather than in actual communities.

In 2021-22, NFMC will re-engage with First Nations, communities, and other key stakeholders to develop meaningful strategies and programs to achieve the objects of the Agency's mandate.

One area where staff time and resources were invested in 2020-21 was the NFMC's social media presence as a means for the Agency to reach out to the communities on its management area. NFMC's social media following grew quarter over quarter during 2020-21. In 2020, NFMC's Facebook page ([Facebook.com/NFMCForestry](https://Facebook.com/NFMCForestry)) had 5,387 page visits, and has 226 page likes (an increase of 65 percent over the prior year). Also, 86,483 unique users had content from or about the NFMC Facebook page enter their screen.

In 2020 NFMC established a Twitter account (@NFMCForestry) as a means to inform the public on what is happening at NFMC. NFMC sent 106 tweets between September 2020 and March 2021. NFMC tweets were seen a total of 30,842 times across users' feeds and the Twitter profile was visited 2,108 times. NFMC's Twitter page has 58 followers which is an increase of 63.7 percent.



### **Training and Human Resources Development**

NFMC supported training initiatives designed to improve health and safety or environmental performance for several stakeholders during 2020-21 including the following:

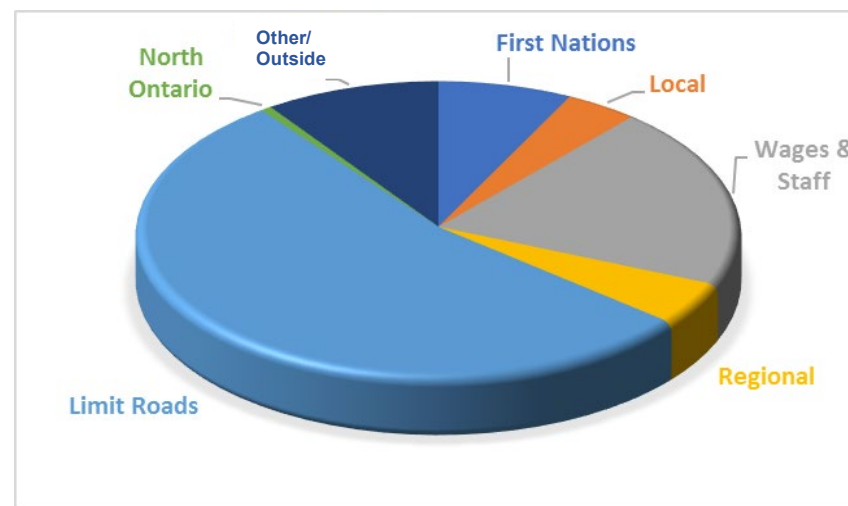
TRAINING COURSE	STAKEHOLDER
Competent Supervisor	AVTB, Longlac Lumber
First-Aid	B&M, Goliboski, D&G, MKWA
Forestry Common Core	B&M, TNT, MKWA, Goliboski
Lockout Training	B&M
Planned Workplace Inspections	B&M, MKWA
SP 102	B&M, MKWA, WRF subcontractors
WHIMS	B&M

**Table 2. List of Training Courses Provided by NFMC to Stakeholders**

### **Contribution to the Local Economy**

NFMC's mandate includes providing economic development opportunities for local communities and First Nations. NFMC developed a Procurement Policy with this in mind. NFMC sought, where possible, to source supplies and services from First Nations, local and regional vendors. NFMC directly contributed over \$5.3 million to the local and regional economy.

NFMC purchased goods and services from local First Nations valued at almost \$500,000 in addition to its support through strategic initiatives. NFMC purchased another \$600,000 from vendors in its management area or other communities in Northern Ontario. In addition to purchases from vendors in Northern Ontario, NFMC paid almost \$1 million in wages and salaries that were spent in local communities. Further to the economic benefits mentioned above, NFMC also paid over \$3 million for road construction and maintenance activities in its management area.



**Figure 3. NFMC Purchases by Locale**

### **Supporting Local Communities**

NFMC's commitment to supporting the communities and First Nations within and surrounding the FMU includes financial assistance through our Donations and Sponsorship, Scholarships and Strategic Initiatives Programs. In 2020-21, NFMC received nine applications for the Donations and Sponsorship Program from projects and events in Manitouwadge, White River, Marathon, Wawa, Netmizaaggamig Nishnaabeg First Nation and virtual large-scale conference platforms. Of the nine applications, eight were funded for a total contribution amount of \$7,500. The application declined was for a nationwide conference that did not meet Program requirements. However, two of the eight approved applications sponsored province-wide conferences and another two donations were made to local events which provided NFMC virtual booths and sponsorship recognition. The other four donations provided funding for landscaping at a community park, lighting on community trails, equipment for an elementary school program, and themed prizes for a First Nation fishing derby event.

While the NFMC's Scholarships Program received three applications in 2021 only two were submitted before the deadline. Both submissions were from students who attend high school in Terrace Bay and were attending university

in the fall. A total of \$6,000 was awarded to the recipients under the Scholarships Program. One of the recipients identify as Indigenous.

In 2020-21, NFMC received one application to the Strategic Initiatives Program (SIP) with a request of \$1 million dollars. The application remains under review by various parties and approval is pending.

To continue promoting NFMC and its Programs and opportunities, a virtual booth was purchased at both of Lakehead University's fall and spring career fairs. By participating in these events, NFMC provided university students with information on NFMC's Scholarships Program, student summer jobs opportunities, and information on NFMC and its mandates. In addition, over the 2020-21 fiscal year, NFMC liaised with various secondary schools, colleges, and universities to provide the Scholarships Program application package to staff and students with the goal of increasing the number of applications submitted in 2021-22. Finally, the NFMC reached out to the Métis Nation of Ontario (MNO) to raise awareness of the NFMC's SIP and to encourage the MNO to circulate the application package to Indigenous peoples with eligible projects to apply.

## 3.0 Analysis of Operational Performance

### 3.1 Performance Measures

NFMC 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). NFMC's performance measures and achievements are outlined below.

1. World class forest management company
  - Maintained third-party FSC® Certification on the White River and Pic Forests.
  - Completed the amalgamated Contingency Plan for the Big Pic and Pic River Forests (now known as Pic Forest).
  - Addressed IFA action plan items.
2. Becoming financially self-sufficient
  - Cash on hand (including reserves) on March 31, 2021 is almost \$15 million.
  - NFMC set its operating reserve at \$8 million on March 31, 2021 in segregated funds.
3. Extending scope of usage
  - Commitment volumes made available but not fully utilized due to operational factors and conditions facing certain customers.
4. Meeting governance requirements
  - Timely submission of SFL Business Plan and Agency Business Plan to MNDMNRF.
  - Posted reports to its website; including travel, meal and hospitality expenses to the website for public disclosure.
  - Governance training provided to Board members when required or requested.
5. Building new local forest related industry
  - Delivered volumes have increased over previous year.
  - Made payment to Maygwayyawk Forestry Services (Netmizaaggamig Nishnaabeg First Nation's harvest company), to support its harvest

operations as part of a plan to increase the First Nation's forestry capacity and increase volume available to local mills.

- Continued to develop policies for implementation in 2020-21.

#### 6. Establishing a new baseline for First Nation engagement

- Moved forward on strategic initiatives related to road maintenance and harvesting capacity with a local First Nations. Invested over \$1 million in payments to Indigenous contractors for services or in direct support.
- NFMC Board appointed representatives of both Netmizaaggamig Nishnaabeg First Nation and Biigtigong Nishnaabeg First Nation in 2020-21.

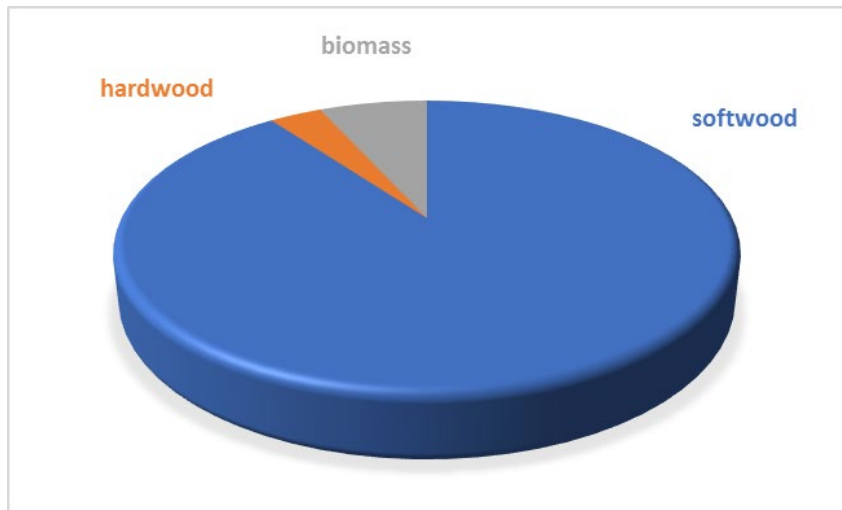
#### 7. Engaging the community in forestry

- Board included representatives from Marathon, Manitouwadge, Hornepayne, and White River as well as at large members.
- Staff attended community educational events and tradeshow across the region including Marathon, Terrace Bay, Longlac, Thunder Bay.
- NFMC awarded scholarships to local students under its 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.
- NFMC is a member of the Ontario Forest Industry Association, which serves to provide a unified voice to the government and other industrial and business sectors.

### 3.2 Operational Performance

NFMC's core business and primary performance measures consist of harvest volume and area-based forest management programs (also referred to as forest renewal or silviculture) and financial results. During the 2020-21 fiscal year, the merchantable volume harvested on the NMC management area was approximately 688,000 m<sup>3</sup> which was below the budget of 818,000 m<sup>3</sup>. The harvest volume in the first quarter were below the target level as a result of local mills temporarily curtailing production and deliveries in April and May 2020. The slowdown in deliveries was limited to the first quarter. Strong demand and prices for lumber and NBSK resulted in delivery increases during the rest of the year.

Most of NFMC's delivered volume is softwood, which accounted for almost 90 percent of the deliveries (Figure 4). Softwood demand has remained stable over the last three years and is projected to increase in the next three years. NFMC was able to meet its biomass delivery targets but the market for merchantable hardwood is still a challenge.



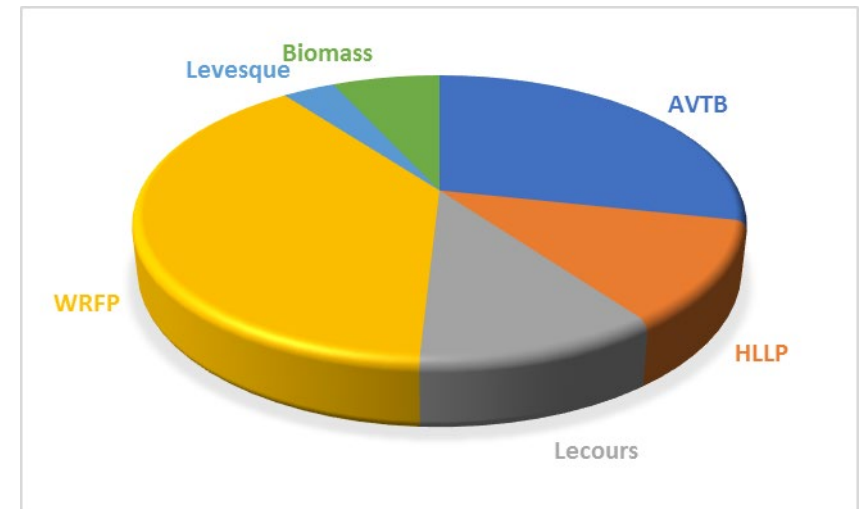
**Figure 4. Volume Distribution by Species Type 2020-21**

NFMC provides fibre to mills from Terrace Bay to White River to Hearst. There are four softwood sawmills, one softwood pulpmill, one hardwood veneer facility and two plants that use biomass in or adjacent to its management area.

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 Ltd.	White River	SPF Lumber

**Table 3. List of NFMC Primary Customers (Locations and Products)**

The primary customers for NFMC were AV Terrace Bay and White River Forest Products Ltd together accounted for approximately 66 percent of delivered volume from NFMC's management area (Figure 5). As a result of fibre exchange agreements between mills, Hornepayne Lumber LP increased demand to its highest levels since the NFMC started and accounted for over 10 percent of the delivered volume.



**Figure 5. Volume Distribution by Destination 2020-21**

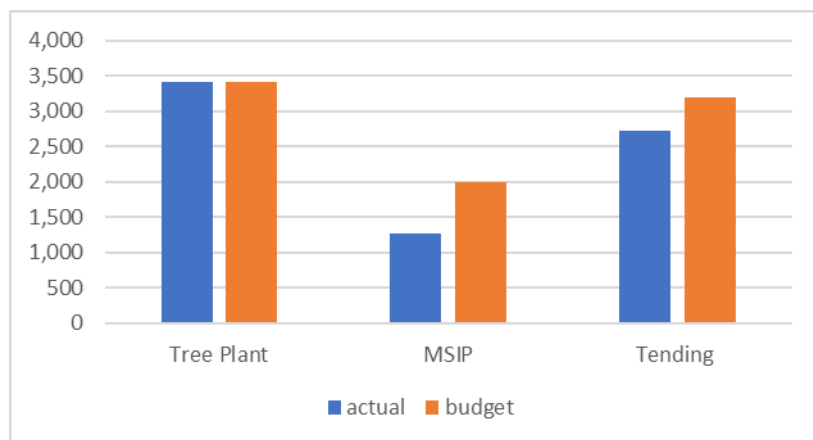
NFMC's objective to grow forest operations activities to better achieve its mandate requires implementation of key operational strategies including the development of new/additional forest access roads and supporting/attracting logging contractors. These strategies represent significant investment of human and financial capital and are at various stages of development.

NFMC has continued to maintain the Caramat-Manitouwadge "Industrial Road" for the Ministry of Transport Ontario (MTO). NFMC utilizes a local First Nation contractor to maintain the Road resulting in providing an economic opportunity to the First Nation's community. The NFMC's webpage regularly posts updates on the condition of the Industrial Road in order to advise the public of travel conditions. The updates also identifies areas of the Road that may require maintenance.

Forest management activities were carried out with support from qualified service providers to facilitate ongoing forest operations including any required amendments to the FMPs and revisions to AWSs. NFM's Silviculture Program spending from the Forest Renewal Trust (FRT) for 2020-21 was almost \$2.9 million. The Pic Forest's expenditures were \$1.8 million and the White River Forest's expenditures were \$1.1 million. NFM continues to manage its Silviculture Program with the objective of achieving improved results and cost control through the timely treatment of harvest blocks, Free to Grow surveys, etc. During 2020-21, NFM created a surplus in its renewal trust account on the Pic Forest and maintained a surplus on the White River. NFM was able to reduce the renewal rate on the Pic Forest by \$0.16 per m<sup>3</sup> for 2020-21.

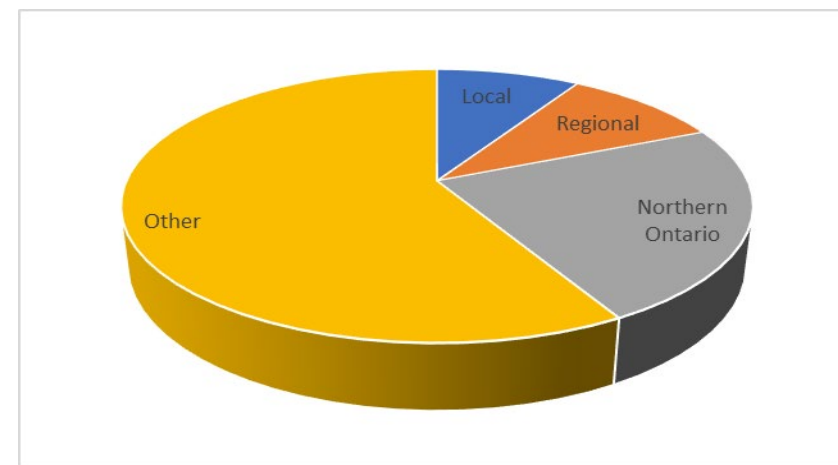
The NFM's 2020-21 Silviculture Program included the following activities:

Mechanical Site Prep	1,084 ha
Chemical Tending	2,731 ha
Stock Production	5,500,000 trees
Planting	5,103,120 trees



**Figure 6. Compare Actual Silvicultural Area Treated (ha) Versus Budget for 2020-21**

Like other NFM purchasing initiatives, NFM sought to use local and regional suppliers for its various renewal activities. NFM's Silviculture Program purchased over \$1.2 million in services from Northern Ontario vendors. This does not include spending by our contractors, such as tree planters, in local communities while they are working on NFM's management area.



**Figure 7. NFM Renewal Spending by Locale**

## 4.0 Analysis of Financial Performance

The Agency appointed an independent auditor to review the accounts and financial transactions of the Agency for 2020-21 (see Section 5.0). NPMC is a Crown Agency and operates on a cost recovery basis and is exempt from income taxes under the federal *Income Tax Act*.

NPMC recorded a net income of \$6.7 million in 2020-21 compared to net income for 2019-20 of \$2 million. The difference is primarily due to the receipt of residual charges on deliveries of sawlogs from the White River and Pic Forests. The forest products market was strong last year, and all area mills were operating at year end.

### Balance Sheet

NPMC increased its cash position by \$7.6 million to \$17.4 million during the 2020-21 audit period. The balance of accounts receivable at the end of the audit period was \$4.9 million, including long-term receivables. The balance is comprised of \$3.0 million invoiced before March 31, 2021 for stumpage fees, the MTO, FRT, and trade receivables. Trade receivables include administration, permit fees receivable from various mills, and overlapping agreement fees. NPMC also accrued \$1.90 million at year-end which includes \$1.4 million for deliveries before March 31, 2021 but not invoiced in the MNDMNR's ITREES system until April and May.

Subsequent to year-end, NPMC made significant strides in collecting arrears on stumpage fees. This resulted in a decrease of long-term receivables from \$1.4 million in 2019-20 to \$0.4 million in 2020-21.

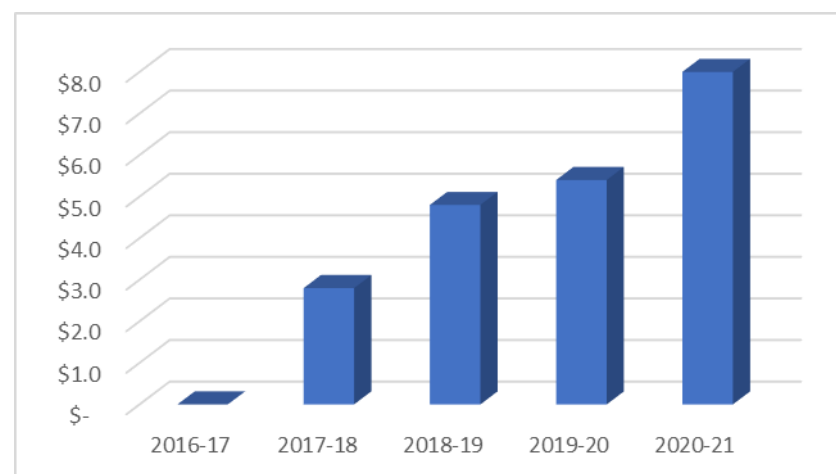
No improvements or modifications were made to the office that NPMC leases. NPMC moved into a larger office space in 2019 to accommodate its growing staff and operational needs. The only capital expenditure in 2020-21 was a work laptop. Equipment and other assets are recorded at cost less accumulated amortization.

NPMC recorded the disposal of the old office space leasehold improvements in 2020-21. The result was a loss of \$8,000 recorded on the Statement of Operations and Accumulated Net Assets.

Liabilities at year-end were \$2.2 million and are primarily related to the accrued Crown dues including deliveries in January-March 2021 but not billed

until after the year-end, and the province's Forest Roads Funding Program (FRFP) funds receivable by NPMC and repayable to the industry as part of the Beneficiary Flow-Through Agreement.

Since NPMC was issued the SFL for the Pic Forest in 2017-18 the Agency has increased its operating reserve by \$8 million. The original operating reserve target set by the Board for March 31, 2021 was \$6 million. However, given the success the industry and NPMC had in 2020-21, the Board met before year-end to review the operating reserve and the target was increased to \$8 million. This is an increase of \$2,600,000 from 2019-20. The reserve provides NPMC's management with funds to cover more than four years of regular operations.



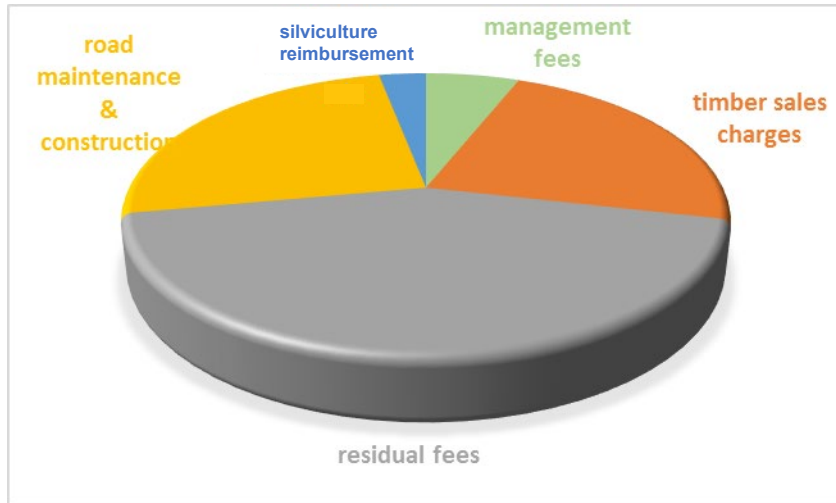
**Figure 8. Operating Reserve (\$ million) 2016-17 to 2020-21**

### Revenues

Revenues from management fees and forest renewal charges are recognized when wood is delivered. Revenues from the FRFP were recognized when the invoice was submitted for reimbursement.

The total revenue for the period totalled \$11.8 million. Operating revenues from administration and similar fees for the audit period were almost \$692,000. Also, in 2020-21, NPMC collected residual stumpage charges of \$4.8 million as the price for softwood pulp and lumber exceeded the benchmark level during the year. The former minimum stumpage (sometimes referred to

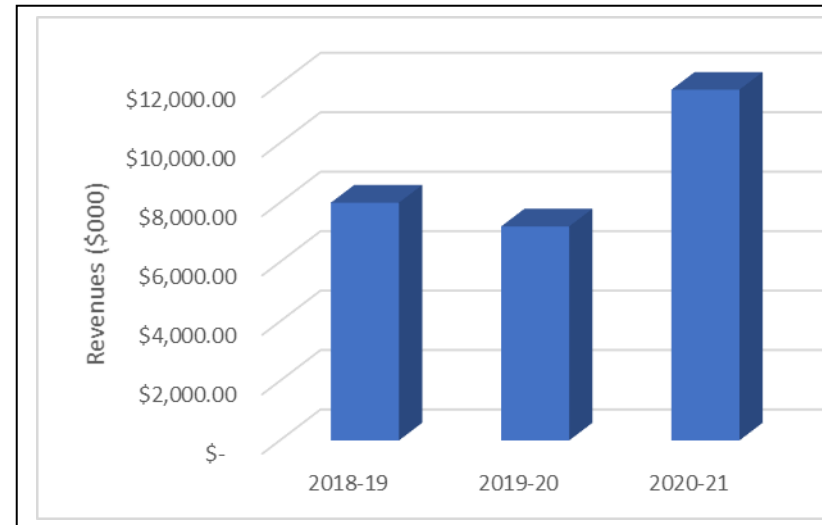
as CRF) and residual charges are referred to collectively as Timber Sales Charges on the income statement and reached \$7.57 million.



**Figure 9. Revenue by Source 2020-21**

Funds to maintain and improve forest access roads during the audit period include just over \$3.1 million from the FRFP and \$300,000 as part of the agreement with the MTO to maintain the Industrial Road. The Industrial Road is an important throughfare for the industry to move wood from one side of the FMU to the other and it is also used by local residents for travel and recreation purposes.

The revenue in 2020-21 was higher than the previous year, partly due to increases in delivered volume and an increase in the management fee to \$0.96 from \$0.86. However, the primary reason for the increase in revenue, is the amount of residual fees received in 2020-21 was higher as the price of lumber reached the highest levels recorded, over \$1,500 per thousand board feet. The residual fees are expected to continue into 2021-22.



**Figure 10. NFMFC Revenue 2018-19 to 2020-21**

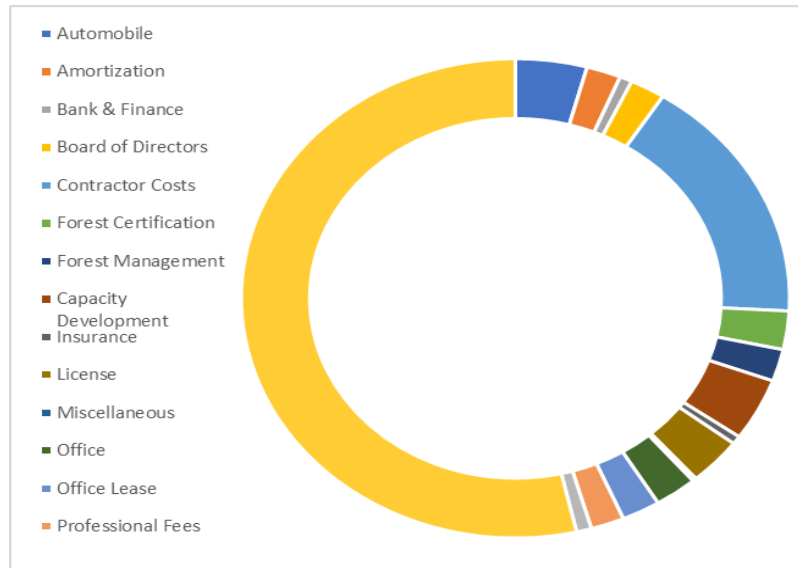
### Expenditures

Wages and benefit costs incurred during the audit period totalled over \$1.1 million with an increase from the prior year due to filling job vacancies. NFMFC saw a corresponding decrease in the use of contractors that provide forest management, GIS, and supervision services. NFMFC incurred just over \$38,000 in staff vehicle, mileage, and travel expenses during the year.

The Board of Director's expenses including remuneration and expenses totalled \$9,600, a reduction from the previous year as the number of board members decreased and attended meetings virtually due to COVID restrictions. NFMFC also incurred contractor services expenses to support management activities of \$145,500. The largest expense was to reimburse White River Forest Products Ltd. for the cost of preparing the White River Forest FMP. Additional expenditures included costs of \$55,000 to maintain FSC® certification for the Pic and White River Forests.

The largest expenditure during the period were road construction and maintenance costs totalling almost \$3.2 million, most which were recovered during the year from the FRFP or the MTO Industrial Road Agreement. NFMFC also began to examine and plan for future capital expenditures to improve

access to new harvest areas and replace some of the aging infrastructure on the FMUs.



**Figure 11. Distribution of Expenses by Type for 2020-21**

NFMC incurred professional fees of \$58,800 for the preparation of audited financial statements and legal and accounting advice to support various agreements and Agency decisions. As a Crown Agency, 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. NFMC incurred legal fees involving the United Steelworkers Union on the White River Forest.



## 5.0 Risk Events and Mitigation Strategies

As a Crown Agency, there is a need to regularly identify, assess and manage any risks to the achievement of Agency, Ministry and/or government objectives. To do this, NFMC follows the risk assessment and risk management process outlined in the Guide to the Risk-Based Approach. Annually, NFMC completes its Risk Assessment Report and Risk Management Plan and submits it to the MNDMNRF's Corporate Management and Information Division (CMID).

NFMC reports its risks quarterly and the circumstances at the time dictate the risk elements identified as well as what the risk level and impact of each element. During 2020-21, no significant risks were identified, however, some minor risks were overcome related to markets and receivables from its customers.

NFMC has established several strategic initiatives aimed at increasing the number of forestry contractors working on its FMUs as well as improving infrastructure to allow more wood to be delivered to mills. NFMC will continue to work with mills to ensure it is able to meet demand at competitive prices.

The mandate of NFMC requires operating as a self-financing business, which includes establishing an operating reserve to ensure continued sustainability in response to variations in economic cycles. NFMC increased the amount in the operating reserve and now has approximately four years of operating costs in its reserve. In addition, NFMC set aside money in its budget to address unforeseen events and developed an Unforeseen Events Policy.

NFMC's unique mandate requires specialized administrative functions including a forest products business-focused financial department and systems support. NFMC workforce is highly skilled and is highly mobile in today's economy. NFMC experiences high rates of employee turnover as skilled employees leave for positions which may offer better pay and benefits, to live in bigger city centers, or for family related reasons. Skilled and experienced employees are critical to NFMC business continuity and the delivery of required programs and support functions. The risk that NFMC faces is not being able to attract (and retain qualified and motivated employees) leading to performance issues, business and service continuity risks.

NFMC has obtained, and will maintain, insurance appropriate for a prudent business in similar circumstances to the Corporation including comprehensive general liability insurance and Directors and Officer's obligation insurance.

The biggest risk currently facing NFMC are the consequences of the economic shutdown and restrictions resulting from the Coronavirus. The forest sector in Northern Ontario is highly dependent upon the U.S. housing market as the main driver of demand. The U.S. housing market began 2021 strong, including upticks in home prices and home sales. The high cost of lumber, however, has made the price of new houses beyond the reach of many and may result in a slow down in construction activity. The wider economy is also uncertain; if the increase in inflation is not a short term blip then central banks may be forced to raise interest rates which will also reduce the demand for houses and put many current borrowers in a difficult position.

The Coronavirus also had an impact on the finances of the provincial government. The government responded to the economic crisis with an increase in spending to mitigate the impacts. At the same time, the revenue the government received decreased as sales and incomes dropped. The result is the province's government debt and deficit targets have been missed. How the provincial government will respond post-pandemic is uncertain. NFMC is a self-financing Agency and does not receive funds directly from the province. Therefore potential government austerity measures should not impact its operations directly but may effect the level of support it receives from the MNDMNRF.

### **Environmental Policy**

NFMC recognizes environmental protection as one of the Agency's primary drivers as well as a key component of sound business performance. NFMC has an established Environmental Policy with an ongoing commitment made to providing quality forest products and related services in a manner that minimizes the potential impact on the environment. In addition, 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 NFMC will:

- integrate the consideration of environmental concerns and impacts into all Agency 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 Standard Operations Procedures;
- regularly communicate our Environmental Program to clients, customers and the public and encourage them to support it;
- commit to the advancement of sustainable forest management practices and continuing third-party certification on NFMC management area, and
- strive to continually improve the Agency's environmental performance by periodically reviewing the NFMC Environmental Policy considering our current and planned future forestry activities.

### **NFMC Health and Safety Program**

NFMC's management and its Board of Directors are 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 strives to create awareness of safety risks found specifically in forestry operations. NFMC provides its staff (at a minimum) with first-aid, WHIMS 2015, and SP 102 training.

NFMC is also committed to having an accident-free workplace through the effective administration of its Workplace Safety North (WSN) certified Health and Safety Program (H&SP). The comprehensive H&SP is tailored to adhere to provincial safety legislation and the *Occupational Health and Safety Act* (2018). NFMC considers its H&SP an evergreen document and it is continually updated to ensure continued employee and contractor safety. To further encourage safe work practices in forestry, NFMC has established a partnership with WSN to provide complementary health and safety training courses to the various stakeholders/contractors in its management area.

## 6.0 Board of Directors

The current NFMC Board includes representatives from Manitouwadge, Marathon, White River, Biigtigong Nishnaabeg First Nation, Hornepayne, Netmizaaggamig Nishnaabeg First Nation, and a member-at-large who broaden its functional knowledge base and experience. In 2020, two members were reappointed to three-year terms. In addition, four new members were appointed, including a new Chair and Vice-Chair. This gives NFMC a full complement of Board members for the first time in two years. NFMC is attentive to individuals that could contribute to the Agency and serve as a potential Board member either representing their home community or as a member at large.

Position	Name	Tenure	Community	20-21 Renumeration
Chair	Laird Van Damme	20-/08/20 – 19/08/23	At large	\$3,705.00
Vice-Chair	Adam Brown	02/07/20 – 01/07/23	Marathon	\$1,600.00
Member	Julie Roy Ward	02/05/19 – 01/05/22	Hornepayne	\$3,575.00
Member	Tina Forsyth	28/06/20 – 27/06/23	White River	\$0.00
Member	Grant Goodwin	30/07/20 – 29/07/23	Manitouwadge	\$0.00
Member	Jesse Gaudette	06/08/20 – 05/08/23	Netmizaaggamig Nishnaabeg First Nation	\$0.00
Member	Joanne Michano	06/08/20 – 05/08/23	Biigtigong Nishnaabeg First Nation	\$0.00

**Table 5. Current NFMC Board Members**

The biographies of the board members can be found on the NFMC webpage: <https://nfmcforestry.ca/staff/>

## 6.1 Board Committees

In accordance with the OFTMA, the NFMC Board has established four standing committees. However, due to the expiration of Board member's terms only the Finance Committee was active during 2020-21.

### Audit and Finance Committee

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

*Chair: Tina Forsyth*

*Members: Julie Roy-Ward*

*Non-voting member: Finance Manager*

### Governance Committee

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

*Chair: To be determined*

*Members: To be determined*

*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: Laird Van Damme*

*Members: Adam Brown*

### Advisory Committees

Also, in accordance with NFMC's By-law #1 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. NFMC believes the Committee will be established following the term of the current Contingency Plan.

*Chair: To be determined*

*Members: To be determined*

### **General Manager**

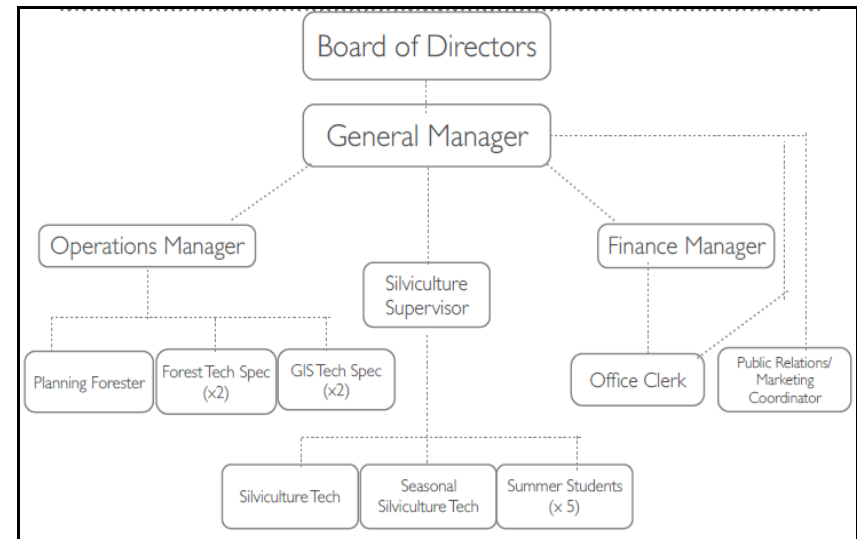
The GM, reporting to the Board of Directors, is responsible for the day-to-day management of NFMC. The GM is also responsible for developing and implementing the operational plan for the Agency and has the flexibility to determine whether delivery of the operational plan is completed by in-house staff or through service providers based on its individual business conditions.

NFMC has established its own human resource and procurement policies. The Agency 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. NFMC is subject to all applicable Government of Ontario directives.

### **Staff Numbers**

The organizational structure for NFMC has been designed to be scalable and flexible to accommodate the needs of the Agency as SFLs and associated responsibilities are assumed. NFMC maintained staffing levels in 2020-21 and does not expect significant changes in 2021-22. There may be changes in 2022-23 if the Nagagami Forest SFL is transferred to NFMC management. NFMC increased staffing levels in 2019 to handle the additional responsibilities of the White River Forest as well as achieve its objects as outlined in the OFTMA. This flexibility of staffing levels will also be an important tool for the GM to manage costs and operational risks associated with the current business climate in NFMC management area. The management team continues to strive to make the NFMC's work culture respectful, progressive, and inclusive.

NFMC has recognized that there is a large pool of knowledge available from consultants/service providers/subject matter experts it can draw from. NFMC will continue to use consultants for specialized tasks where NFMC's staff may not possess adequate experience/knowledge or have the resources to complete.



**Figure 12. NFMC Organizational Chart at March 31, 2021**

## 7.0 The Path Ahead

NFMC, with two SFLs under its purview, has started implementing the core of its mandate. However the NFMC will continue to build on this momentum and the strength of the forest products sector to look for new opportunities to build on its mandate.

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

One of NFMC's priority areas for 2021-22 will be the continued development of economic opportunities for the communities and First Nations in NFMC's management area. This will be accomplished through open and honest dialogue and business development collaboration as outlined in NFMC's Strategic Initiative Policy.

During the COVID-19 pandemic, the increased demand on forest products put pressure on NFMC, and its harvesting contractors and receiving mills. NFMC developed plans to ensure wood is delivered on time and at competitive prices, as well as working to maximize the value of the forest resources. NFMC will work to encourage new entrants to the forestry industry and support initiatives that make sense for the communities, mills, forest sustainability, and the environment.

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 NFMC will be to find additional markets for under-utilized species such as poplar and birch. We believe that there are opportunities for future growth in the forest products sector. The softwood volume is expected to be fully utilized by local mills, therefore NFMC will be looking for opportunities to market hardwood.

In 2021-22, NFMC will begin a review of its current capital assets to assess their life cycle. The NFMC Board has proposed a strategic review of assets, especially forest access roads. NFMC's management area has a number of roads, bridges, and culverts that have been in place for decades and the

Agency needs to plan for their replacement or develop a maintenance schedule to prolong their life.

## **8.0 Audited Financial Statements**

Nawiinginokiima Forest  
Management Corporation  
Financial Statements  
For the year ended March 31, 2021

Contents

---

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Accumulated Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

---

## Independent Auditor's Report

---

To the Board of Directors of  
Nawiinginiima Forest Management Corporation

### Opinion

We have audited the financial statements of Nawiinginiima Forest Management Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated net assets 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, 2021, 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
March 2, 2022

# Nawiinginokiima Forest Management Corporation

## Statement of Financial Position

March 31 2021 2020

### Assets

#### Current

Cash	\$17,390,012	\$ 9,748,448
Accounts receivable (Note 3)	4,471,457	4,650,680
Prepaid expenses (Note 9)	100,000	111,379

---

	21,961,469	14,510,507
--	------------	------------

Long term receivables (Note 3)	406,082	1,409,764
Long term prepaid expenses (Note 9)	-	100,000
Roadside inventory (Note 4)	731,045	900,000
Property, plant and equipment (Note 5)	129,394	150,500

---

	\$23,227,990	\$ 17,070,771
--	--------------	---------------

---

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 6)	\$ 2,273,236	\$ 2,016,445
---	--------------	--------------

#### Net assets

Unrestricted	12,954,754	9,654,326
Operating reserve (Note 7)	8,000,000	5,400,000

---

	20,954,754	15,054,326
--	------------	------------

---

	\$23,227,990	\$ 17,070,771
--	--------------	---------------

---

On behalf of the Board:

 \_\_\_\_\_ Director

 \_\_\_\_\_ Director

# Nawiinginokiima Forest Management Corporation

## Statement of Operations and Accumulated Net Assets

For the year ended March 31	2021	2020
Revenue		
Management fees	\$ 691,752	\$ 577,200
Forest renewal activity	392,282	475,539
Forest access roads	3,162,267	3,066,404
Timber sales charges	7,574,825	3,003,199
Other	605	66,889
	<u>11,821,731</u>	<u>7,189,231</u>
Expenses		
Amortization	15,947	10,040
Bank and service fees	13,231	14,532
Bad debt	44,879	6,346
Board of Directors activities	9,906	12,603
Strategic initiatives	941,246	181,968
Contract services	127,633	53,061
Forest certification	55,546	69,225
Forestry equipment & supplies	33,907	41,103
Forest management services	145,510	228,890
Human resources development	3,582	28,624
Insurance	16,757	5,960
Miscellaneous (recovery)	1,993	(738)
Office	96,809	96,706
Professional fees	58,785	61,475
Public access road maintenance	3,167,307	3,186,227
Public relations	41,329	52,413
Travel and automotive	38,225	75,219
Wages and benefits	1,100,711	1,050,963
	<u>5,913,303</u>	<u>5,174,617</u>
Excess of revenue over expenses before the undernoted	\$ 5,908,428	2,014,614
Loss on disposal of property, plant and equipment	(8,000)	-
	<u>5,900,428</u>	<u>2,014,614</u>
Excess of revenue over expenses	5,900,428	2,014,614
Net assets - unrestricted, beginning of the year	9,654,326	8,239,712
Transfer to operating reserve (Note 7)	(2,600,000)	(600,000)
	<u>\$12,954,754</u>	<u>\$ 9,654,326</u>
Net assets - internally restricted, beginning of the year	\$ 5,400,000	\$ 4,800,000
Transfer to operating reserve (Note 7)	2,600,000	600,000
	<u>\$ 8,000,000</u>	<u>\$ 5,400,000</u>

The accompanying notes are an integral part of these financial statements.

## Nawiinginokiima Forest Management Corporation Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 5,900,428	\$ 2,014,614
Items not involving cash:		
Amortization	15,947	10,040
Loss on disposal of property, plant and equipment	8,000	-
	5,924,375	2,024,654
Change in non-cash working capital items:		
Accounts receivable	179,223	910,604
Prepaid expenses	11,379	(11,379)
Accounts payable and accrued liabilities	256,791	(257,339)
	6,371,768	2,666,540
Cash used in investing activities		
Long term receivable advances	-	(114,140)
Repayment of long term receivables	1,003,682	-
Decrease in long-term prepaid expenses	100,000	100,000
Decrease in roadside inventory	168,955	-
	1,272,637	(14,140)
Cash used in capital activities		
Purchase of property, plant and equipment	(2,841)	(150,000)
Increase in cash during the year	7,641,564	2,502,400
Cash, beginning of year	9,748,448	7,246,048
Cash, end of year	\$17,390,012	\$ 9,748,448

The accompanying notes are an integral part of these financial statements.

# Nawiinginokiima Forest Management Corporation

## Notes to Financial Statements

March 31, 2021

### 1. Significant Accounting Policies

Basis of Accounting	These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.				
Financial instruments	<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>				
Property, Plant and Equipment	<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 style="width: 100%; border: none;"> <tr> <td style="width: 70%;">Computer equipment</td><td style="text-align: right;">- 3 years</td></tr> <tr> <td>Leasehold Improvements</td><td style="text-align: right;">- 10 years</td></tr> </table>	Computer equipment	- 3 years	Leasehold Improvements	- 10 years
Computer equipment	- 3 years				
Leasehold Improvements	- 10 years				

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2021

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

Revenue Recognition	<p>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.</p> <p>Revenue from forest renewable activity and forest access roads is recognized when earned and collection is reasonably assured.</p> <p>The Corporation accounts for Forestry Futures Trust Funding when an agreement is signed by the Corporation, MNR and the Forestry Futures Trust Committee.</p>
Use of Estimates	<p>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.</p>
Contributed Materials and Services	<p>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.</p>

## Nawiinginiima Forest Management Corporation Notes to Financial Statements

March 31, 2021

### 2. Nature of Business

The Nawiinginiima 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 Mobert 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 Nawiinginiima 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.

### 3. Accounts Receivables

	2021	2020
Roads program	\$ 161,520	\$ 1,473,743
Stumpage fees	4,181,565	2,632,411
Trade	584,333	1,959,290
	4,927,418	6,065,444
Less: long term portion	(406,082)	(1,409,764)
Less: allowance for doubtful accounts	(49,879)	(5,000)
	<u>\$ 4,471,457</u>	<u>\$ 4,650,680</u>

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2021

### 4. Roadside Inventory

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

The Corporation was committed to provide advances to B&M Hauling Ltd to a maximum amount of \$900,000 for roadside inventory. As at March 31, 2021 the outstanding advance amount was \$731,045 (\$900,000 - 2020). 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.

Subsequent to year-end, B&M Hauling has ceased operations; effective January 2022, a new contractor has taken on the harvest capacity lost on the forest due to B&M Hauling Ltd. ceasing operations. The contractor has temporarily assumed the roadside inventory liability including the repayment plan. NFMC is working with this contractor to finalize an agreement which will establish new repayment terms. The balance of the wood advance as of the audit report date is approximately \$612,000.

### 5. Property, Plant and Equipment

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 67,167	\$ 67,167	\$ 67,167	\$ 67,167
Leasehold improvements	150,000	22,500	170,000	19,500
Computer software	49,215	49,215	49,215	49,215
Computer equipment	44,047	42,153	41,207	41,207
	<u>\$ 310,429</u>	<u>\$ 181,035</u>	<u>\$ 327,589</u>	<u>\$ 177,089</u>
Net book value		<u>\$ 129,394</u>		<u>\$ 150,500</u>



## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2021

### 6. Accounts Payable

	2021	2020
Trade	\$ 443,642	\$ 180,278
HST payable	177,413	109,458
Roads	804,952	1,467,571
Stumpage fees	817,233	205,287
Wages	29,996	53,851
	<u>\$ 2,273,236</u>	<u>\$ 2,016,445</u>

### 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.

On March 16, 2021, the board approved an additional transfer to the operating reserve of \$2,600,000.

	2021	2020
Balance, beginning and end of year	\$ 5,400,000	\$ 4,800,000
Transfer from unrestricted net assets	2,600,000	600,000
Balance, end of year	<u>\$ 8,000,000</u>	<u>\$ 5,400,000</u>

### 8. Remuneration

Total remuneration of the Board members of the Corporation was approximately \$9,230 (\$6,800 - 2020) during the year.

### 9. Commitments

During the year ended March 31, 2018, NFMC entered into a five-year harvester agreement with White Lake Limited Partnership to cut and deliver wood fibre to White River Mill at a cost of \$2.00 per cubic metre. As part of the agreement, a minimum \$100,000 per year will be paid to White Lake Limited Partnership, of which \$500,000 was advanced in 2019. The balance outstanding as at year end March 31, 2021 is \$100,000. Deliveries by White Lake Limited Partnership cannot exceed \$200,000 in any given year of the agreement and total deliveries over the five-year agreement cannot exceed \$1,000,000.

## Nawiinginiima Forest Management Corporation Notes to Financial Statements

March 31, 2021

### 9. Commitments (cont'd)

During the previous year, NFMC entered into 10 year office lease agreement, with a 10 renewal option, at an annual cost of \$30,221. Monthly lease payments are adjusted annually on September 1st, based on the building operating costs incurred by the lessor in the previous year.

During the previous year, NFMC entered into a sustainable forest licence agreement with White River Forest Products Limited Partnership, which includes a commitment to invest in road infrastructure. NFMC agreed to provide a financial investment of up to \$1,250,000 over a five-year period, beginning in 2021. During the year ended March 31, 2021, \$650,000 was paid by NFMC. The remaining payments are expected to be paid as follows:

2022	\$ 250,000
2023	200,000
2024	<u>150,000</u>
	<u>\$ 600,000</u>

During the previous year, NFMC entered into a memorandum of understanding with a third party to test and demonstrate the use of semi-autonomous and autonomous operation of drive by-wire converted trucks and trailers on logging road terrain. As part of the memorandum of understanding, a minimum of \$330,000 has been committed by NFMC for the purchase of trucks and hardware prior to September 21, 2021. As at March 31, 2021, NFMC has incurred approximately \$103,000 related to the project.

NFMC is legally committed to make wood available, through crown commitments and direct business arrangements, to mills within and surrounding the management area.

### 10. 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.

---

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2021

---

### 10. 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 \$3,229,534 (\$788,068 - 2020), 31 to 60 days \$164,022 (\$681,941 - 2020), 61 to 90 days \$89,566 (\$1,346,156 - 2020), and over 90 days \$1,391,830 (\$3,249,279 - 2020).

Approximately 53% (40% - 2020) of NFMC's total revenues for the year and 91% (68% - 2020) of year end trade receivables was derived from three mills operating in Northwestern Ontario.

NFMC is exposed to a credit risk as cash balances held with one institution exceeds the federally insured limit.

---

### 11. COVID-19 Impact

The COVID-19 global pandemic has disrupted economic activities and supply chains. Although, the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The Corporation's ability to continue to meet obligations as they come due is dependent on the continued ability to generate earnings and cash flows.

---

### 12. Comparative Figures

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