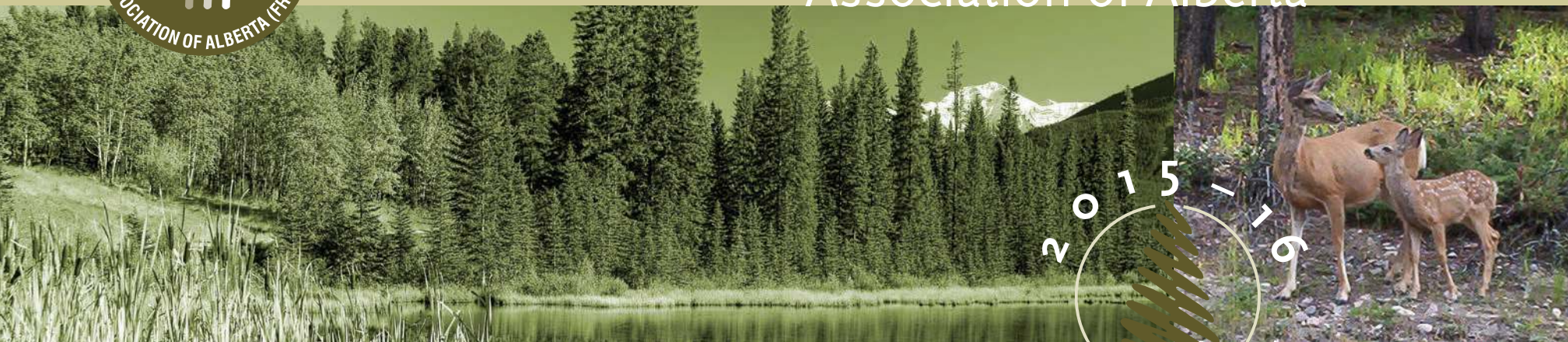




# Forest Resource Improvement Association of Alberta











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# President's Message



It has been an exciting and successful year for FRIAA as we continue to support communities, forestry professionals, academia, governments, small businesses, and public forestry interests in enhancing, improving, and increasing the overall sustainability of Alberta's forest resources. The wide range of activities funded by FRIAA supports a culture of collaboration among all these stakeholders working towards new and innovative science-based approaches to promoting environmental protection and fostering climate change adaptation strategies and tactics.

Recently, climate change adaptation and protection of healthy forest environments were identified as important themes that should be embedded in projects funded by FRIAA. These themes have become important criteria for soliciting and evaluating projects funded by FRIAA. The organization's forward-looking nature and its responsiveness to priorities of the day highlight FRIAA's ability to effectively contribute to provincial priorities and evolving needs. As an organization, FRIAA is committed to providing services that are not core to government's operations, but important to all Albertans.

I would be remiss if I did not mention the recent wildfire emergency experienced by the people of Fort McMurray and the surrounding communities. Our sympathies and support are with them. This experience has been a sobering reminder of the power of nature and the threats posed by wildfire in and near forested communities. FRIAA will continue to deliver the FRIAA FireSmart Program in an effort to support communities along the wildland urban interface in mitigating the impact of wildfire. In concert with the Alberta government, we strive to help communities that are susceptible to wildfire by making funding available for important FireSmart projects.

In addition to the Forest Resource Improvement Program and the FRIAA FireSmart Program, FRIAA administers five programs that are tailored to meet specific challenges related to forest sustainability, climate change adaptation, and social benefits from forest resources. These include activities related to reforestation, reclamation, forest ecosystem enhancement, mitigation of insect and disease impacts, and additional responses to the effects of wildfire. All of these programs enable FRIAA to fulfill its mandate and achieve its objectives.

A handwritten signature in black ink that reads "Murray Summers". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

**Murray Summers**, President









# Report on Business Plan Objectives

FRIAA is a delegated authority with a mandate to establish and administer programs and initiatives as directed under both the *Forest Act* and the *Environmental Protection and Enhancement Act*.

FRIAA's mandate is further defined by its purpose and objectives, which are to establish programs and initiatives to:

- Enhance the forest resources of Alberta
- Promote the enhanced management of the forest resources of Alberta
- Improve the sustained yield of the forest resources of Alberta
- Promote integrated resource management
- Reforest public land using reforestation levies

The 2015–16 business plan, prepared in accordance with the *Forest Resources Improvement Regulation*, has guided FRIAA's operations over the past year with the intent to support the government's strategic direction. In particular, FRIAA recognized its role in helping renew Alberta's leadership in climate change and environmental conservation through forestry enhancement projects. FRIAA also developed a business plan to support the goals outlined in Environment and Sustainable Resource Development's 2015–20 business plan as follows:

- Goal one: Healthy environment and ecosystems
- Goal two: Sustainable natural resource development
- Goal three: Economic and social benefits
- Goal four: Protected public and environment

This FRIAA business plan was reviewed in October of 2015 to ensure that it continued to support the updated goals and priorities of the new department of Agriculture and Forestry and relevant goals and priorities of Alberta Environment and Parks. We are pleased that the business plan remained relevant and useful. This report reflects FRIAA's accomplishments over the year in relation to its goals and program structure.

The following is an overview of FRIAA's contributions to government's strategic goals and priorities over the past year.

## Goal One: Healthy Environment and Ecosystems

FRIAA's Mountain Pine Beetle Program (MPBP) supports the health of Alberta's forests and forest ecosystems in light of the mountain pine beetle (MPB) infestation by funding MPB control and mitigation work. Activities funded through the MPBP include long-distance dispersal monitoring, log yard protection, surveys, and single-tree control. The outcomes of the collective efforts of government and industry to control MPB are tracked by government and are reported to be effective.

The Mountain Pine Beetle Forest Rehabilitation Program (MPBFRP) aims to maintain and enhance the ecosystem function of forests after they have been impacted by the MPB infestation. Activities funded under this forest rehabilitation program include removal of dead and dying trees, site preparation, planting, seed collection, and applied research.

The Forest Resource Improvement Program (FRIP) has contributed to healthy forest environments and ecosystems by supporting operational stand improvement, insect/disease control, applied research aimed at understanding

ecosystem functions, and the development of innovative management strategies aimed at forest health.

## Goal Two: Sustainable Natural Resource Development

FRIP is a significant contributor to sustainable natural resource management as all projects must meet the primary criteria of enhancing the management of Alberta's forest resources or directly improving forest resources in a manner that is above and beyond industry requirements. Projects that involve advanced inventory technology, integrated planning, silvicultural advancements, stand tending, and tree improvement all contribute to sustainable resource management.

The Community Reforestation Program focuses on ensuring that the reforestation of cutblocks harvested under the Community Timber Program is carried out in a manner that meets the Province's requirements for sustainable timber management. Program activities include preparing sites, planting seedlings, tending young stands, and conducting regeneration surveys.

FRIAA's Wildfire Reclamation Program (WRP) provides funds for the retreatment of cutblocks that were reforested and subsequently damaged or destroyed by wildfire. Since inception in 2006, FRIAA has committed over \$57 million in funding under the WRP towards the retreatment of cutblocks.

The MPBP and the MPBFRP contribute to the goal of sustainable resource management by controlling and mitigating the impacts of MPB on forest health and viability and by funding projects that directly restore and enhance forest growth.

FRIAA's Incidental Coniferous Program supports projects aimed at sustaining coniferous tree growth in mixedwood forest stands, thus contributing to sustainable management of coniferous forests.

## Goal Three: Economic and Social Benefits

FRIAA's cornerstone program, FRIP, supports activities relating to a wide range of forest resources and includes enhancing forest ecosystems, sustaining fish and wildlife populations, providing improved recreational opportunities, conserving biodiversity, and educating children and citizens. All of the programs contribute to the social benefit of Albertans by enhancing public resources. They also contribute to Albertans' economic benefit both directly, through wages and contract payments, and indirectly, through materials, supplies, and spinoff employment.

## Goal Four: Protected Public and Environment

The FRIAA FireSmart Program (FFP) directly supports communities with funding for activities designed to help reduce the threat and possible impacts of wildfire. Funding has been provided for planning, education, vegetation management, and other related activities under the program. As of March 31, 2016, FFP has funded 245 plans, 611 hectares of vegetation management, 66 public education events, and one legislation development project.

# Report on Program Activities

The following section highlights key activities and results for each of FRIAA's seven programs for fiscal 2015–16.

FRIAA's processes are designed to apply program funds to projects as quickly and efficiently as possible, subject to program descriptions and grant agreements.

## Community Reforestation Program (CRP)

The CRP funds reforestation activities related to the Community Timber Program. The CRP is funded entirely by reforestation levies paid directly to FRIAA by timber permit holders and small quota holders. All CRP funds are committed to reforestation activities. FRIAA is achieving sustainability goals for 30,367 hectares of cutblocks harvested since May 1, 2000. These results clearly demonstrate that the CRP is meeting its objectives.

Subprogram years	Harvested area within program (ha)	Reforestation completed (ha)	Active treatment area (ha)
1994–2000	30,182	30,182	0
Post-2000	30,367	11,947	18,420
Total	60,549	42,129	18,420

Activities in 2015–16	Area/unit
Site preparation	235 ha
Planting (area)	784 ha
Planting (seedlings)	1,067,405
Tending	220 ha
Regeneration surveys	4,180 ha

## Forest Resource Improvement Program (FRIP)

FRIP projects enhance forest resources and improve the integrated management of Alberta's forested lands for the benefit of Albertans. Projects include various activities that directly enhance forest resources, promote forest management, or support the sustained yield of forest resources, and that fall outside industry's legislated requirements. Activities include stand improvement, enhanced planning and inventory work, applied research projects, public education, and forest protection initiatives. FRIP projects have become a common and highly effective way for government, industry, researchers, small businesses, and communities to work together to enhance Alberta's forests.

Since its inception in 1997, FRIAA has contributed over \$200 million in FRIP funds towards forestry projects that enhance Alberta's forests and improve the management of its forest resources. Expenditures on FRIP projects in fiscal 2015–16 totalled \$3.4 million. All FRIP funds are committed to eligible activities under the program.

Type of project	Number of active projects	Proportion of funding
Operational	13	18%
Inventory/planning	11	8%
Applied research	33	50%
Public education and outreach	20	24%

Member size (m <sup>3</sup> /year)	Number of project participants	
	2014–15	2015–16
0–10,000	3	3
10,000–107,296	2	2
107,296+	21	21



### Wildfire Reclamation Program (WRP)

Since 2006, the WRP has supported activities related to reforestation cutblocks that have been damaged or destroyed by wildfires. As of March 31, 2016, 32,209 hectares of reforested cutblocks damaged or destroyed by wildfires are being re-treated and are expected to fully regrow.

In 2015–16, the WRP continued to provide funding to support efficient post-wildfire reclamation and reforestation activities by initiating assessments on all WRP-eligible cutblocks within a year of forest fire cessation. Though industry is not required to reforest burnt areas, the program requires that participants' treatments meet provincial reforestation standards. All WRP funds are committed to reforestation and reclamation activities.

As of March 31, 2016, 53 approved WRP projects were under way. Work carried out under this program has been an extraordinary example of how FRIAA allocates funds directly towards resource improvement and long-term sustainability.

Activities since inception	Area/unit
Site assessments	24,861 ha
Site preparation (mechanical/chemical)	5,409 ha
Planting	17,323 ha
Seedlings	28,609,740
Vegetation control	6,679 ha

### Mountain Pine Beetle Program (MPBP)

On April 1, 2007, the MPBP was established to control the mountain pine beetle (MPB) infestation spreading throughout Alberta. Funding provided by the Province and managed by FRIAA has allowed FRIAA's members to be an integral part of critical detection and control efforts. To date, the MPBP has distributed over \$24.5 million to key projects delivered by members and their contractors. All MPBP funds are committed to activities related to controlling the MPB.

As in years past, in 2015–16 the MPBP provided funding for activities related to the control and mitigation of the MPB infestation. Funding was provided for activities related to detection, control, and mitigation of this threat. Activities under the program include containment baiting, dispersal pheromone, log yard management, surveys, single-tree treatments, and seed collection.

Activities since inception	Completed project details
Long-distance dispersal monitoring	1,758 sites
Containment baiting	829 ha
Log yard management	14,275 traps
Aerial surveys	13,667 km
Ground surveys	5,399 ha
Single-tree control	53,793 trees
Dispersal pheromone	61,314 pouches
Seed collection and seed orchard expansion	15,035 hl
Other eligible activities	24 activities

### Mountain Pine Beetle Forest Rehabilitation Program (MPBFRP)

Established in the fall of 2013, the MPBFRP aims to maintain and enhance Alberta's forest ecosystems by providing funding for the rehabilitation of pine-dominated forests that have been impacted by the MPB. Established target areas are those with the best prospects for successful rehabilitation and where active treatment will enhance ecosystem functionality.

Since its introduction in 2013, MPBFRP has funded 19 projects, resulting in over \$11.2 million of targeted funds committed to rehabilitating forest stands damaged by MPB infestations. As of March 31, 2016, outstanding commitments to open projects amounted to \$3.4 million. All MPBFRP funds are committed to eligible activities under the program.

Activities since inception	Active	Completed	Total
Cone collection	4	6	10
Applied research	5	0	5
Mechanical stand rehabilitation	4	0	4
Total	13	6	19

### FRIAA FireSmart Program

The FRIAA FireSmart Program helps communities address the risks and potential impacts of wildfire by supporting operational and planning activities designed to prevent wildfire occurrence and reduce fire hazard throughout Alberta. The program accomplishes this by funding activities in seven different FireSmart disciplines and by directly supplementing work previously undertaken through the government-sponsored FireSmart Community Grant Program.

Since inception, FRIAA FireSmart has approved 78 projects that help protect Alberta's people, infrastructure, property, and environment by preventing wildfires and reducing fire hazard throughout the province. As of March 31, 2016, 51 projects are active and 27 have been completed. All funds are committed to future FireSmart activities.

Activities since inception	Active	Completed	Total
Wildland fuel management	22	17	39
FireSmart planning	22	4	26
Public education	7	5	12
Legislation	0	1	1
Total	51	27	78

### Incidental Conifer Program (ICP)

The ICP is a targeted program aimed at replacing coniferous timber volumes harvested from deciduous forests by reinvesting specific reforestation levy dollars under the program. It helps improve the sustainable management of public forests in the context of mixedwood management challenges. This program was extended beyond its original end date of April 1, 2012, and is scheduled to be completed by December 31, 2016.





# Status of Legislative, Governance, and Policy Requirements

The following tables outline the status of FRIAA's legislative, governance, and policy requirements for 2015–16.

Legislative requirement	Action required by FRIAA	Status
<b>Business plan</b>	Provide a three-year business plan (including goals) to the Minister responsible for forestry annually.	Completed – Submitted February 28, 2016
<b>Annual report</b>	Provide an annual report summarizing activities and financial statements to the Minister.	Completed – Submitted June 23, 2015
<b>Freedom of Information and Protection of Privacy (FOIP) Act requests</b>	Adhere to FOIP Act regulations.	In compliance – Assisted with AF 2016-P-0001 January 20, 2016
<b>Records management system</b>	Have a reliable records management system in place.	In compliance
<b>Program reporting to the Minister</b>	Report all forestry enhancement programs to the Minister as per the grant agreement.	In compliance – Individual annual reports submitted June 30, 2015
<b>Notice of change of bylaws</b>	Give reasonable notice to the Minister to complete a regulation review before the expiry date.	No changes in 2015–16
<b>FRIAA dues</b>	Determine FRIAA dues as per sections 5(1) and 5(1.1) of the <i>Forest Resources Improvement Regulation</i> .	No changes in 2015–16

Governance requirement	Action required by FRIAA	Status
<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>Financial accountability</b>	Audit FRIAA's financial records yearly and provide results to all members through the annual report.	Completed
<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
<b>Objectives review</b>	Periodically review FRIAA's activities to ensure they align with FRIAA's objectives.	In compliance
<b>Directors' meetings</b>	Call directors' meetings as per bylaw requirements, and ensure majority quorum. Ensure minutes are written and approved by directors.	In compliance
<b>Annual general meeting</b>	Hold a yearly meeting for all members. Conduct the meeting and vote as per the bylaws.	In compliance



All FRIAA policies and regulatory requirements have been reviewed in conjunction with year-end accountability reporting undertaken by FRIAA's board. 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 and ensures that FRIAA's mandate is being fulfilled, its objectives are being pursued, and its members and Minister are well represented.

Policy	Status
Audit Committee policy	<ul style="list-style-type: none"> <li>• Approved August 26, 1997.</li> <li>• Audit Committee 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 2015–16 has been completed in accordance with policy and legislative requirements.</li> </ul>
Conflict of interest policy	<ul style="list-style-type: none"> <li>• 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>• Approved January 19, 1998, as amended.</li> <li>• No appeals under the policy have been initiated in 2015–16.</li> </ul>
Fund management policy	<ul style="list-style-type: none"> <li>• Fund Management Committee established November 17, 1997.</li> <li>• Statement of investment policies and goals was approved April 22, 1998, and amended December 4, 2006, and February 18, 2016.</li> <li>• Statement of investment policies and goals for the Community Reforestation Fund was approved December 1, 2003, and amended December 4, 2006, December 7, 2009, and February 18, 2016.</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 reviewed and confirmed October 2000.</li> <li>• 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>• In compliance in 2015–16.</li> </ul>
Annual business plan review process	<ul style="list-style-type: none"> <li>• In compliance in 2015–16.</li> </ul>



# FRIAA Governance

FRIAA is a non-profit industry association with authority and responsibilities related to the enhancement of forest resources delegated under the *Environmental Protection and Enhancement Act*. FRIAA has also accepted responsibilities to deliver programs aimed at resource sustainability, public and environmental protection, and climate change adaptation under certain grant agreements with the Province. As a “delegated administrative organization,” FRIAA is accountable to the Minister responsible for forestry. FRIAA is governed by a board of directors that is elected by the membership and appointed by the Minister. The current directors include:

- President: Murray Summers
- Vice-President: Norman Denney
- Second Vice-President: David Kiil
- Treasurer: David Wall
- Directors: Cliff Henderson  
David West

FRIAA's board establishes committees to assist with managing specific board functions and tasks that require attention outside of regularly scheduled board meetings. The mandates for these committees are established by the board in accordance with its accountability framework and policies. All committees report directly to the board against desired committee outcomes, relevant policies, and mandates.

Two standing committees, the Audit Committee and the Fund Management Committee, have been established by the board.

## **Audit Committee**

The Audit Committee meets at least twice a year. Its board-established mandate includes:

- Overseeing preparation of the 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 FRIAA directors. They include:

- David Wall
- Norman Denney
- David Kiil

## **Fund Management Committee**

The Fund Management Committee meets twice a year and reports to the board in accordance with FRIAA's fund management policy. The committee's responsibilities include:

- Ensuring that the requirements set forth in 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 FRIAA directors. They include:

- David Wall
- Cliff Henderson
- David Kiil

In addition to FRIAA's standing committees, FRIAA also establishes committees or review panels with specific mandates. These currently include the FRIP Project Appeals Panel, the MPBP Evaluation Panel, the MPBFRP Tribunal, and the FireSmart Review Committee.

## **Forest Resource Improvement Program Project Appeals Panel**

When required, an appeals panel can be established to hear appeals initiated by the membership. Members of the panel are selected on a case-by-case basis to suit the needs of the particular appeal and to ensure that each appeal is heard by the most skilled and experienced panel members possible. There were no appeals in 2015–16, and therefore an appeals panel was not formed during this fiscal year.

## **Mountain Pine Beetle Program (MPBP) Evaluation Panel**

The MPBP Evaluation Panel was established by FRIAA's board to review, evaluate, and make recommendations on funding projects submitted under the MPBP. The panel's responsibilities include selecting and recommending project proposals that best represent the interests of FRIAA and its partners and meet the evaluation criteria established by the board of directors.

Members of this panel are selected from FRIAA's board of directors, Alberta Agriculture and Forestry (formerly Environment and Sustainable Resource Development), and the public at large based on their knowledge and experience with mountain pine beetle control requirements. The members of this panel currently include:

- David Kiil, FRIAA director
- Mike Undershultz, Alberta Agriculture and Forestry representative
- Bryon Muhly, public member

## **Mountain Pine Beetle Forest Rehabilitation Program (MPBFRP) Tribunal**

The MPBFRP Tribunal was established to review, evaluate, and make recommendations on each funding proposal submitted under the MPBFRP. The tribunal's



responsibilities include selecting and recommending project proposals that best represent the interests of FRIAA and its partners and that meet the evaluation criteria established by the board of directors.

The members of the tribunal are selected from FRIAA's board of directors, Alberta Agriculture and Forestry, and a mutually agreed-upon third party. These members currently include:

- David Kiil, FRIAA director and chair
- Brooks Horne, Alberta Agriculture and Forestry representative
- Ken Higginbotham, public member

### **FireSmart Review Committee**

The FireSmart Review Committee was established to receive, review, and evaluate proposals submitted under FireSmart. The committee's responsibilities include selecting and evaluating project proposals that best represent the interests of FRIAA and the local government and meet the evaluation criteria established by the board of directors.

The members of the committee are selected from FRIAA's board of directors, Alberta Agriculture and Forestry, Alberta Municipal Affairs, the Alberta Association of Municipal Districts and Counties (AAMDC), the Alberta Urban Municipalities Association (AUMA), and the Partners in Protection Association. The current committee includes:

- Cliff Henderson, FRIAA director and chair
- Adam Gossell, Alberta Agriculture and Forestry representative
- Tom Burton, AAMDC representative
- Peter Pellat, AUMA representative
- Kelly Johnston, Partners in Protection Association
- Ross Bennett, Alberta Municipal Affairs





## Financial Highlights

FRIAA's financial statements provide an overview of the funds and resources used to deliver its programs and initiatives. Some notable financial aspects of fiscal 2015–16 include the following:

- The Forest Resource Improvement Program (FRIP) fund balance is \$31.0 million, a decrease of \$4.0 million from the previous year. All of the FRIP fund is dedicated to supporting projects that enhance the forest resources of Alberta.
- The Wildfire Reclamation Program fund balance is \$36.8 million, all of which is dedicated to supporting projects that restore forests on burned-over areas under the program. An amount of \$19.5 million was transferred to FRIAA on March 31 to support reforestation work in relation to the 2015 wildfires.
- The Community Reforestation Program fund balance is \$11.8 million, all of which is dedicated to outstanding reforestation work and supporting management activities to be carried out over the next 14 years on cutblocks within the program.
- The Incidental Timber Program fund balance is \$560,000, all of which is dedicated to incidental timber replacement activities and supporting management activities near Slave Lake.
- The Mountain Pine Beetle Program fund balance is \$4.6 million, all of which is dedicated to mountain pine beetle mitigation and control activities to be carried out by the forest industry and stakeholders over the next one to two years.
- The Mountain Pine Beetle Forest Rehabilitation fund is \$12.0 million, all of which is allocated to operational projects aimed at restoring ecosystem health and functionality in areas damaged by mountain pine beetle infestation.
- The FRIAA FireSmart fund is \$15.5 million, all of which is dedicated to FireSmart activities aimed at helping vulnerable communities address the threats of wildfire, to be funded over the next one to two years.

All funds within a program are dedicated to the program purposes and are committed to supporting eligible activities described in each program description and agreement.



# Risk Management

Risk identification and mitigation are important priorities for FRIAA. The following measures are in place to ensure that FRIAA appropriately mitigates risks:

- The Audit Committee and Fund Management Committee provide assurance and oversight and ensure FRIAA's operating structure and programs are cost-effective and efficient.
- Internal operations and controls are periodically reviewed to ensure they are up to date and effective.
- Operational risks are managed and minimized by engaging the forest industry and experienced forestry stakeholders in the delivery of projects through contractual agreements.

In addition to the above measures, FRIAA adheres to Alberta Environment and Sustainable Resource Development practices and regulations and to appropriate forestry principles.

# Independent Auditor's Report

## To the Members of

### Forest Resource Improvement Association of Alberta

We have audited the accompanying financial statements of Forest Resource Improvement Association of Alberta (the "Association") which comprise the statement of financial position as at March 31, 2016, and the statement of revenues and expenditures, statement of changes in net assets and cash flows for the year ended March 31, 2016, 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 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.

### 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 Forest Resource Improvement Association of Alberta as at March 31, 2016, and its financial performance and its cash flows for the year ended March 31, 2016, in accordance with Canadian accounting standards for not-for-profit organizations.

*Grant Thornton LLP*

Grant Thornton LLP  
Chartered Professional Accountants, Chartered Accountants  
Edmonton, Canada  
June 9, 2016

# Financial Statements and Notes

## Statement of Financial Position

	March 31, 2016	March 31, 2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 37,189,383	\$ 31,948,578
Accounts receivable and accrued interest receivable	704,302	1,165,114
Investments	1,662,592	1,646,214
Prepaid expenses and deposits	207,546	189,228
	<b>39,763,823</b>	<b>34,949,134</b>
Restricted cash (Note 2)	<b>36,828,986</b>	<b>16,615,745</b>
Investments	<b>37,812,927</b>	<b>42,722,335</b>
	<b>\$ 114,405,736</b>	<b>\$ 94,287,214</b>

## Liabilities and Net Assets

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 1,316,920	\$ 808,838
<b>Net assets:</b>		
Forest Resource Improvement Program	31,097,584	35,043,918
Wildfire Reclamation Program (Note 3)	36,826,865	17,728,381
Community Reforestation Program (Note 4)	11,895,499	12,108,557
Incidental Conifer Program (Note 5)	559,966	652,389
Mountain Pine Beetle Program (Note 6)	4,622,438	3,279,815
Mountain Pine Beetle Forest Rehabilitation Program (Note 7)	12,044,466	13,298,529
FRIAA FireSmart Program (Note 8)	15,540,535	11,366,787
Caribou Landscape Restoration Program (Note 9)	501,463	—
	<b>113,088,816</b>	<b>93,478,376</b>
	<b>\$ 114,405,736</b>	<b>\$ 94,287,214</b>

### Commitments (Note 10)

See accompanying notes to financial statements.

On behalf of the Board:



David Kiil  
Director



David Wall  
Director



## Statement of Revenue and Expenditures

Year ended March 31

	FRIAA FireSmart Program (Note 8)	Mountain Pine Beetle Forest Rehabilitation Program (Note 7)	Wildfire Reclamation Program (Note 3)	Mountain Pine Beetle Program (Note 6)	Caribou Landscape Restoration Program (Note 9)	Incidental Conifer Program (Note 5)	Community Reforestation Program (Note 4)	Forest Resource Improvement Program	2016 total	2015 total
<b>Revenue:</b>										
FRIAA dues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 577,762	\$ 577,762	\$ 2,118,250
Reforestation levies	—	—	—	—	—	—	2,104,279	—	2,104,279	1,883,334
Grants	8,000,000	3,500,000	19,828,670	2,000,000	500,000	—	—	—	33,828,670	20,697,656
	8,000,000	3,500,000	19,828,670	2,000,000	500,000	—	2,104,279	577,762	36,510,711	24,699,240
<b>Expenditures:</b>										
Accounting	39,846	32,389	31,341	31,205	—	7,940	120,314	62,198	325,233	364,146
Communication	32,971	21,313	16,056	25,061	—	7,470	31,041	50,421	184,333	141,625
Directors' expenses	1,973	4,736	1,158	1,158	—	470	2,730	1,974	14,199	7,616
Directors' honoraria (Note 11)	2,224	1,867	1,867	1,867	—	694	2,863	2,456	13,838	6,270
Field review	85,217	41,185	29,378	16,643	—	—	46,494	59,629	278,546	373,457
Financial audit	5,774	5,774	9,466	5,774	—	2,120	8,266	6,146	43,320	40,759
Insurance	855	855	855	855	—	428	2,565	2,138	8,551	9,001
Management support	159,442	127,041	50,705	69,870	887	10,920	343,831	128,545	891,241	911,617
Project audits	525	—	—	—	—	—	—	1,082	1,607	41,037
Office and miscellaneous	17,321	2,665	1,422	1,682	493	88	2,522	12,200	38,393	43,875
Professional fees	50,956	49,431	49,431	49,431	—	18,600	127,507	92,547	437,903	279,360
Project expenditures	3,330,892	4,461,538	609,103	428,091	—	40,500	1,350,749	3,422,011	13,642,884	21,652,772
Project operations and monitoring costs	108,124	49,817	34,362	33,163	—	1,024	130,396	103,137	460,023	437,200
Project review and approval	112,864	52,828	36,199	23,079	—	7,941	104,764	119,526	457,201	330,904
	3,948,984	4,851,439	871,343	687,879	1,380	98,195	2,274,042	4,064,010	16,797,272	24,639,639
	4,051,016	(1,351,439)	18,957,327	1,312,121	498,620	(98,195)	(169,763)	(3,486,248)	19,713,439	59,601
<b>Other income (expenses):</b>										
Dividends	—	—	—	—	—	—	1,361	344,239	345,600	133,832
Interest	105,705	88,270	135,006	24,409	2,810	4,436	458,274	548,470	1,367,380	1,847,234
Gain (loss) on fair value of investments	—	—	—	—	—	—	(524,719)	(1,203,535)	(1,728,254)	2,118,893
GST rebates	17,027	9,106	6,151	6,093	33	1,336	21,789	19,330	80,865	73,715
Investment management fees	—	—	—	—	—	—	—	(168,590)	(168,590)	(171,574)
	122,732	97,376	141,157	30,502	2,843	5,772	(43,295)	(460,086)	(102,999)	4,002,100
<b>Excess (deficiency) of revenues over expenditures:</b>	\$ 4,173,748	\$(1,254,063)	\$19,098,484	\$ 1,342,623	\$ 501,463	\$ (92,423)	\$(213,058)	\$(3,946,334)	\$19,610,440	\$ 4,061,701

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

### Year ended March 31, 2016

	FRIAA FireSmart Program	Mountain Pine Beetle Forest Rehabilitation Program	Wildfire Reclamation Program	Mountain Pine Beetle Program	Caribou Landscape Restoration Program	Incidental Conifer Program	Community Reforestation Program	Forest Resource Improvement Program	2016 total
	(Note 8)	(Note 7)	(Note 3)	(Note 6)	(Note 9)	(Note 5)	(Note 4)		
Net assets, beginning of year	\$11,366,787	\$ 13,298,529	\$ 17,728,381	\$ 3,279,815	\$ –	\$652,389	\$12,108,557	\$35,043,918	<b>\$ 93,478,376</b>
(Deficiency) excess of revenues over expenditures	4,173,748	(1,254,063)	19,098,484	1,342,623	501,463	(92,423)	(213,058)	(3,946,334)	<b>19,610,440</b>
Net assets, end of year	\$ 15,540,535	\$12,044,466	\$36,826,865	\$4,622,438	\$501,463	\$559,966	\$11,895,499	\$31,097,584	<b>\$113,088,816</b>

*See accompanying notes to financial statements.*



## Statement of Cash Flows

### Year ended March 31

	2016	2015
Increase (decrease) in cash and cash equivalents		
<b>Operations</b>		
Excess of revenues over expenditures	\$ 19,610,440	\$ 4,061,701
Non-cash items		
Loss (gain) on fair value of investments	1,728,254	(2,118,893)
	21,338,694	1,942,808
Change in non-cash operating working capital		
Accounts receivable and accrued interest receivable	460,812	95,165
Prepaid expenses and deposits	(18,318)	70,518
Accounts payable and accrued liabilities	508,082	(2,120,196)
	22,289,270	(11,705)
<b>Investing</b>		
Changes in restricted cash	(20,213,241)	8,234,404
Purchase of investments	(12,002,395)	(14,726,624)
Proceeds on sale and redemption of investments	15,167,170	14,130,548
	(17,048,466)	7,638,328
Net (decrease) increase in cash and cash equivalents	5,240,804	7,626,623
Cash and cash equivalents		
Beginning of year	31,948,578	24,321,955
End of year	\$ 37,189,383	\$ 31,948,578



## Notes to Financial Statements

### Year ended March 31, 2016

#### 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, improve the sustained yield of Alberta forest resources, and promote integrated resource management. The Association uses Association dues to fund the Forest Resource Improvement Program, which is aimed at these objectives.

Per agreements with the Province of Alberta, FRIAA commenced administering the following programs in the years noted below:

Year of agreement	Program	Reference
1998	Reclamation of Cutblocks Destroyed by Wildfire Program	<b>Note 3</b>
2000	Community Reforestation Program	<b>Note 4</b>
2005	Incidental Conifer Program	<b>Note 5</b>
2007	Mountain Pine Beetle Program	<b>Note 6</b>
2009	Fire Hazard Reduction and Forest Health Program*	—
2009	Forestry Workers Employment Program*	—
2013	Mountain Pine Beetle Forest Rehabilitation Program	<b>Note 7</b>
2014	FRIAA Firesmart Program	<b>Note 8</b>
2015	Caribou Landscape Restoration Program	<b>Note 9</b>

\* This program was completed and wound up during the fiscal year ending March 31, 2012.

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 the Wildfire Reclamation Program.

##### 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 investments as at March 31, 2016, is \$37,275,700 (2015: \$39,683,300).

##### 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

Initial measurement: The Association's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement: At each reporting date, the Association measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Association has also irrevocably elected to measure its investments in bonds at fair value. All changes in fair value of the Association's investments in equities quoted in an

active market and in bonds are recorded in the statement of operations. The Association uses the effective interest method to amortize any premiums, discounts, transaction fees, and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash, accounts receivable and accrued interest receivable, investments and accounts payable, and accrued liabilities. The carrying value of financial instruments approximates their fair value due to the short-term nature, unless otherwise noted.

For financial assets measured at cost or amortized cost, the Association regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Association determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

### **3. Reclamation of Cutblocks Destroyed by the Wildfire Reclamation 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 Association. The program was established to encourage the reclamation of land disturbed or destroyed by wildfire and will be operated by the Association.

Under 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 (“1998 Program”), which was to expire on March 31, 2006, was 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. The Association was also directed to transfer any then-unexpended funds plus earnings to the 2006 program, where they will be used to complete any outstanding work under the 1998 agreement then used in the 2006 program.

On July 3, 2007, the Association entered into a new grant agreement (“2006 Program”) with the Province. Under the agreement, the total grant amount of \$5,137,986 received in 2007 was to be used to reclaim 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 agreement were to be used to reclaim 2008, 2009, and 2010 burned cutblocks, respectively. The 2012 annual grant of \$15,000,000 was to be used to reclaim 2011 burned cutblocks. During 2013, annual grants of \$8,869,107 and \$7,081,465 were received to reclaim 2011 and 2012 burned cutblocks, respectively. The annual grant of \$878,965 provided during 2014 was to be used to reclaim reforested hectares impacted by wildfire during 2013. An annual grant

of \$1,097,656 received during 2015 was to be used to reforest cutblocks impacted by wildfire during 2014. An annual grant of \$19,828,670 received in 2016 was to be used to reforest cutblocks impacted by wildfire during 2015.

The agreement expires on March 31, 2017, unless the term of the 2006 Program 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 \$36,828,986 (2015: \$16,615,745) that are restricted for use in 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 program was established to reforest Crown lands subject to reforestation levies.

Funds received to implement the program were delegated to the Association in two parts:

- a) Reforestation levies received and unexpended by the Province on areas cut under the authority of timber licences and permits on or after May 1, 1994, but before May 30, 2000, were to be transferred to the Association according to section 143.91 of the *Timber Management Regulation*. The levies received during the year were nil (2015: nil).
- b) The Association has the authority to collect reforestation levies on areas cut under the authority of timber licences and permits on or after May 30, 2000. The levies received during the year were \$2,104,279 (2015: \$1,883,334).

All reforestation levies and associated interest are to be used solely for 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 Association. The 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 agreement, funding 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 agreement. The agreement is in effect from February 1, 2005, to December 31, 2016. In February 2016, the Association entered into an agreement with Vanderwell Contractors to complete this project. The total allocated costs are \$505,600, with a completion date of October 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 Association. It was established because mountain pine beetle infestations in Alberta reached epidemic proportions, causing significant damage to Alberta’s pine stands. Under 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 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 were 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.

The Mountain Pine Beetle Program has been extended to 2019, and the annual grant for 2013 in the amount of \$2,000,000 was received during that year. An annual grant amount of \$4,000,000 was received during 2014. An additional annual grant amount of \$2,000,000 was provided during 2015. Annual grants received in 2016 totalled \$2,000,000.

## **7. Mountain Pine Beetle Forest Rehabilitation Program**

The Mountain Pine Beetle Forest Rehabilitation Program was established on March 31, 2013, by agreement between Her Majesty the Queen in Right of Alberta as represented by the Minister of Environment and Sustainable Resource Development (the “Department”) and the Association. This program was established to provide a framework for providing the requisite funding to the Association in the form of a grant to engage forest industry sector operators and other interested parties in activities beyond regulatory obligations, to rehabilitate forested lands that have been impacted by mountain pine beetle infestations. The agreement is in effect from March 31, 2013, to March 31, 2020, unless otherwise extended, renewed, or terminated with 60 days’ notice.

the program. The purpose of the program is to maintain and enhance the ecosystem function of forest resources of Alberta by assisting the Department in rehabilitating pine-dominated forests that have been impacted by the mountain pine beetle to such an extent that they are unable to be saved or rejuvenated in a timely manner without the assistance as contemplated by the program and such activities contemplated by the program are not the existing tenure, regulatory or legislative responsibility, of any timber disposition holder. The program encourages activities that are above and beyond required forest management obligations.

On September 20, 2013, the Mountain Pine Beetle Forest Rehabilitation Program Grant Agreement was amended by increasing the initial program grant by an additional \$5,000,000, which was received on April 29, 2014, and making slight changes to the proposal approval process and cost/funding caps. On July 14, 2014, the Mountain Pine Beetle Forest Rehabilitation Program was again amended by advancing additional funds of \$3,000,000 to carry out eligible activities under the terms of the agreement. An additional annual grant of \$3,500,000 was received in 2016.

## **8. FRIAA FireSmart Program**

The FRIAA FireSmart Program was established on January 9, 2014, by agreement between Her Majesty the Queen in Right of Alberta as represented by the Minister of Environment and Sustainable Resource Development (the “Department”) and the Association. This program was established to support the FireSmart initiative by providing funds for eligible activities for projects that:

- (a) provide for enhanced public safety and improved protection of forest communities, forest resources, and planning activities designed to prevent wildfire occurrence and to reduce the fire hazard throughout Alberta;
- (b) provide financial assistance to communities, organizations, and groups that wish to reduce the threat of wildfire; and
- (c) support community education and involvement in the continuing dialogue on wildfire prevention, management, and suppression issues and the practical application of the FireSmart initiative throughout Alberta.

The agreement is in effect from January 9, 2014, to March 31, 2019, unless otherwise extended or renewed by agreement in writing, or terminated by the parties. The rights and obligations of the parties shall continue in full force and effect past the term for such period of time that is required to complete the eligible activities and any obligations the Association may have under this agreement. The Department may terminate this agreement without cause on 60 days’ written notice to the Association. Two years from the last day of the term, any unused grant money shall be returned to the Department together with any interest or other return earned from investment of the grant money by or on behalf of the Association.

Under the agreement, \$6,000,000 was provided to the Association for the purposes of the



program. The Department may from time to time, within a fiscal year during the term of this agreement, grant additional funds to this program.

On March 31, 2014, the FRIAA FireSmart Grant Agreement was amended by increasing the initial program grant by \$1,600,000. On September 25, 2014, the agreement was again amended by increasing the program grant by \$8,000,000. Both increases were intended for eligible activities under the agreement. An additional \$3,000,000 has been approved for the next fiscal year.

The \$3,000,000 in additional grants approved previously was received. Another \$5,000,000 in grants was received in 2016.

### 9. Caribou Landscape Restoration Program

On May 29, 2015, FRIAA entered into a grant agreement with the Province for the Caribou Landscape Restoration Program. This new program supports the recovery strategy for the Woodland Caribou Boreal Population by tracking and mitigating human impact on caribou ranges, providing funding for landscape restoration, and enabling provincial monitoring and reporting through timely access to data.

Under the agreement, \$500,000 shall be granted to FRIAA for the program. The Department may from time to time, within a fiscal year during the term of this agreement, grant additional funds to this program.

Two years from the last day of the term, any unused grant money shall be returned to the Department together with any interest or other return earned from investment of the grant money by or on behalf of FRIAA. The grant of \$500,000 was received in June 2015. Due to a change in government, the program did not become active in 2016. Confirmation has now been received that the program will proceed in 2017.

### 10. Commitments

As at March 31, 2016, the Association is committed to funding approved projects with various terms in the following amounts for each program:

	2016	2015
Forest Resource Improvement Program	\$ 7,196,674	\$ 6,960,189
Community Reforestation Program	171,887	248,402
Wildfire Reclamation Program	12,451,557	13,084,966
Mountain Pine Beetle Program	26,049	156,682
Incidental Conifer Program	505,600	—
Mountain Pine Beetle Forest Rehabilitation Program	3,400,377	5,800,855
FRIAA FireSmart Program	3,295,393	3,583,434
	<b>\$ 27,047,537</b>	<b>\$ 29,834,528</b>

### 11. Related-party transactions

As required under the *Forest Resources Improvement Regulation*, the honoraria paid to the members of the board of directors are as follows:

	2016	2015
Norman Denney	\$ 1,250	\$ 1,753
Cliff Henderson	4,341	1,767
A. David Kiil	4,293	2,549
Murray Summers	3,499	—
Other	455	201
	<b>\$ 13,838</b>	<b>\$ 6,270</b>

### 12. Financial instruments

The Association's financial instruments consist of cash, accounts receivable and accrued interest receivable, investments, 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 accrued interest receivable, 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

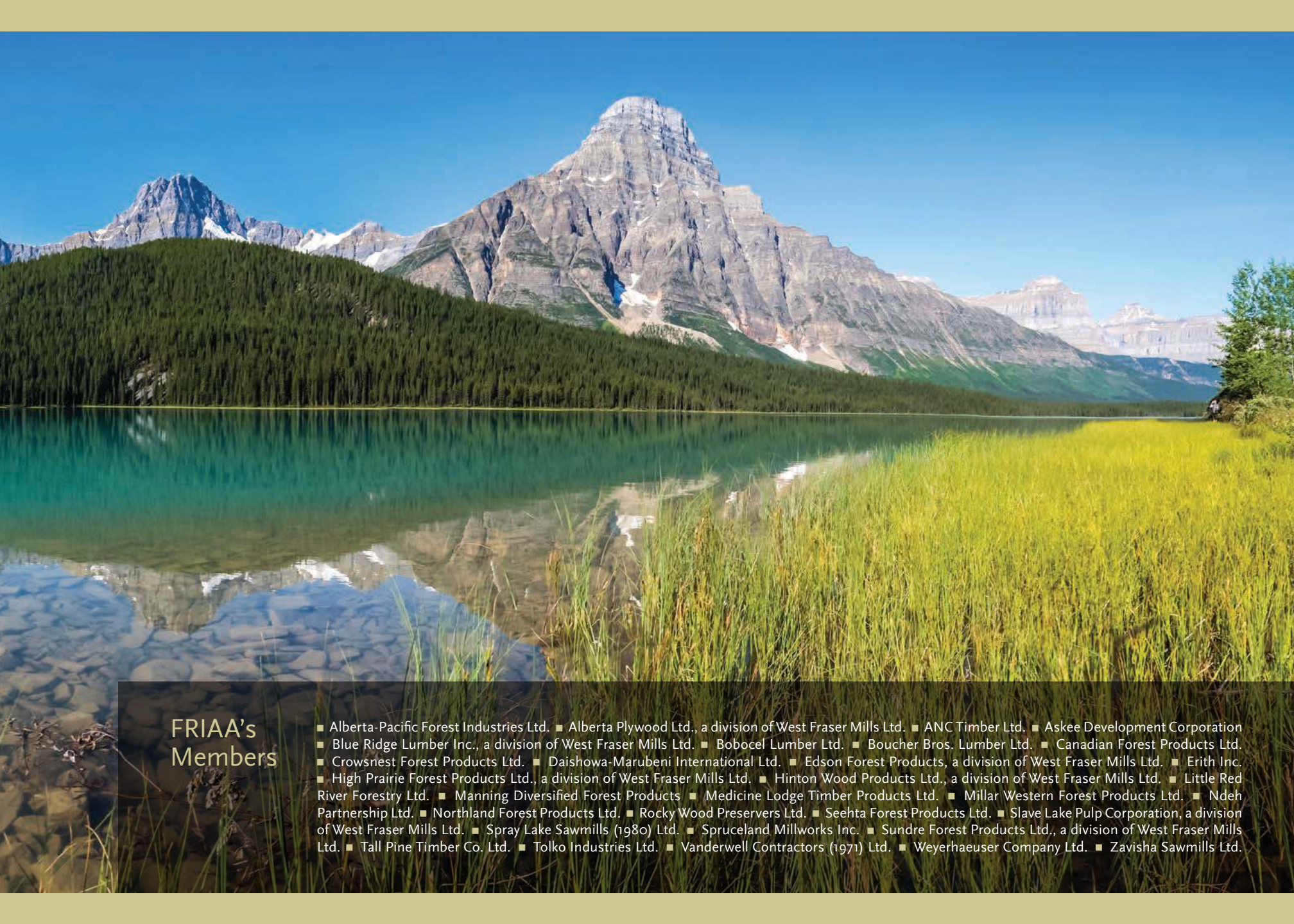
Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Association is exposed to credit risk from accounts receivable. The Association's receivable balance is made up of numerous receivables, which reduces the concentration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







## FRIAA's Members

■ Alberta-Pacific Forest Industries Ltd. ■ Alberta Plywood Ltd., a division of West Fraser Mills Ltd. ■ ANC Timber Ltd. ■ Askee Development Corporation  
■ Blue Ridge Lumber Inc., a division of West Fraser Mills Ltd. ■ Bobocel Lumber Ltd. ■ Boucher Bros. Lumber Ltd. ■ Canadian Forest Products Ltd.  
■ Crowsnest Forest Products Ltd. ■ Daishowa-Marubeni International Ltd. ■ Edson Forest Products, a division of West Fraser Mills Ltd. ■ Erith Inc.  
■ High Prairie Forest Products Ltd., a division of West Fraser Mills Ltd. ■ Hinton Wood Products Ltd., a division of West Fraser Mills Ltd. ■ Little Red  
River Forestry Ltd. ■ Manning Diversified Forest Products ■ Medicine Lodge Timber Products Ltd. ■ Millar Western Forest Products Ltd. ■ Ndeh  
Partnership Ltd. ■ Northland Forest Products Ltd. ■ Rocky Wood Preservers Ltd. ■ Seehta Forest Products Ltd. ■ Slave Lake Pulp Corporation, a division  
of West Fraser Mills Ltd. ■ Spray Lake Sawmills (1980) Ltd. ■ Spruceland Millworks Inc. ■ Sundre Forest Products Ltd., a division of West Fraser Mills  
Ltd. ■ Tall Pine Timber Co. Ltd. ■ Tolko Industries Ltd. ■ Vanderwell Contractors (1971) Ltd. ■ Weyerhaeuser Company Ltd. ■ Zavisha Sawmills Ltd.





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