



# Forest Resource Improvement

## Association of Alberta





# Table of Contents

President's Message	2
Alignment with Alberta SRD	3
Committees and Panels	4
Audit Committee	4
Fund Management Committee	4
Appeal Panel	4
FRIP Fund Initiative Panel	4
FHRFH Program's Project Evaluation Panel	4
MPRP Evaluation Panel	5
Program Highlights	6
Business Plan Highlights	8
Goal one: To contribute to the health, productivity, and sustainability of Alberta's forests and forested lands	8
Goal two: To reduce the impact of wildfires on Alberta's forests and forest sustainability	9
Goal three: To enhance Alberta's forests to support healthy ecosystems and fish and wildlife resources	9
Goal four: To support a sustainable forest industry as responsible stewards of Alberta's forests	10
Goal five: To ensure full accountability to all Albertans	11
Financial Highlights	13
Risk Mitigation	13
Auditor's Report	13
Financial Statements and Notes	14
FRIAA Members	21

# President's Message

As president, I have overseen the governance and operations of the Forest Resource Improvement Association of Alberta from its inception to today. I feel very proud of FRIAA's achievements and of the wonderful way that industry members have delivered FRIAA's mandate, which was delegated by the Minister. Since FRIAA's establishment in April 1997, Alberta's public have benefited from the improvement work directed at our forest resources.



In fact, we could say we have collectively added value to the forest resources that sustain so many communities, businesses, families, and ways of life. Furthermore, FRIAA has been the catalyst for creating and maintaining strong relationships among FRIAA members, government, forest industry (large and small firms), academia, NGOs, and rural and urban communities.

FRIAA has delivered a variety of successful programs over the years and continues to deliver its core programs: the Forest Resource Improvement Program (FRIP), the Community Reforestation Program (CRP), the Wildfire Reclamation Program (WRP), the Mountain Pine Beetle Program (MPBP),

and the Incidental Conifer Program (ICP). All of these core programs contribute to the sustainability and enhancement of Alberta's forests by directly improving any one of many forest resources, enhancing the management of forests, or directly reforesting and reclaiming harvested or burnt-over areas. Perhaps most importantly, FRIAA supports the Minister of Sustainable Resource Development (Alberta SRD) in achieving her mandate in relation to sustainable and enhanced forest management.

Looking back on the past year, I would like to report on the successful completion of three programs that were key to achieving objectives of both the federal and provincial governments during the recent economic and forest industry downturn: the Fire Hazard Reduction and Forest Health Program (FHRFHP), the Forestry Workers Employment Program (FWEP), and the CRP Enhancement Program. FHRFHP funded 102 projects aimed at proactively reducing the threat of wildfire devastating our communities and forest resources, while providing over 2,500 person months of employment. A total of \$30 million was disbursed under this program based on funding from both Alberta SRD and Western

Economic Diversification Canada (WEDC). Additionally, FWEP has created approximately 520 person months of employment for Albertans in the tree planting, stand tending, and seedling growing businesses, at a time when many were out of work. The same holds true for the CRP Enhancement Program—approximately 812 person months of employment were generated, primarily through stand tending carried out on blocks originally harvested under the Community Timber Program. Funding for these two programs came from Alberta (\$6 million) and WEDC (\$6.5 million). The projects were completed on budget, on time, and with quality results, owing to rigorous oversight, careful financial management, and strict quality control of all projects delivered under the program.

We have come a long way since FRIAA was established 15 years ago. This anniversary offers us a chance to reflect on our accomplishments and renew our vision for the association and its programs.

I feel privileged, as president of FRIAA, to be a part of the ongoing success. I would like to express my gratitude to FRIAA's members for their commitment and support of the wide range of projects completed with funding from FRIAA. Additionally, I would like to thank all of FRIAA's partners and stakeholders who have been involved with FRIAA's projects over the past 15 years. Your contributions to enhancing our forests is gratefully acknowledged and appreciated. Finally, I would like to thank our Board of Directors for setting a clear direction and overseeing the delivery of FRIAA's programs. You have truly accomplished significant results.

I am pleased to present the annual report to our members and the Minister of SRD to outline our results for the past year and to fulfill our commitment to a transparent and open accounting of the association.

A handwritten signature in dark ink, appearing to read 'Trevor Wakelin'. The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

**Trevor Wakelin, President**

# Alignment with Alberta SRD

Forest Resource Improvement Association of Alberta (FRIAA) aligns our business plan with goals and objectives of the Alberta Ministry of Sustainable Resource Development (Alberta SRD). FRIAA's mandate and stated objectives are to:

- Enhance forest resources of Alberta
- Promote enhanced management of the forest resources of Alberta
- Improve the sustained yield of the forest resources of Alberta
- Promote integrated resource management, and
- Reforest public land

FRIAA works closely with the Minister of Alberta SRD to support the Government of Alberta's objectives of enhancing Alberta's forests and improving the management of forest resources. In the past year, this collaboration was elevated to another level as we added new programs and initiatives. FRIAA's business plan outlines our support for the Minister and his department by matching programs and initiatives to Alberta SRD's 2011–12 goals and objectives:

- **SRD Business Plan (2011–14) Goal 1** – Alberta's public lands, forests, fish, and wildlife are managed to provide economic benefits.
- **SRD Business Plan (2011–14) Goal 2** – Alberta's public lands, forests, fish and wildlife are managed to provide biodiversity benefits.
- **SRD Business Plan (2011–14) Goal 3** – Alberta's public lands, forests, fish, and wildlife enrich Albertans' quality of life.

This year FRIAA celebrates the 15th anniversary of its mandate to serve Albertans by supporting forestry projects aimed at Alberta's forests. In 2011–12, FRIAA continued to demonstrate success with its core forestry enhancement programs; the Forest Resource Improvement, Community Reforestation, Wildfire Reclamation, Mountain Pine Beetle, and Incidental Conifer programs continue to draw on the support and involvement of industry and government. FRIAA continued to demonstrate its commitment to service to its members and the Minister by completing the three one-time grant programs funded by the Province and by Western Economic Diversification Canada.

The Fire Hazard Reduction and Forest Health Program (FHRFHP) was completed during this fiscal year. FHRFHP was a unique program jointly funded by Alberta SRD and WEDC aimed at reducing fire hazards, protecting communities, and sustaining forest values and maintaining forest health. This initiative aligned with Alberta SRD's FireSmart and forest health programs and supported WEDC's objectives of mitigating employment hardships experienced in resource-dependent communities. With \$30 million in funding allocated to this program, much work was accomplished by Albertans to protect our forests.

The Forestry Workers Employment Program (FWEP) was also successfully completed in the past year. This unique program was aimed at using underemployed workers and tree nursery capacity to enhance the growth and development of young forests in Alberta. It was aimed at planting seedlings and tending plantations in areas that would otherwise be left untreated. Through these efforts, FRIAA is contributing to expanding the productive forest areas in Alberta. With \$6 million in funding allocated to this program, many Albertans were able to participate in forestry enhancement projects.

The Community Reforestation Program (CRP) Enhancement Program was completed on March 31, 2012. The funding amount of \$6.5 million provided by WEDC was directed towards stand tending on older cutblocks that had been previously reforested by FRIAA and that demonstrated strong growth potential.

## Board of Directors

- |  |                |
|--|----------------|
| ■ President: Trevor Wakelin              | ■ Directors:   |
| ■ Vice-President: James Bocking          | Barry Gladders |
| ■ Second Vice-President: Bruce Macmillan | David Kiil     |
| ■ Treasurer: Murray Summers              | Bruce Mayer    |
|  | Jurgen Moll    |



# Committees and Panels

The Board establishes committees to manage specific board functions that require attention outside of regularly scheduled board meetings. Mandates for these committees are established by the Board in accordance with its policies and accountability framework. Committees report directly to the Board as a whole and report against relevant policies and mandates.

Two standing committees have been established by the Board—the Audit Committee and the Fund Management Committee.

## **Audit Committee**

The Audit Committee meets at least twice each year and has a mandate established by the Board that includes:

- Overseeing the preparation of financial statements by management and the conduct of audits by FRIAA's auditors
- Recommending an auditor to the members for approval

Members of this committee are: James Bocking, David Kiil, and Murray Summers.

## **Fund Management Committee**

The Fund Management Committee meets twice yearly and reports to the Board in accordance with FRIAA's fund management policy. The Committee's responsibilities include:

- Ensuring the requirements of FRIAA's statements of investment policies and goals for FRIP and CRP are observed
- Assessing the performance of FRIAA's investment manager and the investment fund against specific targets and measurement criteria
- Confirming that FRIAA's investment return targets are achieved

Members of this committee are: James Bocking, David Kiil, and Murray Summers.

In addition to the two standing committees described above, FRIAA also establishes specific committees or review panels with specific mandates, including the Forest Resource Improvement Program (FRIP) Appeal Panel, the FRIP Fund Initiative Committee, the Fire

Hazard Reduction and Forest Health (FHRFH) Project Evaluation Panel, and the Mountain Pine Beetle Project (MPBP) Evaluation Panel.

## **Appeal Panel**

An appeal panel can be established when needed to hear appeals initiated by the membership. Members for such panels are selected on a case-by-case basis depending on their area of expertise and suitability for the matter at hand. There were no appeals in 2011–12; therefore, no appeal panel was struck.

## **FRIP Fund Initiative Panel**

The FRIP Fund Initiative Panel reviews new opportunities to make FRIP funds available for worthy projects.

Members of this panel have significant experience and knowledge of forest management in Alberta: Norm Denney, public member; David Kiil, director of FRIAA; and Craig Quintilio, public member.

## **FHRFH Program Project Evaluation Panel**

The FHRFH Program Project Evaluation Panel reviewed, evaluated, and made recommendations on funding projects submitted under the FHRFH Program in the 2011–12 fiscal year. The panel's responsibilities included:

- Developing a project proposal evaluation and selection process that is transparent, equitable, and accountable
- Selecting and recommending project proposals that meet criteria established by the Board and that best represent the interests of FRIAA and the funding organizations

Members of this panel have significant experience and are unbiased towards proposal evaluations. The members were selected from FRIAA's Board of Directors, Alberta Sustainable Resource Development (Alberta SRD), Western Economic Diversification Canada (WEDC), and the public at large: Hugh Boyd, director of Wildfire Prevention – Alberta SRD; Cliff Henderson, public member; Sharon Jackson, director of WEDC; David Kiil, director of FRIAA.

### **MPBP Evaluation Panel**

The MPBP Panel reviewed, evaluated, and made recommendations on funding projects submitted under the MPBP Program in the 2011–12 fiscal year. The Panel's responsibilities included:

- Developing a project proposal evaluation and selection process that is transparent, equitable, and accountable
- Selecting and recommending project proposals that meet criteria established by the Board of Directors and that best represents the interests of FRIAA and the funding organizations

Members have significant experience and knowledge of mountain pine beetle control requirements. They are from FRIAA's Board of Directors, Alberta SRD, WEDC, and the public at large: Cliff Henderson, public member; David Kiil, director of FRIAA; Daniel Lux, senior manager, Forest Health Section, Alberta SRD.



# Program Highlights

Over the past year, FRIAA was involved in delivering six programs:

- 1) Forest Resource Improvement Program (FRIP)
- 2) Community Reforestation Program (CRP)
- 3) Wildfire Reclamation Program (WRP)
- 4) Mountain Pine Beetle Program (MPBP)
- 5) Fire Hazard Reduction and Forest Health (FHRFH) Program
- 6) Incidental Conifer Program (ICP)

All six programs are aimed at improving the forests of Alberta and enhancing the management of Alberta's forests for the benefits of all Albertans. The key accomplishments in the administration of FRIAA's programs are as follows:

## 1) Maintaining the Forest Resource Improvement Program

FRIP activities directly align with the Government of Alberta's provincial goal of sustaining the high quality of Alberta's environment. FRIP continues to deliver project activities in spite of historic low levels of FRIP dues. FRIP dues revenue continues to be near zero—in fact just over \$21,000 for the year—which is substantially lower than the long-term average of \$13 million before the industry's downturn in 2009. FRIP project expenditures increased from last year with over \$5.2 million directly spent on FRIP projects, compared to under \$3.5 million the year before. This remains much lower than the \$13- to \$15-million long-term average.

Since the inception of FRIAA in 1997, over \$208 million has been contributed to forestry projects that enhance Alberta's forests and improve the management of Alberta's forest resources. These projects all contribute towards key aspects of sustainability and resource enhancement through operational improvement activities, enhanced planning and inventory work, applied research projects, public education, and forest protection initiatives.

## 2) Continually Improving the Community Reforestation Program

CRP is funded by reforestation levies paid directly to FRIAA, which has continued to use the provincial reforestation levy rate that was established in 2000 by Alberta SRD. This static levy rate, coupled with inflationary pressures on costs, has raised concerns about the balance between program operational objectives and funding pressures. FRIAA continues to work with Alberta SRD on solutions to address this gap.

Collecting reforestation levies from disposition holders has continued to be difficult for FRIAA because levies are self-reported and are validated indirectly. FRIAA and Alberta SRD has actively addressed revenue collection issues by initiating a pilot project for area-based levies, improving access to volume information for smaller operators and using legal means to collect past-due levies. Since May 1, 2009, FRIAA has collected over \$2.6 million in old debt and has significantly reduced the proportion of new levies that fall into the past-due category.

Improvements to collection processes combined with continual review of reforestation expenditures and outcomes are moving CRP towards a fully sustainable program. FRIAA continues to work with Alberta SRD and other stakeholders to close any gap in sustainability that may remain.

## 3) Maintaining the success of the Wildfire Reclamation Program

All eligible participants in the 1998 WRP have been working hard to complete activities under this program. The 1998 portion of the program was extended for one year until May 31, 2013, to allow for the completion of regeneration surveys. Once completed, a total of \$36.4 million will have been spent on over 25,000 hectares of productive forest land that was previously reforested and subsequently destroyed by wildfire.

In addition to the 1998 program, the 2006 portion of the WRP has been very active. To date, 4,989 hectares of reforested cutblocks damaged or destroyed by wildfires from 2006 to 2010 are being initially treated and will be returned to productivity. The devastating 2011 wildfires in the Slave Lake area and elsewhere in Alberta resulted in a large area of reforested cutblocks being destroyed. SRD and FRIAA identified over 12,000 hectares of cutblocks requiring treatment. The province is providing approximately \$23 million to fund the remediation and reforestation of these areas.

## 4) Expanding the Mountain Pine Beetle Program

On April 1, 2007, the MPBP was established to deal with the effects of the mountain pine beetle infestation spreading throughout Alberta. Funding from the province and managed by FRIAA has allowed FRIAA's members to be an integral part of the critical detection and control efforts, which have included single tree control, pheromone baiting, and log yard management.



To date, the MPBP has distributed over \$17 million to key projects delivered by members and their contractors. In 2011, FRIAA adopted a call for proposals process for identifying the best projects to implement with these funds. We believe the process is functioning very well and provides a much improved way of ensuring fairness and optimal results. Results to date for the program include:

Activity	Results
Long-distance dispersal monitoring	927 sites
Containment baiting	828.8 hectares
Log-yard management	7,289 traps
Aerial surveys	13,666.6 kilometres
Ground surveys	5,333.12 hectares
Single-tree control	21,285 trees
Dispersal pheromone	30,797 pouches
Seed collection and seed-orchard expansion	10,431.31 hectolitres

#### 5) Successfully completing the Fire Hazard Reduction and Forest Health Program

The FHRFH Program has been active over the year in wrapping up the last of its funded projects. With funding provided by the provincial and federal governments, FRIAA has approved and completed 102 projects worth over \$30 million. These projects created over 2,576 person-months of employment, sustaining numerous businesses, and directly impacted over 8,393 hectares of forested land.

Performance Indicators	Results
Expenditures	\$30,044,676
Projects	102
Hectares treated	8,393
Man-months of employment created	2,576
Businesses significantly impacted	122
Businesses maintained	252
New/revised FireSmart plans	17

#### 6) Extending the Incidental Conifer Program

The ICP was scheduled to expire March 31, 2010. Not all funding was used by eligible participants by that date, so the Minister of Alberta SRD has decided to extend the program until December 31, 2016. Activities that sustain coniferous timber supplies are still being implemented.



# Business Plan Highlights

Through a three-year business plan, the Board has provided guidance and direction for FRIAA's ongoing administration. This business plan identifies a number of goals, strategies, and performance expectations to ensure FRIAA's effectiveness and efficiency. The following describes FRIAA's performance over the past year relative to the April 1, 2011, to March 31, 2014, business plan submitted to the Minister on February 28, 2011:

## Goal one: To contribute to the health, productivity, and sustainability of Alberta's forests and forested lands

### Optimize active participation in the Forest Resource Improvement Program

*FRIAA will strive to increase the level of active participation in FRIP to promote its objectives and mandate.*

#### Results:

Size of participating company (m <sup>3</sup> /year)	Number of FRIP project participants		
	2009–10	2010–11	2011–12
0–10,000	25	17	12
10,000–107,296	9	7	4
107,296+	17	17	15

FRIAA's goal is for 100% participation of medium and large member companies. FRIAA had effectively achieved this goal in the past for medium- and large-sized companies; however, for 2011–12 not all companies have been able to participate. In 2011–12, FRIAA initiated the FRIP Fund Initiative to allow for the increased use of accumulated FRIP investment income for eligible FRIP projects.

### Effectively reforest cutover areas that are within the scope of the Community Reforestation Program

*FRIAA will effectively reforest in a manner consistent with the reforestation standards set out in the Timber Management Regulations and the Alberta Regeneration Survey Manual.*

#### Results:

Subprogram	Harvested area within program (ha)	Area where treatment commenced (ha)	Area with outstanding treatment requirements (ha)
1994–2000	31,142	31,142	4,478*
Post-2000	27,934	26,202	24,459
Total	59,077	57,344	28,937

*\* Performance surveys only*

FRIAA continues to reforest areas harvested after May 2000 through a program linked to the Province's Community Timber Program. All areas are being treated in a manner consistent with the *Timber Management Regulations* and *Alberta Regeneration Survey Manual*. Initial reforestation treatment work on areas harvested prior to May 2000 was carried out with the funding transferred from the Government of Alberta. FRIAA has carried out initial site preparation and planting work and the remaining funds are adequate to carry out establishment surveys for most areas. The level of funding is continuously monitored, and FRIAA is taking steps to ensure sufficient funding is in place.

## Goal two: To reduce the impact of wildfires on Alberta's forests and forest sustainability

### Deliver the Wildfire Reclamation Program in a cost-efficient manner

The Wildfire Reclamation Program (WRP) is aimed at stabilizing sites and re-establishing forest cover in areas affected by fires. Delivery of the WRP involves managing agreements with program participants and tracking activities on specified areas of the program. Cost efficiency is sought by ensuring appropriate use of funds towards the program's objective as well as minimizing overhead costs through efficient administrative policies and procedures.

WRP 1998 grant agreement	
WRP facts	Program inception to date
Total seedlings planted	41,248,019 seedlings
Total area planted	25,296 hectares
Total area assessed	49,776 hectares

WRP 2007 grant agreement	
WRP facts	Program inception to date
Total seedlings planted	7,359,939 seedlings
Total area planted	4,227 hectares
Total area assessed	4,998 hectares

A performance measure for this goal is to maintain a target administration/project expenditure ratio of 5% or less. FRIAA has either met or exceeded this target by achieving a 4.6% ratio of management to direct operations costs throughout the program. FRIAA will continue to strive to achieve this target in future.

## Goal three: To enhance Alberta's forests to support healthy ecosystems and fish and wildlife resources

### Support FRIP projects that involve the full range of eligible enhancement activities

Different approaches for improving forest resources and the management of Alberta's forests fall into one of four categories, and FRIAA supported projects across all of them.

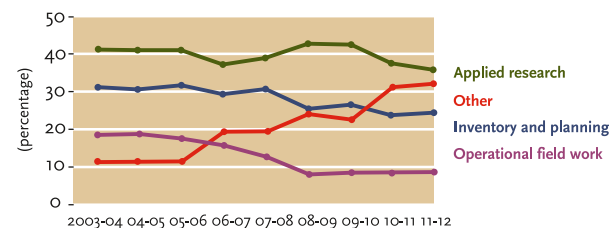
Performance of this goal is measured by tracking projects within each category over time. The following results reflect active projects within the fiscal year.

### Results:

Project category	2011-12 actual (Percentage share by number of projects)	2011-12 actual (Percentage share by value of projects)
Operational field work	7	9
Inventory and planning	24	24
Applied research	36	42
Other	33	25

The percentage value of the projects is significantly below the target range for operational field projects and above the target range for applied research and other projects. The decrease in "operational" field projects was primarily offset by an increase in "other" projects, which include lake aerations, recreation area care, wildlife conservation, and support for forest education for the general public. FRIAA will continue to monitor these trends and evaluate the impact, if any, on the program objectives. There seems to be a gradual increase over time in work for forest health and public health and awareness projects.

### Actual percentage value of projects by category





### Initiate reforestation activities under the Community Reforestation Program within two years of harvesting

FRIAA will manage its reforestation program in a manner that allows it to meet the Timber Management Regulation requirement of initiating reforestation activities on cutblocks within two years of harvesting.

#### Results:

FRIAA aggressively pursues a goal of initiating reforestation treatments within two years of harvest on all blocks harvested after May 30, 2000. Exceptions to this timing, which are uncommon, usually relate to a delay in the transfer of harvest information from government to service providers. FRIAA is continuing to work with both parties to eliminate all exceptions.

## Goal four: To support a sustainable forest industry as responsible stewards of Alberta's forests

### Encourage full and efficient use of FRIP funds

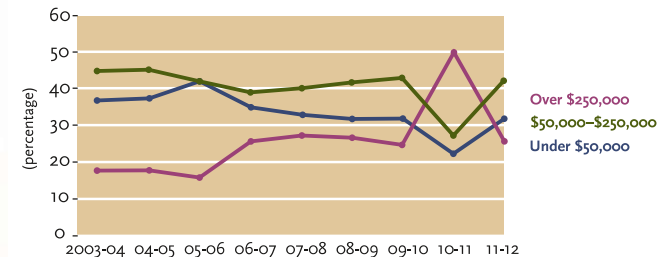
FRIAA promotes full and efficient use of FRIP funds through increasing participation levels and actively encouraging FRIP projects by making funds to those projects available for 36 months.

#### Results:

Project value	2011-12 actual (Percentage share by number of projects)	2011-12 actual (Percentage share by value of projects)
Under \$50,000	32	5
\$50,000-\$250,000	42	26
Over \$250,000	26	69
Total	100	100

FRIAA's performance is reviewed over time by monitoring the sizes of projects carried out and evaluating the results, if any, on the efficient use of funds. Distribution of project sizes has changed over the past years as smaller projects are completed and ongoing projects tend to be larger. FRIAA expects more large projects in the future as members cooperate and support collaborative efforts rather than smaller individual projects.

Actual percentage share by number of projects by size



## Goal five: To ensure full accountability to all Albertans

### Govern effectively

*FRIAA will fulfill its responsibility to deliver effective and efficient administration and to meet its obligations through sound corporate governance.*

#### Results:

Legislative Requirements		
Requirement	Action by FRIAA	Status
<b>Business plan</b>	Provide a three-year business plan (including goals) to the Minister annually	Completed
<b>Annual report</b>	Provide an annual report summarizing activities and financial statements to the Minister of SRD	Completed
<b>FRIAA dues</b>	Determine FRIAA dues as per <i>Regulation</i> Section 5(1) and 5(1.1)	No changes in dues in 2011–12
<b>Notice of change of bylaws</b>	Give reasonable notice to the Minister of SRD to complete regulation review prior to expiry date	No changes in bylaws in 2011–12
<b>Expiry of regulation</b>	Work with the Minister to complete regulation review prior to expiry date	Completed
<b>Freedom of Information and Protection of Privacy Act (FOIP Act) requests</b>	Adhere to <i>FOIP Act</i> regulations	In compliance
<b>Records management system</b>	Have a reliable records management system in place	In compliance
<b>Program reporting to the Minister of SRD</b>	Report all forestry enhancement programs to the Minister as per the grant agreement	In compliance

Governance		
Requirement	Action by FRIAA	Status
<b>Objectives review</b>	Periodically review FRIAA's activities to ensure they align with FRIAA's objectives	In compliance
<b>Bylaws review</b>	Ensure annual Board review of FRIAA's bylaws	Completed
<b>Director requirements</b>	In accordance with bylaws, elect or appoint directors for the Board, and provide indemnification and reimbursement of directors' expenses where the Board approves	Completed
<b>Directors' meetings</b>	Call directors' meetings as per bylaw requirements, and ensure majority quorum. Ensure minutes are done in writing and approved by directors	In compliance
<b>Fees levied and debentures</b>	Levy fees in accordance with bylaws. Do not provide results to all members through the annual report	In compliance
<b>Financial accountability</b>	Audit FRIAA's financial records yearly and provide results to all members through the annual report	Completed
<b>Annual general meeting</b>	Hold a yearly meeting for all members. Conduct meeting and voting as per the bylaws	In compliance
<b>Program reporting to the Board</b>	Ensure all forestry enhancement programs provide regular administration reports to the Board	Completed
<b>MOU review</b>	Review the memorandum of understanding with the Minister annually	Completed



### Ensure full accountability for FRIAA

*FRIAA will develop a comprehensive accountability framework to ensure it acts in accordance with its mandate and objectives. The accountability framework will govern FRIAA to ensure its mandate is being fulfilled, its objectives are being pursued, and its members and Minister are well represented.*

#### Results:

All policies and regulatory requirements have been reviewed in conjunction with a year-end accountability reporting process undertaken by the Board of FRIAA. FRIAA thoroughly reviews all policies, bylaws, and regulatory requirements annually to ensure compliance with its governance and accountability framework. This review is documented as an annual accountability report.

### Communicate benefits

*FRIAA's mandate focuses on benefits for Albertans through projects and initiatives. FRIAA strives to communicate these benefits to Albertans.*

#### Results:

FRIAA maintains a website to inform stakeholders about administration of the association and its programs. A newsletter is produced and distributed three times a year to highlight key activities and points of concern to the membership, to FRIAA dues remitters, and to other stakeholders. FRIAA will continue to seek input on its communications activities.

Policy	Status
Audit Committee Policy	<ul style="list-style-type: none"><li>■ Policy was approved August 26, 1997</li><li>■ Audit Committee was established August 26, 1997. Membership reviewed annually</li><li>■ Audit Committee has met in accordance with the policy and reported against it regularly</li><li>■ Audit for 2011–12 has been completed in accordance with the terms of the policy and legislative requirements</li></ul>
Conflict of Interest Policy	<ul style="list-style-type: none"><li>■ Policy was approved August 26, 1997</li><li>■ Conflicts were reported and recorded in accordance with the policy</li></ul>
Appeal Policy	<ul style="list-style-type: none"><li>■ Policy was approved January 19, 1998, as amended</li><li>■ No appeals under the policy were initiated in 2011–12</li></ul>
Fund Management Policy	<ul style="list-style-type: none"><li>■ Fund Management Committee was established November 17, 1997</li><li>■ Statement of Investment Policies and Goals was approved April 22, 1998, and amended December 4, 2006</li><li>■ Statement of Investment Policies and Goals for the Community Reforestation Fund approved December 1, 2003, and amended December 4, 2006, and December 7, 2009</li><li>■ Monthly reports were made by the investment managers to the committee and Board in compliance with the policy and investment statement</li></ul>
Public-at-Large Director Selection Protocol	<ul style="list-style-type: none"><li>■ Policy was reviewed and confirmed October 2000</li><li>■ Protocol was reviewed October 16, 2008</li></ul>
Community Reforestation Program	<ul style="list-style-type: none"><li>■ Approved and effective May 30, 2000, and reviewed on an ongoing basis</li></ul>
Forest Resource Improvement Program Description and Guidelines	<ul style="list-style-type: none"><li>■ Approved August 26, 1997, as amended, and reviewed on an ongoing basis</li></ul>
Annual Budgeting Protocol	<ul style="list-style-type: none"><li>■ Complied in 2011-12</li></ul>
Annual Business Plan Review Process	<ul style="list-style-type: none"><li>■ Complied in 2011-12</li></ul>

# Financial Highlights

FRIAA's financial statements provide an overview of the funds and resources used to deliver its programs and initiatives. Highlights of 2011–12 include:

- Overall project spending by FRIAA was just under \$15 million in 2011–12, compared to over \$32 million in the previous year.
- FRIAA dues receipts remained close to nil again this year as lumber prices remained very low. Dues received were just over \$21,000, paid by small operators, compared to a historical average of nearly \$13 million from all dues payers.
- The Forest Resource Improvement Program (FRIP) fund is valued at \$36.5 million, compared to \$40.5 million the previous year.
- Community Timber Program (CRP) activity has decreased, reflecting fewer timber permits issued by government and a lower level of harvesting under the CRP.
- FRIAA's overall ratio of management/administration costs to total spending is 8.4%.
- Careful planning, cash management, and investment strategies were established to preserve capital in the CRP and FRIP funds—over \$2.1 million was earned in net investment revenue over the year.

# Risk Mitigation

FRIAA mitigates risk through its Audit Committee and Management Committee, by ensuring internal operations and controls are effective and up to date, and by maintaining a cost-effective and efficient operating structure with FRIAA programs. FRIAA adheres to practices and regulations of Alberta SRD as well as appropriate forestry principles.

# Auditor's Report

## To the Members of the Forest Resource Improvement Association of Alberta

We have audited the accompanying financial statements of the Forest Resource Improvement Association of Alberta, which comprise the statement of financial position as at March 31, 2012, the statement of revenues and expenditures, statement of changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and

disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Forest Resource Improvement Association of Alberta as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Grant Thornton LLP  
Chartered Accountants  
Edmonton, Alberta  
May 15, 2012

## Statement of Financial Position

### March 31

	2012	2011
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 10,843,759	\$ 8,508,230
Restricted cash (Note 3)	20,459,283	7,226,320
Accounts receivable	810,473	672,060
Investments	6,983,028	7,497,132
Prepaid expenses and deposits	165,896	41,239
	39,262,439	23,944,981
Investments	34,645,554	39,124,941
	<b>\$ 73,907,993</b>	<b>\$ 63,069,922</b>

## Liabilities and Net Assets

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 653,752	\$ 1,160,792
<b>Net assets:</b>		
Forest Resource Improvement Program	36,371,455	40,528,101
Wildfire Reclamation Program (Note 3)	20,417,184	6,780,860
Community Reforestation Program (Note 4)	11,909,833	9,277,560
Incidental Conifer Program (Note 5)	1,215,173	1,586,363
Mountain Pine Beetle Program (Note 6)	3,340,596	3,555,276
Fire Hazard Reduction and Forest Health Program (Note 7)	—	160,447
Forestry Workers Employment Program (Note 8)	—	20,523
	73,254,241	61,909,130
	<b>\$ 73,907,993</b>	<b>\$ 63,069,922</b>

### Commitments (Note 10)

See accompanying notes to financial statements.

On behalf of the Board:

  
David Kiil  
Director

  
Murray Summers  
Director

## Statement of Revenue and Expenditures

### Year ended March 31

	Forestry Workers Employment Program (Note 3)	Fire Hazard Reduction and Forest Health Program (Note 7)	Wildfire Reclamation Program (Note 3)	Mountain Pine Beetle Program (Note 6)	Incidental Conifer Program (Note 5)	Community Reforestation Program (Note 4)	Forest Resource Improvement Program	2012 total	2011 total
<b>Revenues:</b>									
FRIAA dues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 21,198	\$ 21,198	\$ 16,506
Reforestation levies	—	—	—	—	—	2,775,139	—	2,775,139	2,577,263
Grants	—	1,725,370	15,000,000	4,500,000	—	2,450,728	—	23,676,098	21,047,135
	—	1,725,370	15,000,000	4,500,000	—	5,225,867	21,198	26,472,435	23,640,904
<b>Expenditures:</b>									
Accounting	—	20,390	34,479	32,226	4,459	126,157	66,628	284,339	361,844
Board meetings	—	—	—	—	—	—	—	—	2,378
Communication	—	8,053	16,255	24,174	1,167	44,130	29,497	123,276	148,773
Directors' expenses	87	11	1,526	1,121	406	1,809	2,769	7,729	8,409
Directors' honoraria (Note 12)	71	182	1,833	1,518	558	2,487	3,720	10,369	14,039
Field audits	—	25,446	44,970	15,106	—	4,200	50,417	140,139	211,573
Financial audit	580	686	8,630	3,336	1,668	5,714	16,094	36,708	49,243
Insurance	87	1,646	1,560	1,516	520	2,599	2,599	10,527	10,395
Management support	5,015	21,455	65,085	66,324	22,583	592,261	97,188	869,911	634,392
Member financial reports	—	—	—	—	—	—	—	—	11,985
Office and miscellaneous	—	2,672	5,327	19,832	1,136	5,829	10,081	44,877	20,271
Professional fees	997	4,203	9,190	6,447	2,315	12,044	12,325	47,521	37,132
Reimbursement of FRIP dues	—	—	—	—	—	—	—	—	670,137
Project expenditures	13,838	1,771,446	1,197,523	4,504,177	350,000	1,822,796	5,359,729	15,055,509	32,188,501
Project operations and monitoring costs	—	24,695	28,339	23,568	—	131,920	126,672	335,194	441,904
Project review and approval	—	12,795	19,094	18,294	1,230	151,338	94,256	297,007	360,932
	20,675	1,893,680	1,433,811	4,753,639	386,042	2,903,284	5,871,975	17,263,106	35,171,908
	(20,675)	(168,310)	13,566,189	(253,639)	(386,042)	2,322,583	(5,850,777)	9,209,329	(11,531,004)
<b>Other income (expenses):</b>									
Dividends	—	—	—	—	—	265,992	161,487	427,479	488,492
Interest	152	7,863	70,135	38,959	14,852	43,477	894,597	1,070,035	1,216,992
Gain (loss) on fair value of investments	—	—	—	—	—	221	811,624	811,845	2,338,415
Investment management fees	—	—	—	—	—	—	(173,577)	(173,577)	(158,375)
	152	7,863	70,135	38,959	14,852	309,690	1,694,131	2,135,782	3,885,524
Excess (deficiency) of revenues over expenditures	\$ (20,523)	\$ (160,447)	\$ 13,636,324	\$ (214,680)	\$ (371,190)	\$ 2,632,273	\$ (4,156,646)	\$ 11,345,111	\$ (7,645,480)

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

### Year ended March 31

	Forestry Workers Employment Program net assets	Fire Hazard Reduction and Forest Health Program net assets	Wildfire Reclamation Program net assets	Mountain Pine Beetle Program net assets	Incidental Conifer Program net assets	Community Reforestation Program net assets	Forest Resource Improvement Program unrestricted net assets	2012 total	2011 total
	(Note 8)	(Note 7)	(Note 3)	(Note 6)	(Note 5)	(Note 4)			
Net assets, beginning of year	\$ 20,523	\$ 160,447	\$ 6,780,860	\$ 3,555,276	\$ 1,586,363	\$ 9,277,560	\$ 40,528,101	<b>\$ 61,909,130</b>	\$ 69,554,610
(Deficiency) excess of revenues over expenditures	(20,523)	(160,447)	13,636,324	(214,680)	(371,190)	2,632,273	(4,156,646)	<b>11,345,111</b>	(7,645,480)
Net assets, end of year	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 20,417,184</b>	<b>\$ 3,340,596</b>	<b>\$ 1,215,173</b>	<b>\$ 11,909,833</b>	<b>\$ 36,371,455</b>	<b>\$ 73,254,241</b>	\$ 61,909,130

*See accompanying notes to financial statements.*





## Statement of Cash Flows

### Year ended March 31

	2012	2011
Increase (decrease) in cash and cash equivalents		
<b>Operations</b>		
(Deficiency) excess of revenue over expenditure	\$ 11,345,111	\$ (7,645,480)
Non-cash items		
Gain on fair value of investments	(811,845)	(2,338,415)
	10,533,266	(9,983,895)
Change in non-cash operating working capital		
Accounts receivable	(138,413)	(106,475)
Prepaid expenses and deposits	(124,657)	43,744
Accounts payable and accrued liabilities	(507,040)	(5,890,695)
	9,763,156	(15,937,321)
<b>Investing</b>		
Changes in restricted cash	(13,232,963)	1,969,750
Purchase of investments	(30,965,485)	(30,776,916)
Proceeds on sale and redemption of investments	36,770,821	35,909,315
	(7,427,627)	7,102,149
Net (decrease) increase in cash and cash equivalents	2,335,529	(8,835,172)
Cash and cash equivalents		
Beginning of year	8,508,230	17,343,402
End of year	\$ 10,843,759	\$ 8,508,230

See accompanying notes to financial statements.

# Notes to Financial Statements

## Year ended March 31, 2012

### 1. Nature of operations

The Forest Resource Improvement Association of Alberta (the "Association") is incorporated under the *Societies Act of Alberta* and has a mandate under the *Forest Resources Improvement Regulation* pursuant to the *Environmental Protection and Enhancement Act* and the *Forests Act* to establish programs or initiatives to enhance forest resources of Alberta and the management thereof, to improve the sustained yield of Alberta forest resources, and to promote integrated resource management. The Association uses Forest Resource Improvement Association of Alberta dues to fund the Forest Resource Improvement Program, which is aimed at these objectives.

In 1998, per agreement with the Province of Alberta, the Association commenced administering the Reclamation of Cutblocks Destroyed by Wildfire Program (Note 3).

In 2000, per agreement with the Province of Alberta, the Association commenced administering the Community Reforestation Program (Note 4).

In 2005, per agreement with the Province of Alberta, the Association commenced administering the Incidental Conifer Program (Note 5).

In 2007, per agreement with the Province of Alberta, the Association commenced administering the Mountain Pine Beetle Program (Note 6).

In 2009, per agreement with the Province of Alberta, the Association commenced administering the Fire Hazard Reduction and Forest Health Program (Note 7).

In 2009, per agreement with the Province of Alberta, the Association commenced administering the Forestry Workers Employment Program (Note 8).

The Association is a not-for-profit organization, and accordingly, no provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the *Income Tax Act, Canada*.

### 2. Summary of significant accounting policies

#### Revenue recognition

The Association uses the restricted fund method of accounting. All restricted contributions are recorded as revenue of the appropriate restricted fund in the period to which it relates under the terms of the Agreements.

The Association earns dues and levies based on the timber sales of Alberta producers. Producers are required to report timber sales and related dues or levies by filing a timber return with the Association. Revenues are recognized using the accrual method when amounts are measurable and collection is reasonably assured. Dues and levies are based on the volume of timber produced and are legally owing to the Association when timber dues are owing to the Crown. Reforestation levies are recorded in the Community Reforestation Program, as they provide direct funding for the program.

Investment income is recorded in the period that it is earned.

#### Cash and cash equivalents

Cash and cash equivalents include unrestricted cash on hand and balances with banks, net of outstanding cheques.

#### Restricted cash

Restricted cash includes cash that is restricted for use in individual programs.

#### Investments

Investments are accounted for based on their classification as held-for-trading assets and recorded at fair value. Changes in fair value are recognized in the statement of revenues and expenditures. Interest and dividends on investments are recorded as other income when earned. Cost of investment as at March 31, 2012, is \$40,713,604 (2011 – \$45,470,247).

#### Use of estimates

In preparing the Association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. Significant estimates within these financial statements are the accrual of reforestation levies.

#### Financial instruments

Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in the statements of revenues and expenditures. Financial assets classified as held-to-maturity, or as loans and receivables, or financial liabilities classified as other financial liabilities, will be measured at amortized cost. Available-for-sale financial assets will be measured at fair values with changes in fair value being recognized directly in the statement of net assets.

As at March 31, 2012, the Association has the following financial instruments:

	Classification	Measurement
<b>Financial assets</b>		
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	Held-for-trading	Fair value
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Association has elected to continue using the disclosure and presentation requirements of CICA Handbook Section 3861 – Financial Instruments – Disclosure and Presentation rather than the provisions of Section 3862 – Financial Instruments – Presentation and Section 3863 – Financial Instrument Presentation. This election is specifically allowed for under the provisions of the above-mentioned sections.

### 3. Reclamation of Cutblocks Destroyed by Wildfire Program (the “Wildfire Reclamation Program”)

The Wildfire Reclamation Program was established on November 1, 1998, and amended on November 24, 2000, and February 15, 2006, by agreement between Her Majesty the Queen in Right of Alberta as represented by the Minister of Environment (the “Province”) and the Forest Resource Improvement Association of Alberta (the “Association”). The Wildfire Reclamation Program was established to encourage the reclamation of land disturbed or destroyed by wildfire and will be operated by the Association.

Under the terms of the agreement, the total grant amounts to \$35,000,000. The Association received \$10,000,000 from the Province in January, 1999, \$17,000,000 on May 12, 1999, \$4,000,000 on December 1, 2000, and \$4,000,000 on April 23, 2002. The agreement, which was to expire on March 31, 2006, has been extended to March 31, 2012. Any unexpended funds plus earnings thereon at that time would have had to be returned to the Province, except that subsequent to March 31, 2012, the Association received a letter of intent from the Province extending the expiry to March 31, 2013.

On July 3, 2007, the Association entered into a new grant agreement (“2006 Program”) with the Province. Under the terms of the agreement the total grant amount of \$5,137,986 received in 2007 is to be used for the reclamation of 2006 and 2007 burned cutblocks. The annual grants of \$730,272 received in 2009, \$2,631,068 received in 2010 and \$372,288 received in 2011 under the terms of the agreement, are to be used for the reclamation of 2008, 2009, and 2010 burned cutblocks, respectively.

During the current year an annual grant amount of \$15,000,000 was received, in accordance with the terms of this agreement, to be used for the reclamation of 2011 burned cutblocks. The agreement expires on March 31, 2017, unless the term of the agreement is extended or renewed. The obligations of the parties continue for such period of time required to complete the work under the agreement which shall be no earlier than seven years past the end of the term. Any unused grant amount, shall be returned to the Province, together with any interest or return earned from investment of the grant amount, seven years from the end of the term.

Restricted cash consists of funds of \$20,459,283 (\$7,226,320 – 2011) that are restricted for use on the Wildfire Reclamation Program and held in a separate bank account.

### 4. Community Reforestation Program (the “Reforestation Program”)

The Reforestation Program was established on May 1, 2000, by order in council amending the *Timber Management Regulation* pursuant to the *Forest Act* and the *Forest Resource Improvement Regulation* pursuant to the *Environmental Protection and Enhancement Act*. The Reforestation Program was established for reforestation of Crown lands subject to reforestation levies.

In implementing the program, the receipt of funds for the Reforestation Program has been delegated to the Association in two parts:

- a) Reforestation levies received and unexpended by the Province on areas cut under the authority of timber licenses and permits on or after May 1, 1994, but before May 30, 2000, are to be transferred to the Association according to section 143.91 of the *Timber Management Regulation*. The levies received during the year were nil (2011 – \$82,980).
- b) The Association has the authority to collect reforestation levies on areas cut under the authority of timber licenses and permits on or after May 30, 2000. The levies received

during the year were \$2,627,312 (2011 – \$2,494,283).

All reforestation levies and associated interest are to be used solely for the purpose of the Reforestation Program.

### 5. Incidental Conifer Program

The Incidental Conifer Program was established on March 31, 2005, by agreement between Her Majesty the Queen in Right of Alberta as represented by the Minister of Sustainable Resource Development (the “Minister”) and the Forest Resource Improvement Association of Alberta (the “Association”). The Incidental Conifer Program was established to encourage the replacement of coniferous timber harvested as the result of and incidental to deciduous timber harvesting operations and will be operated by the Association.

Under the terms of the agreement, funding in the amount of \$2,786,484 was transferred by the Province to the Association on November 16, 2005, in respect of work to be undertaken, under contracts, on lands set out in the Forest Management Agreement. Additional funds may be paid to the Association from time to time, representing amounts collected by the Minister for the purpose set out in the Agreement. In that event, the Association shall administer all additional funds provided in accordance with the terms of the Agreement. The term of the Agreement is from February 1, 2005, to December 31, 2016.

### 6. Mountain Pine Beetle Program

The Mountain Pine Beetle Program was established on July 5, 2007, by agreement between Her Majesty the Queen in Right of Alberta as represented by the Minister of Sustainable Resource Development (the “Minister”) and the Forest Resource Improvement Association of Alberta (the “Association”). This Program was established because Mountain Pine Beetle infestations in Alberta reached epidemic proportions causing significant damage to Alberta’s pine stands. Under the terms of the agreement the Department provides funding, in the form of a grant to be used to administer forest industry sector operators engaged to provide services, beyond tenured obligations, to control, suppress or eradicate the Mountain Pine Beetle.

Under the terms of the agreement \$5,000,000 was provided in 2007 as initial funding to initiate the Program. Additional annual grant amounts of \$5,000,000 were provided in April 2008 and December 2009. Annual grant amounts will be approved by the Department throughout the term of the Agreement, which is April 1, 2007, to March 31, 2012, unless otherwise extended or renewed or terminated in accordance with the terms. Annual grants of \$4,500,000 and \$1,200,000 were provided in the years ending March 31, 2012 and 2011, respectively.

### 7. Fire Hazard Reduction and Forest Health Program

The Fire Hazard Reduction and Forest Health Program (the “Program”) was established on February 27, 2009, by agreement between Her Majesty the Queen in Right of Alberta as represented by the Minister of Sustainable Resource Development (the “Department”) and the Forest Resource Improvement Association of Alberta, a society incorporated under the laws of the Province of Alberta, with its registered office at Edmonton, Alberta (“FRIAA”). The Fire Hazard Reduction Program was established to undertake forest management activities designed to reduce fire hazards and maintain forest health on public lands. The Program as agreed to by the Department and FRIAA is to be administered by the Association.

Under the terms of the agreement, the total grant to be received by FRIAA from the Department amounts to \$15,000,000. The funds are to be paid in three instalments. The first instalment of \$2,000,000 was received on May 12, 2009 and the second instalment of \$6,500,000 was received from the Department on December 17, 2009. The third instalment of \$6,500,000 became payable upon receipt from FRIAA of an audited report for FRIAA's 2009–10 fiscal year. These funds were received by FRIAA in July 2010. Two years from the last day of the term, March 31, 2012, any unused grant money shall be returned to the Department by FRIAA.

On July 3, 2009, The Forest Resource Improvement Association of Alberta (the "Recipient") entered into a separate agreement with Her Majesty the Queen in Right of Canada as represented by the Minister of Western Economic Diversification (the "Minister"). The Minister offered the Association a financial contribution under the Community Adjustment Fund Program to provide funding for the implementation of projects in forest-based communities in Alberta under the Fire Hazard Reduction and Forest Health Program (the "Program").

Under the terms of the agreement the Minister shall provide the Recipient with a non-repayable contribution not exceeding \$15,000,000 provided the Recipient is in compliance with the terms and conditions of the Agreement and the Minister's total contribution to project costs, at the end date, does not exceed 50% of project costs. Any contribution paid in excess of 50% of project costs shall be deemed repayable at the end date. Payments of \$2,545,625 and \$4,954,375 were received during November 2009 and February 2010 respectively, totalling \$7,500,000 for the fiscal year ending March 31, 2010. Payments of \$3,750,000 and \$2,024,630 were received during May 2010 and December 2010 respectively, totalling \$5,774,630 for the fiscal year ending March 31, 2011.

The agreement with the Minister of Western Economic Diversification was amended March 28, 2011, whereby the Minister will contribute 100% of the first \$15,000,000 of assisted project costs incurred by the Association prior to March 31, 2011. At the Minister's discretion, the Minister may hold back a portion of the contribution pending receipt of claims for costs through the end date (December 31, 2011). Prior to the end date, payments totalling \$1,725,370 were received by the Association. This Program was completed and wound up during the fiscal year ending March 31, 2012.

## 8. Forestry Workers Employment Program

The Forestry Workers Employment Program (the "Program") was established in July 2009 by the Association. The Forestry Workers Employment Program was established to provide funding to Alberta's forestry sector to mitigate impacts from the current economic downturn by encouraging job creation within Alberta communities. The funds are focused towards increasing employment opportunities specifically within the province's silviculture workforce and funding projects relating to the planting of seedlings.

The program has received funding under two grant agreements with the Minister of Employment and Immigration of Alberta ("AEI") dated July 14, 2009, and July 24, 2009. The total grant proceeds under the agreements is \$6,000,000.

Under the terms of the agreements, the total grant of \$6,000,000 to be received by the Association was equally disbursed over a two-year period. Grant funds not used for the purposes for which they were provided, or which have not been used, must be returned. The first year's instalment of \$3,000,000 was received on August 12, 2009. The second instalment of

\$3,000,000 was received May 19, 2010, after receipt of satisfactory reporting of disbursements and demonstrated achievement of the objective to increase employment opportunities for those impacted by the economic downturn in the forestry sector of the Alberta economy from the first \$3,000,000 grant. The first report was submitted by April 30, 2010, and a final report was submitted by April 30, 2011. This program was completed and wound up during the fiscal year ending March 31, 2012.

## 9. Capital disclosures

The Forest Resource Improvement Association of Alberta defines capital managed as the aggregate of net assets and debt. The Association's objectives when managing capital are to ensure that the Association will continue as a going concern, will sustain current and future operations and growth, and will preserve the long-term value of the Association.

At March 31, 2012, the Association's only externally imposed capital restriction was the restricted cash balance related to the Wildfire Reclamation Program (Note 3).

## 10. Commitments

As at March 31, 2012, the Association is committed to fund approved projects with various terms in the following amounts for each program:

	2012	2011
Forest Resource Improvement Program	\$ 8,308,067	\$ 9,882,015
Community Reforestation Program	380,738	328,311
Wildfire Reclamation Program	2,238,349	4,513,587
Mountain Pine Beetle Program	1,576,237	3,176,678
Fire Hazard Reduction and Forest Health Program	—	168,889
Incidental Conifer Program	465,000	—
	<b>\$ 12,968,391</b>	<b>\$ 18,069,481</b>

Unspent funding that may arise in a given program may be subject to return provisions unless FRIAA obtains approval to either transfer the amounts to other programs with similar objectives or to use the unspent amounts for remaining overhead costs. In the current year, \$20,523 of unspent funding exists for the Forestry Worker Employment Program. This amount has not been recorded as a liability in these financial statements, as FRIAA plans to seek approval to use this amount for remaining overhead costs of the program.

## 11. Related party transactions

As required under the Forest Resources Improvement Regulation, the remuneration and benefits paid to the members of the board of directors are as follows:

	2012	2011
James C. Bocking	\$ 2,109	\$ 2,888
A. David Kiil	\$ 3,023	\$ 5,705
Jurgen Moll	\$ 2,748	\$ 2,812
Murray Summers	\$ 1,280	\$ 1,731
Other	\$ 1,209	\$ 903
	<b>\$ 10,369</b>	<b>\$ 14,039</b>

## 12. Financial instruments

The Association's financial instruments consist of cash, investments, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency, or credit risks from these financial instruments.

### Fair value

The estimated fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying value due to the relatively short-term nature of these instruments. The estimated fair value of investments is determined using quoted market prices.

### Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Association is exposed to credit risk from accounts receivable. The Association's receivable balance is made up of numerous receivables, which reduces the concentration of credit risk.

### Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Investments bear interest at a fixed rate. Fixed rate investments are subject to interest rate price risk, as the values will fluctuate as a result of changes in market rates.

## 13. Contingencies

GST reporting for the period April 1, 2007, through October 31, 2010, for the Association is currently under audit by the Canada Revenue Agency (CRA). Resolution of the audit has been postponed by agreement with CRA contingent upon receiving a ruling which will determine if the supply of services by the Community Reforestation Program are taxable. In addition, if the amounts are considered to be taxable by the CRA, the organization may be able to claim certain GST rebates related to expenditures previously incurred. Due to the uncertainty of the results of the ruling, no provision for the audit outcome has been recorded in the accounts of the Association.

## 14. Comparative figures

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

## Forest Resource Improvement Association of Alberta

- Alberta-Pacific Forest Industries Ltd.
- Alberta Plywood Ltd.
- ANC Timber Ltd.
- Askee Development Corporation
- Blue Ridge Lumber Inc.
- Boucher Bros. Lumber Ltd.
- Canadian Forest Products Ltd.
- Crowsnest Forest Products Ltd.
- Daishowa-Marubeni International Ltd.
- Foothills Forest Products Ltd.
- Gordon Buchanan Enterprises Ltd.
- Hinton Wood Products Ltd.
- Koinonia Corporation
- Little Red River Forestry Ltd.
- Manning Diversified Forest Products
- Medicine Lodge Timber Products Ltd.
- Millar Western Forest Products Ltd.
- Northland Forest Products Ltd.
- Rocky Wood Preservers Ltd.
- Seehta Forest Products
- Slave Lake Pulp Corporation
- Spray Lake Sawmills (1980) Ltd.
- Spruceland Millworks Inc.
- Sundance Forest Industries Ltd.
- Sundre Forest Products Ltd.
- Tall Pine Timber Co. Ltd.
- Tolko Industries Ltd.
- Vanderwell Contractors (1971) Ltd.
- Weyerhaeuser Company Ltd.
- Zama Mills Ltd.
- Zavisha Sawmills Ltd.

# Members





Forest Resource Improvement  
Association of Alberta  
[www.friaa.ab.ca](http://www.friaa.ab.ca)