Ontario

2023- 2024

Temagami Forest Management Corporation

Annual Report

Annual Report
2023-2024

Table of Contents

Submitted to the
LIEUTENANT GOVERNOR IN COUNCIL
Date: NOVEMBER 28, 2024

Chair’s Message

2023/24 saw TFMC make significant progress on our agency start-up requirements. As well as fulfilling day-to-day obligations, we completed our first Strategic Plan and developed many of our Enhancement Initiative Programs. In order to ensure effective governance, Board members also initiated a Board Self-evaluation and developed an Action and Education Plan to respond to input received through that process.

This report outlines achievements realized over the past year and demonstrates our continued commitment to our mandated objects and strategic goals which include: economic development, sustainable forestry practices and reconciliation with local First Nations.

In working with our partners, communities, organizations and industry, we have been able to achieve significant progress on our priority initiatives and risen to meet new challenges. We remain focused on balancing a healthy economy and healthy environment in our commitment to managing the Temagami Forest in a sustainable manner.

Our board and employees value the trust bestowed upon us to manage public resources in a constructive and engaged manner. I was pleased to be re-appointed for a second term as Chair of this unique agency and will continue to work with the Board to ensure its long-term success.

Sincerely,

Faye Johnson,
Chair, Temagami Forest Management Corporation Board of Directors
June 26, 2024

1.0 Background

1.1 Establishment and Development of TFMC

Temagami Forest Management Corporation (TFMC) was established on December 15, 2020, as a Local Forest Management Corporation (LFMC) formed under the *Ontario Forest Tenure Modernization Act*, 2011 (OFTMA) and became the holder of the Sustainable Forest Licence (SFL) for the Temagami Forest on April 1, 2022. This annual report represents the second full year of forestry operations for TFMC and covers the period from April 1, 2023 to March 31, 2024.

While TFMC is fully operational and has made considerable progress through its start-up phase, the Board of Directors remained highly engaged during the past year to support the creation and establishment of critical processes, procedures and relationships.

TFMC completed its 2023-2026 Strategic Plan during the past year, providing focus for the corporation's efforts to plan for and fulfill its mandates.

The corporation welcomed the addition of an Operations Forester to the organization during the year to provide sufficient capacity to effectively manage the workload. The staff complement of three is now seen to be sufficient until such time that the staffing model review, which is planned to take place later this year, is completed.

Harvest and renewal operations progressed normally throughout 2023/24. Relationships with harvest operators are good and being strengthened as TFMC, together with the operators, develops a new model for timber allocation and harvesting processes.

1.2 The Temagami Forest

The Temagami Forest is a transition forest, spanning the northern range of the Great Lakes – St. Lawrence Forest Region and the southern range of the Boreal Forest Region. As a result, it contains a mix of hardwood and softwood species, predominantly white, red and jack pine, spruce, balsam fir, poplar and white birch, with lesser occurrence of some tolerant hardwood species.

The Temagami Forest also includes some of the most spectacular recreational and protected lands in the Province. Lake Temagami and surrounding lakes are popular summer destinations for cottagers, canoeists, campers, and other recreationalists, as well as home to many year-round residents. Several parks and protected areas have been established to support land-use objectives other than resource management.

The Temagami Forest falls within the traditional territory, and is the homeland of, Temagami First Nation (TFN) and Teme-Augama Anishnabai (TAA). It also lies partially within the traditional territory of the Matachewan and Timiskaming First Nations.

The Temagami Forest is located entirely within the North Bay District, in the Northeast Region of MNRF. The Temagami Forest covers a total area of 5,845 square kilometers. Of this total, 4,509 square kilometers is considered Crown productive land.

1.3 Agency Role and Mandate

Temagami Forest Management Corporation was established through the OFTMA and is a self-financing operational enterprise Ontario Crown Agency. Under the OFTMA, the Minister of Natural Resources and Forestry (Minister) provides oversight and accountability functions for TFMC. This legislation sets out the objects for TFMC as follows:

- To hold forest resources licences and manage Crown forests in accordance with the *Crown Forest Sustainability Act, 1994* 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.

TFMC's mandate is subject to the Minister's direction which is provided via the Minister's letter of direction. The Honourable Graydon Smith provided a renewed letter of direction outlining the government's priorities for TFMC on October 17, 2023.

1.4 Corporate Governance and Accountability

TFMC is accountable to the Minister for fulfilling its mandate and carrying out the roles and responsibilities of an LFMC. TFMC is governed by a Board of Directors appointed by the Lieutenant Governor in Council through Ontario's public appointments process. The Board consisted of eight Directors, including the Chair and Vice-Chair, who were all active throughout the year.

The General Manager is responsible for the day-to-day operations and management of staff and is accountable to the Board of Directors. Other staff include the Office Administrator and the Operations Forester. A service provider, First Resource Management Group, performs forest planning, forest data management and forest renewal work for TFMC.

TFMC is required to meet all obligations for a Crown agency and has entered into a Memorandum of Understanding (MOU) with MNRF that outlines the accountability relationship of the Agency and MNRF. Specific responsibilities of the Minister, Deputy Minister, Chair of the Board, Board Members, and the General Manager are described in the MOU. The MOU between TFMC and MNRF was approved by the TFMC Board and then by the Minister on March 7th, 2022, and reaffirmed by Minister Graydon Smith on December 15, 2022.

2.0 Agency Governance and Staffing

2.1 Board Appointees

The Board of Directors consists of two representatives each of First Nations, municipalities, and forest industry, plus the Chair and a member-at-large. Collectively, the board provides expertise in areas of business, finance, Indigenous and local issues and forest management planning and operations. There were no changes to the Board membership during 2023/24.

The eight appointees to TFMC's Board are listed below along with the date/term of appointment and total remuneration paid during the 2023/24 fiscal year.

Faye Johnson, North Bay, Chair
(re-appointed October 21, 2023, for a two-year term)
Remuneration was $ 29,550

John Kenrick, North Bay, Vice-Chair
(appointment October 21, 2021, for a three-year term)
Remuneration was $ 10,555

Douglas Mckenzie, Temagami, Member
(appointment October 21, 2021, for a three-year term)
Remuneration was $ 3,587

Robert Tomchick, Tobermory, Member
(appointment October 21, 2021, for a three-year term)
Remuneration was $ 7,173

Peter Street, Callander, Member
(appointment October 21, 2021, for a three-year term)
Remuneration was $ 4,900
Jessica Chevrier, Notre-Dame-Du-Nord, Member
(appointment October 21, 2021, for a three-year term)
Remuneration was $ 1,704

Jeff Barton, North Bay, Member
(appointment October 21, 2021, for a three-year term)
Remuneration was $ 350

Steven Scheers, Delhi, Member
(appointment March 10, 2022, for a three-year term)
Remuneration was $ 1,798

The total remuneration paid to all Directors for this annual reporting period is $ 59,619.

2.2 Principal Officers

Principal Officers for TFMC during fiscal 2023/24 were:

Mark Stevens – General Manager/Chief Financial Officer (commencing May 1, 2023)

Glen McDonald – Secretary (commencing March 7, 2023)

Andy Lemmetty – Chief Financial Officer (until May 1, 2023)

2.3 Board Committees

TFMC established the following two Committees to assist with oversight and governance, and both continued to do so throughout the 2023/24 fiscal year.

Finance & Audit Committee:

1. Peter Street (Committee Chair)
2. John Kenrick
3. Jessica Chevrier
4. Faye Johnson

Governance & Human Resources Committee:

1. Faye Johnson (Committee Chair)
2. Robert Tomchick
3. Douglas McKenzie
4. Jeff Barton

The Finance & Audit Committee met eight times during the year. In addition to formal meetings, monthly financial statements were reviewed by Committee members and members also participated in developing and reviewing financial policies and procedures.

The Governance & Human Resources Committee met four times during the year. Committee members participated in developing and reviewing governance related policies and procedures, developing the Performance Scorecard metrics for evaluating corporate and individual performance, overseeing the Board Self-Evaluation process and developing the subsequent action plan and education plan to address the recommendations.

2.4 Employees

TFMC has been operating under a staffing and service provider model since April 1, 2022. The General Manager, who also acts as the Chief Executive Officer and Chief Financial Officer, reports to the Board of Directors through the Board Chair.

The General Manager is responsible for the day-to-day management of the corporation including the financial, operational, and administrative affairs of the Agency and oversight of the service provider in accordance with the Agency mandate, the Memorandum of Understanding between the Minister and the TFMC Chair, the Minister's Letter of Direction, applicable government directives, and the corporation's policies and procedures.

Two key MNRF resources who had been involved with the creation of TFMC, and who supported the Corporation during the start-up as Chief Financial Officer and Secretary, completed the transition of their duties with TFMC staff early in the year. Their strong support and commitment to the successful start-up of the agency has had a lasting impact as TFMC employees have been able to assume their own roles in a smooth and orderly fashion.

During the first year as operations commenced under the employee/service provider model and the full extent of the agency's requirements were realized, it became apparent that an additional staff member would be required or the corporation would be at risk of not adequately fulfilling all of its responsibilities. In July 2023, the Board approved the addition of an Operations Forester to the staff structure and an employee was subsequently hired in December 2023 to fill this role.

The three TFMC staff positions are currently filled by:

1. Mark Stevens, General Manager
2. Glen McDonald, Office Administrator
3. Gerard Arsenault, Operations Forester, hired on December 4, 2023.

Together with the work of the service provider and harvest operators, the staff are now able to undertake or oversee responsibilities of the corporation with adequate control to effectively manage risks.

The service provider agreement with First Resource Management Group includes forest planning, GIS and data management, silviculture, and support services. A mid-term performance review of the service provider was completed in 2023/24 and confirmed that its services were meeting expectations.

Internal and external relationships between staff, the service provider, MNRF and other stakeholders are positive, productive and effective.

2.5 Training and Professional Development

Consistent with a theme of the Strategic Plan, TFMC actively supports its Board members and staff with training and development opportunities.

A performance scorecard was implemented in 2023/24 and used to evaluate performance on both a corporate and an employee level. To contribute to this evaluation and to proactively plan for personal development, Performance Management and Development Plans were created and used for all employees in 2023/24.

The Board undertook a self-assessment in 2023/24 which resulted in many favourable assessments as well as identifying some opportunities. A Board Education Plan has been developed and implemented as a result of the self-assessment.

3.0 Description of Activities

The Board of Directors continued to provide leadership to staff to ensure that policies and procedures were appropriately developed, understood and implemented in order to minimize risk to the newly established agency. Financial oversight, internal controls and conformance with the requirements of all Crown agencies ensured that TFMC remained on a solid path forward.

There were eight Board meetings during the year – four in-person and four virtual meetings. In addition, the Finance & Audit Committee and the Governance & Human Resources Committee met as required. Board members also participated on a variety of Task Teams to support and provide guidance in the development of specific tasks.

The Corporation completed the corporation’s 2023-2026 Strategic Plan during the year. This Plan provides direction and focus for the activities to be undertaken by TFMC.

One early outcome of the strategic planning exercise was the development of the Temagami Forest Enhancement Initiative Policy and three publicly available Enhancement Programs that will enable contributions to be made through structured programs to promote project partnerships, events, scholarships and workforce training to support economic development within the Temagami Forest. Board-Sponsored Initiatives is a fourth process that is presently being developed. As these programs became available in 2023/24, approximately $ 6,000 of contributions were made.

These amounts are expected to grow substantially in future years, within the allocation of funds that are approved each year in the annual budget.

The operating activities of the corporation centred around its responsibility as the holder of the Sustainable Forest Licence (SFL) for the Temagami Forest. The fiscal year 2023/24 was the fifth year in the 10-year term of the present Forest Management Plan (FMP). While the mid-point of an FMP sees a lower level of planning requirements, ongoing operations typically present new-found information and request for amendments and revisions. In 2023/24, seven FMP amendments and ten Annual Work Schedule (AWS) revisions were approved. Notably, one of the FMP amendments was undertaken to implement the final recommendations of the most recent Independent Forest Audit.

One new entrant was introduced as a harvest operator late in 2023/24 with an overlapping licence agreement for the harvest of small-diameter (less than 3”) white birch to be used in the manufacturing of seasonal ornaments. This new operator has the potential to make use of a resource that has previously been unutilized and to create jobs that had not previously existed.

Harvesting operations create employment through logging, manufacturing, marketing and transportation of desired forest products while also providing a source of revenue for TFMC through management fees and timber sales charges. Harvesting operations are also a means of managing for a healthy forest by utilizing mature timber, maintaining a healthy balance of age class structure and providing forest renewal fees that are used to renew harvested areas.

Harvested volumes were slightly less than budget, but within a normal range of variation, and are progressing in alignment with long term expectations (see Appendix I for a summary of harvest volumes by species, by licensee, and by delivery to mills). A total volume of 98,192 cubic metres of all species was harvested and delivered to mills versus a budget target of 111,100 cubic metres. The primary reason for this shortfall was a deferral of operations by one of the harvest operators, but with intention to harvest the deferred volume in the future.

Linked to TFMC’s harvesting activities is the construction and maintenance of forest access roads. The Ontario provincial roads funding program provides a significant reimbursement to each Forest for the construction and maintenance of primary and branch roads that are used by many other stakeholders. This program has been of great value and importance to the harvest operators and the receiving mills. The long distance of timber allocations from highways, higher transportation costs if roads are not adequately maintained, and the high use of the roads by other stakeholders are somewhat mitigated by this program and enable operations in the Temagami Forest to remain viable. In the past year, TFMC oversaw the construction and maintenance activities that fully utilized its allocation of $604,332 that was available under this program.

Another key component of TFMC's forestry operations is the forest renewal program that is funded through the Forest Renewal Trust Fund (FRT), which in turn is funded through forest renewal fees that are charged for every cubic metre of wood harvested. During the year, the Board of Directors endorsed a Renewal Rate Determination Procedure that is intended to ensure that sufficient funds will always be available for the required forest renewal activities. As part of this Procedure, the Corporation established a minimum "Target Balance" for the FRT account that is higher than the MNRF prescribed minimum but better reflects the financial obligations of an average year's renewal program on the Temagami Forest.

TFMC's forest renewal program proceeded as planned in 2023/24. Of special interest is that TFMC surpassed the one million trees planted milestone for the first time in the Temagami Forest's history. As well, area was site prepared, regenerating stands were tended, and establishment surveys were conducted. The Temagami Forest silviculture liability remains stable and in a good position.

These forest operations are key to the success of TFMC in achieving two core mandates: financial self-sufficiency and forest sustainability, and were completed without any safety or environmental incidents in 2023/24.

4.0 Analysis of Operational Performance

Performance metrics and targets were established in the 2023-2026 Agency Business Plan and also incorporated into the 2023/24 Performance Scorecard for both financial and operational measures. These were designed to reflect the agency's mandates, the priorities established by the Minister, and the major themes presented in the TFMC Strategic Plan.

Key Metrics, targets and results for 2023/24 that reflect operational performance include:

i) Wood Volume Harvested

A target of 111,100 m3 (all species) was set in the Budget to provide for utilization of Crown resources, meet Forest Management Plan objectives, and provide a revenue stream to support the financial viability of the agency. The resulting harvest of 98,192 m3 was 12,908 m3 (11.6%) below budget. This was primarily due to one harvest operator's change of plans in order to take advantage of an unforeseen opportunity to harvest timber on another Forest. The Block that was not harvested has an inventory of 20,045 m3 of marketable species and will be harvested in the future.

ii) Safety

The target of zero reportable incidents was achieved in 2023/24. To ensure continued success in its safety program, TFMC established a requirement that all harvest operators and service providers on the Temagami Forest be enrolled in an accredited safety program including, or similar to, those provided by Workplace Safety North.

iii) Environmental Impacts

The target of zero reported non-compliance events in the Forest Operations Inspection Program (FOIP) was achieved. All harvest operators perform their own formal inspections, but also monitor their operations daily to remain compliant. TFMC has coordinated pre-operations meetings for each harvest block to ensure that there is a good understanding of all values and prescriptions for Areas of Concern. TFMC staff periodically inspect operations together with the operators.

iv) Sustainability of the Forest

The target and metrics were to develop a plan to increase stand improvement, revitalization and silviculture intensity on appropriate sites, including silviculture without the use of herbicide. Several initiatives were initiated but not achieved. The addition of an Operations Forester to our staff will help get a plan developed in the coming year.

The successful year and achievement of most operational targets reflects the leadership provided by the Board and the strong working relationships within TFMC and with those established amongst all external organizations with whom we work, including: MNRF North Bay District staff; Regional and Provincial staff; our service provider; forest sector operators; and all others who have had some involvement in the development and activities of TFMC. For those metrics whose targets were not achieved, the shortcomings did not have a significant impact on either the operational or financial performance of the agency.

5.0 Analysis of Financial Performance

The financial performance of TFMC in 2023/24 was most influenced by two significant factors: the final disbursement of Local Forest Management Corporation (LFMC) start-up funding, which significantly improved TFMC's balance sheet; and the volume of timber harvested which creates the primary source of revenue. Other cost and revenue elements were largely in line with expectations and resulted in a net income favourable to budget.

TFMC recorded a net income of $5.3 million in 2023/24 versus a budget of $4.9 million, including the final disbursement of $4.6 million LFMC start-up funding from the Forestry Futures Trust (FFT).

The bulk of TFMC's operational revenue comes from the collection of timber sales charges and management fees that are derived from the volume of timber harvested. A significant unbudgeted contribution to revenue in 2023/24 was the residual value ($387,906) component of timber sales charges. Residual value had not been budgeted as it is highly dependant upon the pricing of finished forest products and the economic outlook had not anticipated product pricing that would trigger the collection of residual value.

The funds from the provincial roads program are largely flow-through to the harvest operators who perform the road construction and maintenance work. Similarly, the bulk of the forest renewal program expenses and revenues flow through TFMC from the Forest Renewal Trust (FRT) to the service provider.

TFMC expenses were managed prudently and within, or very close to, budgeted expenses with two exceptions. Payroll expenses exceeded the budget due to the decision and subsequent hiring of an Operations Forester in December 2023. Board of Directors expenses exceeded the budget due to Board members being engaged more than expected to assist with efforts to complete key start-up issues.

On a favourable note, interest collected from the Savings Account and GIC investments provided more revenue than had been budgeted due to conservative interest rates having been used in the budget.

As of March 31, 2024, TFMC's total Assets were $8,008,008, including the restricted operating reserve of $800,000. TFMC's available cash on March 31, 2024 was $430,494, not including the restricted operating reserve or other investments. See Section 7.0 and Appendix I for further details.

While the overall financial performance of the agency, in its second year of full operations is favourable, TFMC is cognizant that the cyclical nature of harvesting on the Temagami Forest is likely to result in declining harvest levels in each of the next five years. In particular, some of the management fees that have been collected during the first two years of operation are being maintained in investments and to be used to pay for the cost of writing the 2029-2039 Forest Management Plan which is expected to commence in 2025/26. Thus, TFMC maintains a long-term outlook on its expected financial performance and is prepared for some challenging years ahead until the harvesting pattern can be stabilized.

6.0 Description of Risk Events Impacting Results

TFMC follows the risk assessment and risk management process outlined in the Treasury Board Secretariat's "Guide to the Risk-Based Approach and Risk Reporting Under the Agencies and Appointments Directive."

TFMC's 2023/24 Agency Business Plan provided a summary of key risks and mitigation plans for that fiscal year. At that time, all risks were rated to be moderate or low and appropriate mitigation plans were in place to manage those risks.

Since the 2023/24 Business Plan was written and as the agency proceeded through its first year of operations, it became apparent that the staffing model with two employees and a service provider did not provide sufficient resources to meet all the growing requirements of the new agency and growing activity. Extra work by staff and additional involvement of Board members managed this in the short term while an assessment and options were developed. In July 2023, the Board approved the addition of an Operations Forester to the staffing structure and the position was filled in December 2023. This has strengthened TFMC's management of forestry operations and enabled the General Manager to focus more of his time on other pertinent affairs.

TFMC regularly monitors and reports its risks quarterly to MNRF. Going forward, TFMC will continue to work with the Ministry to monitor and report on its risks and mitigation plans.

7.0 Audited Financial Statements

TFMC appointed an independent auditor, BDO Canada LLP, to review the accounts and financial transactions of the Agency for the fiscal year ending March 31, 2024. The audit period covers the fiscal year from April 1, 2023 to March 31, 2024.

The audit report for the period ending March 31, 2024 was presented on June 14, 2024 and approved by the Board. There were no material issues identified by the auditor who provided an opinion that the financial statements presented fairly the financial position and results of operations and cash flows of the Agency. See Appendix II for a copy of the audit report and financial statements.

8.0 Achievements Fulfilling Expectations in the Agency Mandate Letter

TFMC's mandate is subject to the Minister's direction which is provided annually via the Minister's letter of direction. On September 26, 2022, the Honourable Graydon Smith shared the government's 2023/24 priorities for TFMC in his letter of direction.

TFMC has responded to this direction in the following ways:

- TFMC has effectively undertaken management of the sustainable forest licence and the Temagami Forest, meeting requirements of the Crown Forest Sustainability Act and the Forest Management Plan.
- TFMC board and staff have had discussions on how to develop a process to market and sell wood through open market sales and will develop a program in the coming years.
- TFMC has engaged local Indigenous communities and local municipalities in several formal and informal discussions to enhance their involvement in the management of the Temagami Forest.
- Effective governance structures have been developed and implemented. A Board self-assessment has been undertaken. The Advisory Committee that is outlined in Bylaw #1 is in the process of being established.
- The agency's Strategic Plan and the Temagami Forest Enhancement Initiatives Policy and programs were completed in 2023/24 and will provide the focus for enhancement initiatives that will address the agency's mandates with respect to local and Indigenous community economic development and creating public awareness.
- TFMC is operating successfully as a self-financing business.
- A new harvest operator has been granted an overlapping licence for a specialized product as a result of TFMC's efforts to attract forest sector investment in the local area.
- TFMC is initiating efforts to promote investment in the Temagami Forest by contributing to a new Forest Resource Inventory that will more effectively present the volume of wood that is available in the Forest.
- TFMC has developed strong, positive and effective working relationships with MNRF staff at the District, Regional and Division levels, and with local Indigenous communities and municipalities.
- TFMC has provided advice on matters related to the forest industry and forest sector to the MNRF at the District, Regional and Division levels.

Moving forward, TFMC will continue to take action to achieve its mandates, to address the priorities of the government, and to fulfill its obligations as a Crown agency.

Appendix I: 2023/24 Harvest Volumes

	HARVEST VOLUMES BY SPECIES (cubic metres)		
SPECIES	ACTUAL 2022-23	BUDGET 2023-24	ACTUAL 2023-24
Spruce/Pine/Fir	56,258	66,000	49,038
White/Red Pine	12,026	13,100	2,415
Poplar/Birch	37,254	32,000	45,863
Other	144	0	876
Total	**105,682**	**111,100**	**98,192**

	HARVEST VOLUMES BY LICENSEE (cubic metres)		
LICENSEE	ACTUAL 2022-23	BUDGET 2023-24	ACTUAL 2023-24
Eacom/Interfor	62,511	60,000	41,452
GP North Woods	14,510	23,000	7,285
Goulard Lumber	13,311	10,000	1,500
Daki Menan LRC	0	8,100	34,517
Alex Welch Logging	13,682	10,000	11,657
Other	1,669	0	1,781
Total	**105,682**	**111,100**	**98,192**

	DELIVERED VOLUMES TO PRIMARY MILLS (cubic metres)		
CONSUMING MILL	ACTUAL 2022-23		ACTUAL 2023-24
Eacom/Interfor, Elk Lake	55,400		48,217
Georgia Pacific, Englehart	35,246		45,313
Goulard Lumber, Sturgeon Falls	8,298		2,386
Other	6,738		2,276
Total	**105,682**		**98,192**

Appendix II: Audited Financial Statements

Temagami Forest Management Corporation
Financial Statements
For the year ended March 31, 2024

Temagami Forest Management Corporation
Financial Statements
For the year ended March 31, 2024

Contents

Management's Responsibility for Financial Information

Management and the Board of Directors of Temagami Forest Management Corporation (the "Corporation") are responsible for the financial statements. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on Management's best estimates and judgments.

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

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Corporation and at least annually to review the audited financial statements and the external auditors' report thereon.

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

DocuSigned by:
Mark Stevens
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DocuSigned by:
Glen McDonald
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June 26, 2024

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Independent Auditor's Report

To the Board of Directors of Temagami Forest Management Corporation

Opinion

We have audited the financial statements of Temagami Forest Management Corporation("the Corporation"), which comprise the statement of financial position as at March 31, 2024, the statements of operations, changes in 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, 2024, and its results of operations and its cash flows for the year 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 the 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.

Auditor's Responsibilities 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
North Bay, Ontario
June 26, 2024

Temagami Forest Management Corporation
Statement of Financial Position

March 31	2024	2023
Assets		
Current		
Cash and cash equivalents	$ 430,494	$ 1,447,989
Short-term investments (Note 3)	2,492,170	505,875
Accounts receivable (Note 2)	456,755	223,813
	3,379,419	2,177,677
Restricted investments (Note 3)	800,000	500,000
Long-term investments (Note 3)	3,822,358	6,250
Capital assets (Note 4)	6,231	2,994
	$ 8,008,008	$ 2,686,921
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 60,809	$ 75,985
Net Assets		
Internally restricted (Note 9)	800,000	500,000
Unrestricted	7,147,199	2,110,936
	7,947,199	2,610,936
	$ 8,008,008	$ 2,686,921

On behalf of the Board:

DocuSigned by:
B3B0A4C74FA44D8... Director

DocuSigned by:
C3D4A80C90154E5... Director

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

Temagami Forest Management Corporation
Statement of Operations

For the year ended March 31	2024	2023
Revenues		
Forestry futures trust funding (Note 11)	**$ 4,579,663**	$ 903,906
Timber sales charges	**684,053**	621,219
Roads Program	**604,332**	527,342
Forest management fees	**450,841**	483,684
Forest renewal trust funding (Note 12)	**850,404**	688,410
Interest and other	**226,192**	17,704
	7,395,485	3,242,265
Expenses		
Silviculture and related forestry expenses (Note 12)	**831,202**	670,971
Roads maintenance and related expenses	**598,160**	522,121
Wages and benefits	**281,908**	109,145
Purchased services	**129,725**	215,628
Board of Directors	**86,619**	122,794
Professional fees	**37,615**	38,018
Occupancy	**19,828**	5,264
Insurance	**18,738**	19,818
Training	**13,120**	4,495
Office supplies, postage and other	**12,788**	8,962
Vehicle and travel	**12,004**	17,512
Promotion	**7,893**	5,845
Forestry supplies	**3,589**	2,101
Business fees and licenses	**3,335**	3,828
Bank charges	**953**	915
Amortization	**1,745**	749
	2,059,222	1,748,166
Excess of revenues over expenses for the year	**$ 5,336,263**	$ 1,494,099

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

Temagami Forest Management Corporation
Statement of Changes in Net Assets

For the year ended March 31			2024	2023
	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 500,000	$ 2,110,936	**$ 2,610,936**	$ 1,116,837
Excess of revenue over expenses	-	5,336,263	**5,336,263**	1,494,099
Transfers in year	300,000	(300,000)	**-**	-
Balance, end of year	$ 800,000	$ 7,147,199	**$ 7,947,199**	$ 2,610,936

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

Temagami Forest Management Corporation
Statement of Cash Flows

For the year ended March 31	2024	2023
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	**$ 5,336,263**	$ 1,494,099
Amortization of capital assets	**1,745**	749
	5,338,008	1,494,848
Changes in non-cash working capital balances:		
Accounts Receivable	**(232,942)**	(173,218)
Accounts payable and accrued liabilities	**(15,176)**	46,605
	5,089,890	1,368,235
Capital activities		
Acquisition of capital assets	**(4,982)**	(3,743)
Investing activities		
Increase in Investments	**(5,802,403)**	(1,012,125)
Increase in internally restricted investments	**(300,000)**	
	(6,102,403)	(1,012,125)
Increase in cash and cash equivalents during the year	**(1,017,495)**	352,367
Cash and cash equivalents, beginning of year	**1,447,989**	1,095,622
Cash and cash equivalents, end of year	**$ 430,494**	$ 1,447,989

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

Nature and Purpose of the Corporation

Temagami Forest Management Corporation (the "Corporation") is a Crown Agency which was established by the Ontario Government on December 15, 2020 under the Ontario Forest Tenure Modernization Act of 2011. The Corporation was established to operate within the defined Temagami Forest, situated in Northeastern Ontario in North Bay District. The Corporation operates on a not-for-profit basis and is exempt from taxes under the Income Tax Act. The Corporation's mandate is to manage Crown forests, market and sell Crown timber, provide economic benefits to local communities, provide for opportunities and a greater role for local and Aboriginal communities in the management of Crown forests, promote forest sector investment, operate as a self financing business, reinvest in the forest to improve the Crown forest asset, advise the Minister of Natural Resources and Forestry ("MNRF") on matters in the forest sector and to collect, maintain and provide Crown timber sales and pricing information.

1. Significant Accounting Policies

Basis of Accounting

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

Financial Instruments

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

Cash is subject to an insignificant risk of change in value, as such, carrying value approximates fair value.

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

Accounts payable and accrued liabilities are recorded at amortized cost.

March 31, 2024

1. Significant Accounting Policies (continued)

Capital Assets

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

Asset	Rate
Computer Equipment	5 years

Revenue Recognition

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.

The Corporation follows the deferral method of accounting for contributions.

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 , MNRF and the Forestry Futures Trust Committee.

Use of Estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts Receivable

	2024	2023
Timber sales charges	**$ 456,078**	$ 209,109
Forest renewal trust and roads program	**677**	14,703
	$ 456,755	$ 223,812

3. Investments

	2024	2023
Short-term investments (i)	**$ 2,492,170**	$ 505,875
Long-term investments (ii)	**3,822,358**	6,250
Internally restricted investments (ii)	**800,000**	500,000
	$ 7,114,528	$ 1,012,125

(i) Short-term investments are made up of four guaranteed investment certificates (GIC's), bearing interest at rates between 4.75% and 5.65%, maturing between November 2024 and December 2024.

(ii) Long-term investments and internally restricted investments are made up of six GIC's, bearing interest at rates between 4.70% and 5.75%, maturing between October 2025 and December 2027.

4. Capital assets

	2024			2023		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer Equipment	**$ 8,724**	**$ 2,493**	**$ 6,231**	$ 3,743	$ 749	$ 2,994

March 31, 2024

5. Accounts Payable and Accrued Liabilities

		2024		2023
Trade payables	**$**	**31,615**	$	35,734
Accrued liabilities		**21,585**		16,300
Sales taxes payable	**$**	**7,609**	$	23,951
	$	**60,809**	$	75,985

6. Remuneration

Total remuneration of the Board members of the Corporation was approximately $59,619 (2023 - $63,884) during the fiscal year.

7. Lease Commitments

During the year the Corporation entered into a lease agreement for office space, with base rent of $ 1,500 payable per month, with the lease expiring on March 31, 2025.

March 31, 2024

8. Financial Instrument 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.

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

Classification

The carrying value of each class of the Corporation's financial instruments is provided in the following table.

			2024
	Fair Value	Cost/ Amortized Cost	Total
Cash and cash equivalents	$ 430,494	$ -	$ 430,494
Accounts receivable	-	456,755	456,755
Investments	-	7,114,528	7,114,528
Accounts payable and accrued liabilities	-	60,809	60,809
	$ 430,494	$ 7,632,092	$ 8,062,586

			2023
	Fair Value	Cost/ Amortized Cost	Total
Cash and cash equivalents	$ 1,447,989	$ -	$ 1,447,989
Accounts receivable	-	223,813	223,813
Investments	-	1,012,125	1,012,125
Accounts payable and accrued liabilities	-	75,985	75,985
	$ 1,447,989	$ 1,311,923	$ 2,759,912

8. Financial Instruments (continued)

Financial Instrument Fair Value Measurement

The following table provides an analysis of financial instruments that are measured at fair value, using a fir value hierarchy of levels 1 to 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

- **Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3** - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 430,494**	**$ -**	**$ -**	**$ 430,494**

	2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,447,989	$ -	$ -	$ 1,447,989

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2024. There were also no transfers in or out of Level 3.

Financial Instrument Risk Management

The Corporation is exposed to credit risk, liquidity risk, interest rate risk and other price risk from its financial instruments. This note describes the Corporation's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

March 31, 2024

8. Financial Instruments (continued)

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a debtor fails to make payments of interest and principal when due. It is management's opinion that the Corporation is not exposed to significant credit risk.

	0-30 days	31-90 days	91-365 days	1 to 2 years
Accounts receivable	$ 456,755	$ -	$ -	$ -

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and equity risk.

Currency Risk

Current risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Corporation is not exposed to currency risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Corporation is not exposed to interest rate risk.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Corporation is not exposed to this risk.

8. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Corporation 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. The Corporation is exposed to this risk mainly in respect of accounts payable and accrued liabilities. The Corporation's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. There have not been any changes to these risks from the prior year. Unless otherwise noted, the expected cash outflows are within one year. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	2024			
	Within 6 months	**6 months to 1 year**	**1 to 5 years**	**over 5 years**
Accounts payable & accrued liabilities	**$ 60,809**	**$ -**	**$ -**	**$ -**

	2023			
	Within 6 months	6 months to 1 year	1 to 5 years	over 5 years
Accounts payable & accrued liabilities	$ 75,985	$ -	$ -	$ -

9. Internally Restricted - Operating Reserve

The Board has established an operating reserve for the purpose of funding future possible operating deficits of the Corporation. These internally restricted amounts must be approved by the representatives of the Board of Directors.

During the year, the Board approved a transfer to the internally restricted reserve fund in the amount of $300,000 (2023 - $500,000), resulting in an internally restricted balance of $800,000 at year-end (2023 - $500,000).

10. Comparative Information

Certain comparative information has been reclassified to conform to current year presentation.

11. Forestry Futures Trust Funding

The Corporation was supported with start-up funding from the Province through the Local Forest Management Corporation (LFMC) Conversion Program administered by the Forestry Futures Trust Fund. The final element of this start-up funding was provided for through an Agreement dated August 8, 2023. This funding has all been received by the end of the current fiscal period and will not be a recurring source of revenues in future periods.

12. Forest Renewal Trust Funding

As a requirement of the Sustainable Forest Licence for the Temagami Forest, the Corporation must ensure that adequate forest renewal activities are performed. Forest renewal fees are deposited by harvest Licensees into the Forest Renewal Trust (FRT) account and are to be used only for eligible silviculture work. The Corporation is required to ensure that the minimum balance of the FRT account does not fall below $220,700 as of March 31st of each year.

The comparative figures have been re-stated to gross up forest renewal trust funding by $636,129 and increase silviculture and related forestry expenses by the same $636,129 for funding that went directly to suppliers of services. In the prior year financial statements these were reported on a net basis. There was no impact on the excess of revenues over expenses for the year.