



Forest Resource Improvement

Association of Alberta







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President's Message



The Forest Resource Improvement Association of Alberta (FRIAA) has a strong history of delivering a range of programs and initiatives that help achieve forest resource enhancement goals shared by all Albertans. Our broad reach with members and stakeholders help make it possible, and we feel very fortunate to be able to work with such a collaborative group. As president of FRIAA, I am very pleased to share with you our accomplishments of the past year.

The Forest Resource Improvement Program (FRIP), our cornerstone program, was very active this past year as we implemented strategies to increase the level of funding being committed to projects. Our membership and stakeholders have fully embraced these efforts and planned for a range of projects to take place over the next five years that will accelerate our ability to enhance the sustainable management of forest resources, reach out to the public, and protect the environment. Activities under current and future FRIP projects represent large-scale adaptation efforts to respond to changing environmental conditions and expectations of the public.

The FireSmart and Wildfire Reclamation Programs are highly active, supporting communities and the public by addressing the threats of wildfire at the wildland urban interface and by mitigating the impacts of wildfire on our forested landscape. With the extreme fire weather and wildfire behaviour experienced in the 2015 and 2016 fire seasons, both programs have grown substantially in importance and activity. We are very pleased about the benefits created by Albertans who participate in these two programs that support the Province's community protection and wildfire management objectives.

FRIAA continues to support the Province's objectives to control and eradicate the mountain pine beetle (MPB) by delivering the MPB Control and MPB Forest Rehabilitation Programs. These programs

supplement the Province's extensive forest health efforts and provide a means for the forest industry to participate in activities that would otherwise be delivered by government.

Our continued service in delivering the Community Reforestation Program has been sustained over the years as we collect reforestation levies and use them to reforest cutblocks harvested by smaller timber operators. We are pleased that this program continues to be self-sustaining and effective in achieving reforestation objectives. We have also provided services to the department of Environment and Parks in relation to Caribou Landscape Restoration Program work, and we are happy to help with the development of initial plans and pilot projects to move this important initiative forward.

In closing, I would like to thank our board of directors for their exemplary service and attention to detail as we oversee all of FRIAA's activities. I would also like to thank FRIAA's members and stakeholders for their collaborative efforts in proposing and implementing projects that help improve forest resources and enhance the management of forest resources for all Albertans.

A handwritten signature in black ink, appearing to read 'Murray Summers'.

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 *Forests 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 2016–2017 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 at the time. The third key outcome in the Province's Strategic Plan, "Alberta supports and preserves a natural environment for Albertans that has clean air, water, and protected wilderness areas," is directly linked to FRIAA's objectives of enhancing Alberta's forest resources and their management. FRIAA's plan was also developed to support the following "desired outcomes" outlined in the business plans for Alberta Agriculture and Forestry (AAF), Alberta Environment and Parks (AEP), and Alberta Indigenous Relations (AIR):

Department	Desired outcome
AAF	3: Alberta's agriculture and forest industries are more environmentally responsible and sustainable.
AAF	5: Alberta has thriving rural communities.
AEP	1: Environment and ecosystem health and integrity.
AEP	3: Social well-being.
AEP	4: Protected public health and safety from environmental conditions and events.
AIR	2: Alberta's coordinated approach to Indigenous consultation and land claims respects Treaty rights, increases First Nations capacity, enhances resource development certainty, and improves economic competitiveness.

FRIAA's business plan was reviewed in October 2016 to ensure that it continues to support AAF's and AEP's updated goals and priorities. We are pleased that the plan remains relevant and useful. This report reflects FRIAA's accomplishments over the year in relation to its own goals and program structure and its contributions to government's strategic goals and priorities.

Alberta's agriculture and forest industries are more environmentally responsible and sustainable.

FRIAA supports AAF desired outcome 3 by supporting projects that enhance sustainable natural resource management practices and promote environmental protection.

Enhancing sustainable natural resource management is accomplished through Forest Resource Improvement Program (FRIP) projects that involve sustainable management activities such as advancing inventory and

planning, science and technology, promoting integrated planning, building on integrated land management principles, enhancing silvicultural practices, and supporting stand tending and tree improvement initiatives. In addition, the Mountain Pine Beetle Control, Mountain Pine Beetle Forest Rehabilitation, Wildfire Reclamation, and Community Reforestation programs have natural resource sustainability and environmental protection objectives as a core mandate.

All of FRIAA's programs have environmental protection as a core principle, as forest sustainability and environmental integrity go hand in hand. The Mountain Pine Beetle Program Forest Rehabilitation Program is specifically aimed at maintaining and enhancing the ecosystem function of forests after impacts of mountain pine beetle infestation. Activities funded under this program include a range of operational forest rehabilitation and applied research initiatives that help meet this objective.

Alberta has thriving rural communities.

FRIAA directs industry dues, reforestation levies, and other program funds towards forestry and environmental projects that add value to Alberta's forested environment in ways beyond what would normally be provided by government and industry.

Most FRIAA-funded projects are entirely or partly delivered in rural communities where forestry enhancement activities take place. This includes reforestation activities, wildlife habitat and recreation enhancements, local public awareness and outreach initiatives, and community-level FireSmart activities. FRIAA estimates that between 250 and 300 full-time-equivalent jobs, in addition to local contracting and business opportunities, are created in Alberta's forested communities associated with project funding.

All of FRIAA's programs also contribute social benefits that help make Alberta's rural communities thrive. Activities

such as forestry field trips for students, support for natural resource and environmental education in forestry communities, public engagement and outreach initiatives, and recreation enhancements are all examples of FRIAA's positive influence on the quality of life in rural Alberta.

Environment and ecosystem health and integrity.

Enhancing the environment and ecosystem health and integrity is an integral aspect of all FRIAA programs. The Mountain Pine Beetle Program (MPBP) and Mountain Pine Beetle Forest Rehabilitation Program (MPBFRP) are specifically aimed at sustaining ecosystem health and integrity, as they are closely aligned with the Province's Mountain Pine Beetle Strategy, and they aim to protect or restore ecosystem values. In addition, the Wildfire Reclamation Program specifically aims to reclaim areas damaged or destroyed by wildfire in an effort to provide forest cover that provides for soil stability, watershed protection, wildlife habitat, and biodiversity. Many projects funded under FRIP are aimed at understanding key biodiversity indicators such as migratory birds, feature wildlife species, sensitive amphibians, and other fauna and flora associated with healthy ecosystem function. Most recently, FRIAA's assistance to AEP in supporting caribou landscape restoration has helped to move this initiative forward. FRIAA's programs, in many ways, represent the implementation of climate change adaptation strategies, as project activities address ecosystem health and integrity in response to a changing environment and related impacts, such as increased incidences of insects and diseases and longer and more extreme wildfire seasons.

Social well-being.

Albertans have high regard for our forests and place significant value on a forested environment that balances

work with healthy lifestyles. Many of FRIAA's projects are aimed at the social aspects of sustaining and enhancing our forests, including public awareness and outreach, community engagement on forestry and FireSmart issues, jobs and contracting opportunities and support for various public uses of our forests.

Protected public health and safety from environmental conditions and events.

Protecting the public's health and safety is a core objective of the FRIAA FireSmart Program. By providing funds for projects that employ one or more of the seven disciplines embodied in the FireSmart Program, FRIAA helps communities located in and near forested areas to address the threat of wildfire.

Alberta's coordinated approach to Indigenous consultation and land claims respect Treaty rights, increases First Nations capacity, enhances resource development certainty, and improves economic competitiveness.

Many FRIAA programs directly engage First Nations communities and positively impact their ability to participate in managing a broad range of forest resources and values that are important to them. FRIAA's First Nations members and stakeholders take part in FRIP projects that, in turn, enhance their ability to participate in sustainable forest resource management. FireSmart projects delivered by First Nations and other Indigenous communities typically employ community members while helping the communities to reduce the threat of wildfire.

Report on Program Activities

The following section highlights key activities and results for each of FRIAA's seven programs for fiscal 2016–17.

Community Reforestation Program (CRP)

The CRP provides funds for 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. FRIAA is achieving sustainability goals for 31,510 hectares (ha) of cutblocks harvested since May 1, 2000. These results clearly demonstrate that the CRP is meeting its objectives.

Harvested area within program (ha)	Reforestation completed (ha)	Active treatment area (ha)
31,510	14,343	17,167

Activities in 2016–17	Area/unit
Site preparation	255 ha
Planting (area)	715 ha and 1,051,865 seedlings
Tending	253 ha
Regeneration surveys	5,039 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 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 collaborate to enhance Alberta's forests.

Since its inception in 1997, FRIAA has contributed over \$214 million in funding under FRIP toward forestry projects that enhance Alberta's forests and improve the management of Alberta's forest resources. Expenditures on FRIP projects in fiscal 2016–17 totalled \$5.9 million.

FRIAA directed its members to provide action plans for FRIP project sponsorship over the next two years. These plans suggest FRIAA members will sponsor nearly \$9 million in new projects, shown in the table below as "pending commitments."

Type of project	Number of active projects	Current commitments	Number of pending projects	Pending commitments
Operational	9	\$1,070,445	8	\$596,026
Inventory/planning	10	\$541,756	20	\$2,394,087
Applied research	45	\$4,277,549	23	\$4,626,187
Other	25	\$2,638,088	13	\$1,369,604
Total	89	\$8,527,838	64	\$8,985,904

Wildfire Reclamation Program (WRP)

Since 2006, the WRP has supported activities related to reclaiming and reforesting previously reforested cutblocks damaged or destroyed by wildfires. As of March 31, 2017, 36,147 ha of reforested cutblocks damaged or destroyed by wildfires are being re-treated and are expected to fully regrow.

In 2016–17, 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 the wildfire season. The program requires that participants' carry out silvicultural treatments to meet government standards.

As of March 31, 2017, 54 approved WRP projects were underway and 4 new projects were pending as a result of year-end funding for 2016 wildfires. As of March 31, 2017, the outstanding commitments are \$28,929,233, including pending commitments of \$7,618,157 for the 2016 wildfires. 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	33,109 ha
Site preparation mechanical/chemical)	8,699 ha
Planting (area)	18,323 ha
Purchased seedlings	29,886,966 seedlings
Vegetation control	7,110 ha
Regeneration surveys	3,081 ha

Mountain Pine Beetle Program (MPBP)

On April 1, 2007, the MPBP was established to support control of the mountain pine beetle 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 \$25.3 million to key projects delivered by members and their contractors.

As in years past, in 2016–17 the Mountain Pine Beetle Program (MPBP) provided funding for activities related to the control and mitigation of the mountain pine beetle 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
Aerial surveys	13,667 km
Ground surveys	5,399 ha
Long-distance dispersal monitoring	1,924 sites
Containment baiting	829 ha
Log yard management	15,415 traps
Dispersal pheromone	69,814 pouches
Single-tree control	53,793 trees
Seed collection and seed orchard expansion	15,035 hl
Other eligible activities	25 activities

Mountain Pine Beetle Forest Rehabilitation Program (MPBFRP)

Established in the fall of 2013, the purpose of the MPBFRP is to maintain and enhance Alberta's forest ecosystems by providing funding for the rehabilitation of pine-dominated forests that have been impacted by the mountain pine beetle. 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 21 projects, resulting in over \$12.6 million of targeted funds committed to rehabilitating forest stands damaged by the beetle infestations. As of March 31, 2017, outstanding commitments to open projects amounted to \$3.6 million.

Activities since inception	Active	Completed	Total	Area/unit
Applied research	4	0	4	4 projects
Cone collection	1	9	10	4,536 hl
Growth and yield	1	1	2	2 projects
Stand rehabilitation	4	1	5	533 ha
Total	10	10	21	

FRIAA FireSmart Program

FRIAA's FireSmart Program engages and supports municipalities and Indigenous communities to reduce wildfire risk through community-based wildfire prevention, mitigation, and preparedness efforts. FireSmart effectively supports public education and outreach, municipal development controls, legislation, interagency co-operation, cross training, emergency planning, and vegetation management. FireSmart improves a community's ability to withstand a wildfire event, minimizes potential loss and damage, provides for firefighter safety, and improves suppression capability.

Since inception, FRIAA FireSmart has approved 143 projects that help protect Alberta's people, infrastructure, property, and environment through preventing wildfires and reducing fire hazard throughout the province. As of March 31, 2017, 63 projects were active and 80 were completed.

Activities since inception	Active	Completed	Total
FireSmart planning	16	25	41
Public education	14	10	24
Legislation	1	1	2
Inter-agency cooperation and cross-training	3	1	4
Wildland fuel management	29	43	72
Total	63	80	143

FireSmart activities since inception	Project payments	Outstanding commitments	Completed project details
FireSmart planning	\$1,431,003	\$400,523	305 plans
Public education	\$567,590	\$478,979	93 events
Legislation	\$93,387	\$36,000	2 projects
Inter-agency cooperation and cross-training	\$210,184	\$65,766	1 project
Wildland fuel management	\$9,555,787	\$5,534,215	1,180 ha
Total	\$11,857,951	\$6,515,483	

Caribou Landscape Restoration Program (CLRP)

The CLRP was established in 2015 to help fulfill the requirements of the federal recovery strategies for Boreal and Southern Mountain woodland caribou populations and for Alberta's woodland caribou recovery plan. This is accomplished by funding eligible activities for projects that support efforts that sustain and improve caribou habitats in such a way that caribou populations will be healthy and self-sustaining. In 2016–17, FRIAA funded a pilot project in the Little Smoky/A La Pêche range aimed at developing a restoration guide to assist reclamation experts in effectively restoring landscapes suitable to woodland caribou populations. The guide will assist in continuing with the pilot project to develop a detailed prescription and operational plan for the Little Smoky/A La Pêche range.

The program also funded a detailed operational plan for restoring approximately 70 km of linear disturbances within the Little Smoky/A La Pêche range. This plan will form the basis of restoration work to be initiated in 2017–18.



Status of Legislative, Governance, and Policy Requirements

The tables at right outline the status of FRIAA's legislative, governance, and policy requirements for fiscal 2016–17.

Legislative requirement	Action required by FRIAA	Status
Business plan	Provide a three-year business plan (including goals) to the Minister annually.	Completed – Submitted February 27, 2017
Annual report	Provide an annual report summarizing activities and financial statements to the Minister of AAF.	Completed – Submitted June 24, 2016
Freedom of Information and Protection of Privacy (FOIP) Act requests	Adhere to <i>FOIP Act</i> regulations.	No <i>FOIP Act</i> requests in 2016–17
Records management system	Have a reliable records management system in place.	In compliance
Program reporting to the Minister of AAF	Report all forestry enhancement programs to the Minister as per the grant agreements.	In compliance – Individual annual reports submitted June 30, 2016
Notice of change of bylaws	Give reasonable notice to the Minister of AAF to complete a regulation review before the expiry date.	No changes in 2016–17
FRIAA dues	Determine FRIAA dues as per sections 5(1) and 5(1.1) of the <i>Forest Resources Improvement Regulation</i> .	No changes in 2016–17

Governance requirement	Action required by FRIAA	Status
Bylaws review	Ensure annual board review of FRIAA's bylaws.	Reviewed on April 24, 2016
Director requirements	In accordance with bylaws, elect or appoint directors for the board and provide indemnification and reimbursement of directors' expenses where the board approves.	In compliance
Financial accountability	Audit FRIAA's financial records yearly and provide results to all members through the annual report.	In compliance
Program reporting to the board	Ensure all forestry enhancement programs provide regular administration reports to the board.	Reported at each board meeting
MOU review	Review the memorandum of understanding with the Minister annually.	Reviewed with Minister of AAF on January 5, 2017
Objectives review	Periodically review FRIAA's activities to ensure they align with FRIAA's objectives.	In compliance
Directors' meetings	Call directors' meetings as per bylaw requirements and ensure majority quorum. Ensure minutes are written and approved by directors.	In compliance
Annual general meeting	Hold a yearly meeting for all members. Conduct the meeting and vote as per the bylaws.	AGM held on June 22, 2017

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">• Approved August 26, 1997• Audit Committee established August 26, 1997. Membership reviewed annually (October 13, 2016)• Audit Committee met April 14 and June 9, 2016, in accordance with the policy, and reported to the board accordingly• Audit for 2016–17 completed in accordance with policy and legislative requirements
Conflict of interest policy	<ul style="list-style-type: none">• Approved August 26, 1997• Conflicts reported and recorded in accordance with the policy
Appeal policy	<ul style="list-style-type: none">• Approved January 19, 1998, as amended• No appeals under the policy were initiated in 2016–17
Fund management policy	<ul style="list-style-type: none">• Fund Management Committee established November 17, 1997• Membership reviewed annually (October 13, 2016)• Fund Management Committee met June 22 and December 5, 2016, and reported to the board accordingly• Statement of investment policies and goals approved April 22, 1998, and last amended February 18, 2016• Statement of investment policies and goals for Community Reforestation Fund (CRP) approved December 1, 2003, and last amended February 18, 2016• Monthly and quarterly reports made by the investment managers to the committee and board in compliance with the policy and investment statement
Public-at-large director selection protocol	<ul style="list-style-type: none">• Policy reviewed and confirmed October 2000.• Reviewed December 5, 2016
CRP	<ul style="list-style-type: none">• Approved and effective May 30, 2000, and reviewed on ongoing basis
FRIP description and guidelines	<ul style="list-style-type: none">• Approved August 26, 1997, as amended, and reviewed on ongoing basis
Annual budgeting protocol	<ul style="list-style-type: none">• In compliance in 2016–17
Annual business plan review process	<ul style="list-style-type: none">• In compliance in 2016–17

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, environmental protection, climate change adaptation, and public and environmental protection 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 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. Its 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 2016–2017; therefore an appeals panel was not formed during that 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 integrate well with MPB projects under the Government of Alberta program and best represent the interests of FRIAA and its stakeholders 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, and the public at large based on their knowledge and experience with MPB control requirements. Members 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. Its responsibilities include selecting and recommending project proposals that best

represent the interests of FRIAA and its partners, and meeting the evaluation criteria established by the board of directors.

Members of the tribunal are selected from FRIAA's board of directors, AAF, and a mutually agreed upon third party. These members currently include:

- David Kiil, FRIAA director
- 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. Its 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.

Members are selected from FRIAA's board of directors, AAF, 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 board member and chair
- Adam Gossell, AAF representative
- Tom Burton, AAMDC representative
- Peter Pellatt, AUMA representative
- Kelly Johnston, Partners in Protection Association
- Spence Sample, Alberta Municipal Affairs, Office of the Fire Commissioner





Financial Highlights

FRIAA's financial statements provide an overview of the funds and resources used to deliver its programs and initiatives. Notable financial aspects of fiscal 2016–17 include the following:

- The Forest Resource Improvement Program (FRIP) collected over \$6.5 million in FRIAA dues in 2016–17. FRIP project expenditures for April 1, 2016, to March 31, 2017, were \$5.9 million. All FRIP funds are allocated to support projects that enhance forest resources of Alberta.
- The Community Reforestation Program (CRP) collected reforestation levies of \$1.9 million and investment income of \$800,000, for total revenue of \$2.7 million, all of which is committed to outstanding reforestation work and management activities to be carried out over the next 14 years on cutblocks within the program. Program expenditures were \$1.2 million for FY2016–17.
- For the Wildfire Reclamation Program (WRP), \$8 million was transferred to FRIAA as of March 31, to support reforestation and reclamation work in relation to 2016 wildfires. WRP project expenditures for April 1, 2016, to March 31, 2017, was \$10 million. Outstanding commitments of \$29 million remain to ensure funding of activities for the 36,147 hectares at various stages of reforestation are carried out over the next 14 years.
- The Mountain Pine Beetle Program (MPBP) had project expenditures of \$800,000 for MPB mitigation and control activities carried out by the forest industry and stakeholders in 2016–17. Outstanding commitments for active projects amount to \$1 million.
- The MPB Forest Rehabilitation Program had project expenditures of \$1 million for operational projects aimed at restoring ecosystem health and functionality on areas damaged by MPB infestation. There are outstanding commitments for active projects of \$3.7 million.
- The FRIAA FireSmart Program had project expenditures of \$4.9 million for protecting vulnerable communities from wildfire. Outstanding commitments for active projects total \$6.5 million.
- The Caribou Landscape Restoration Program had project expenditures of \$300,000 for investigating and developing a caribou restoration guide.

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 AAF guidelines 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, 2017, and the statement of revenues and expenditures, statement of changes in net assets and cash flows for the year ended March 31, 2017, 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 Association'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, 2017, and its financial performance and its cash flows for the year ended March 31, 2017, in accordance with Canadian accounting standards for not-for-profit organizations.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Grant Thornton LLP
Chartered Professional Accountants,
Edmonton, Canada
May 29, 2017

Financial Statements and Notes

Statement of Financial Position

	March 31, 2017	March 31, 2016
Assets		
Current assets:		
Cash	\$ 4,221,898	\$26,994,946
Accounts receivable and accrued interest receivable	13,193,440	704,302
Investments	1,923,952	1,662,592
Prepaid expenses and deposits	214,303	207,546
	19,553,593	29,569,386
Restricted cash (Note 2)	56,039,055	47,023,423
Investments	37,248,650	37,812,927
	\$ 112,841,298	\$114,405,736

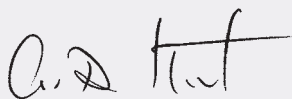
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,169,399	\$ 1,316,920
Net assets:		
Forest Resource Improvement Program	33,039,319	31,097,584
Wildfire Reclamation Program (Note 3)	34,715,054	36,826,865
Community Reforestation Program (Note 4)	12,674,944	11,895,499
Incidental Conifer Program (Note 5)	32	559,966
Mountain Pine Beetle Program (Note 6)	3,638,492	4,622,438
Mountain Pine Beetle Forest Rehabilitation Program (Note 7)	10,801,296	12,044,466
FRIAA FireSmart Program (Note 8)	12,665,460	15,540,535
Caribou Landscape Restoration Program (Note 9)	137,302	501,463
	107,671,899	113,088,816
	\$ 112,841,298	\$114,405,736

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	2017 total	2016 total
Revenue:										
FRIAA dues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,509,098	\$ 6,509,098	\$ 577,762
Reforestation levies	—	—	—	—	—	—	1,906,097	—	1,906,097	2,104,279
Grants	2,500,000	—	8,019,112	—	—	—	—	—	10,519,112	33,828,670
	2,500,000	—	8,019,112	—	—	—	1,906,097	6,509,098	18,934,307	36,510,711
Expenditures:										
Accounting	44,777	17,463	24,697	17,838	1,872	—	114,160	69,535	290,342	325,233
Communication	87,244	15,931	13,941	17,712	(0)	—	32,869	45,355	213,052	184,333
Directors' expenses	1,840	1,374	1,374	1,374	124	—	2,165	1,374	9,625	14,199
Directors' honoraria (Note 11)	2,662	2,309	2,309	2,309	252	—	3,596	2,309	15,746	13,838
Field review	20,914	15,044	15,803	3,635	—	1,313	29,828	65,595	152,132	278,546
Financial audit	5,860	5,860	15,835	5,860	1,854	—	7,912	5,860	49,041	43,320
Insurance	1,073	1,073	1,073	1,073	—	—	1,793	1,073	7,158	8,551
Management support	161,478	76,833	111,304	62,816	46,526	(3,628)	219,119	133,190	807,638	891,241
Project audits	1,470	—	5,880	—	—	—	—	4,200	11,550	1,607
Office and miscellaneous	9,115	2,781	6,125	1,507	68	142	1,902	6,696	28,336	38,393
Professional fees	62,386	48,707	48,707	48,707	0	(3,275)	118,350	72,823	396,405	437,903
Project expenditures	4,893,524	1,083,741	10,066,765	801,700	312,938	562,248	1,215,157	5,910,546	24,846,619	13,642,884
Project operations and monitoring costs	73,449	32,240	41,043	16,865	4,694	3,155	90,939	104,371	366,756	460,023
Project review and approval	130,003	31,951	36,057	18,239	—	—	77,009	149,189	442,448	457,201
	5,495,795	1,335,307	10,390,913	999,635	368,328	559,955	1,914,799	6,572,116	27,636,848	16,797,272
	(2,995,795)	(1,335,307)	(2,371,801)	(999,635)	(368,328)	(559,955)	(8,702)	(63,018)	(8,702,541)	19,713,439
Other income (expenses):										
Dividends	—	—	—	—	—	—	27,695	332,111	320,462	345,600
Interest	109,080	90,215	273,077	31,107	2,652	2,268	272,366	477,182	1,297,291	1,367,380
Gain (loss) on fair value of investments	—	—	—	—	—	—	499,976	1,513,236	2,013,212	(1,728,254)
GST rebates	11,640	1,922	(13,087)	(15,418)	1,515	(2,247)	(11,890)	(166,650)	(194,215)	80,865
Investment management fees	—	—	—	—	—	—	—	(151,126)	(151,126)	(168,590)
	120,720	92,137	259,990	15,689	4,167	21	788,147	2,004,753	3,285,624	(102,999)
Excess (deficiency) of revenues over expenditures:	\$ (2,875,075)	\$ (1,243,170)	\$ (2,111,811)	\$ (983,946)	\$ (364,161)	\$ (559,934)	\$ 779,445	\$ 1,941,735	\$ (5,416,917)	\$ 19,610,440

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2017

	FRIAA FireSmart Program net assets	Mountain Pine Beetle Forest Rehabilitation Program net assets	Wildfire Reclamation Program net assets	Mountain Pine Beetle Program net assets	Caribou Landscape Restoration Program net assets	Incidental Conifer Program net assets	Community Reforestation Program net assets	Forest Resource Improvement Program net assets	2017 total
	(Note 8)	(Note 7)	(Note 3)	(Note 6)	(Note 9)	(Note 5)	(Note 4)		
Net assets, beginning of year	\$ 15,540,535	\$12,044,466	\$36,826,865	\$4,622,438	\$501,463	\$559,966	\$ 11,895,499	\$31,097,584	\$ 113,088,816
(Deficiency) excess of revenues over expenditures	(2,875,075)	(1,243,170)	(2,111,811)	(983,946)	(364,161)	(559,934)	779,445	1,941,735	(5,416,917)
Net assets, end of year	\$12,665,460	\$ 10,801,296	\$ 34,715,054	\$3,638,492	\$ 137,302	\$ 32	\$12,674,944	\$33,039,319	\$107,671,899

See accompanying notes to financial statements.



Statement of Cash Flows

Year ended March 31

	2017	2016
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenue over expenditures	\$ (5,416,917)	\$ 19,610,440
Non-cash items		
Loss (gain) on fair value of investments	(2,013,212)	1,728,254
	(7,430,129)	21,338,694
Change in non-cash operating working capital		
Accounts receivable and accrued interest receivable	(12,489,138)	460,812
Prepaid expenses and deposits	(6,757)	(18,318)
Accounts payable and accrued liabilities	3,852,479	508,082
	(16,073,545)	22,289,270
Investing		
Changes in restricted cash	(9,015,632)	(30,407,677)
Purchase of investments	(9,770,638)	(12,002,395)
Proceeds on sale and redemption of investments	12,086,767	15,167,170
	(6,699,503)	(27,242,902)
Net (decrease) increase in cash and cash equivalents	(22,773,048)	(4,953,632)
Cash and cash equivalents		
Beginning of year	26,994,946	31,948,578
End of year	\$ 4,221,898	\$ 26,994,946

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2017

1. Nature of operations

The Forest Resource Improvement Association of Alberta ("FRIAA" or 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. FRIAA uses FRIAA 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	Note 3
2000	Community Reforestation Program	Note 4
2005	Incidental Conifer Program	Note 5
2007	Mountain Pine Beetle Program	Note 6
2009	Fire Hazard Reduction and Forest Health Program*	—
2009	Forestry Workers Employment Program*	—
2013	Mountain Pine Beetle Forest Rehabilitation Program	Note 7
2014	FRIAA Firesmart Program	Note 8
2015	Caribou Landscape Restoration Program	Note 9

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

FRIAA 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

FRIAA 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.

FRIAA 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 FRIAA. 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 legally owing to FRIAA 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: Include unrestricted cash on hand and balances with banks, net of outstanding cheques.

Restricted cash: Includes cash restricted for use in the following programs: Wildfire Reclamation, FRIAA FireSmart, Mountain Pine Beetle Forest Rehabilitation, Mountain Pine Beetle, Caribou Landscape, and Incidental Conifer.

Investments: Accounted for based on their classification as held for trading, 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. The cost of investments as at March 31, 2017, is \$35,571,625 (2016: \$37,275,700).

Use of estimates: In preparing FRIAA'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: FRIAA'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. These fees and costs relating to financial instruments measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement: At each reporting date, FRIAA 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. FRIAA has also irrevocably elected to measure its investments in bonds at fair value. All changes in fair value of FRIAA's investments in equities quoted in an active market and in bonds are recorded in the statement of operations. FRIAA 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, 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, FRIAA regularly assesses whether there is any indication of impairment. If there is and FRIAA determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes the 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 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 Wildfire Reclamation Program, established to encourage the reclamation of land disturbed or destroyed by wildfire, will be operated by FRIAA.

Under the agreement, the grant amounts to \$35,000,000. FRIAA 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, FRIAA received a letter of intent from the Province extending the expiry to March 31, 2013. FRIAA 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, FRIAA 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 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 terms of the agreement are to be used to reclaim 2008, 2009, and 2010 burned cutblocks, respectively. The 2012 annual grant of \$15,000,000 is 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 is to be used to reclaim reforested hectares impacted by wildfire during 2013. An annual grant of \$1,097,656 received during 2015 is to be used to reforest cutblocks impacted by wildfire during 2014. An annual grant of \$19,828,670 received in 2016 is to be used to reforest cutblocks impacted by wildfire during 2015. An annual grant of \$8,019,112 received in 2017 is to be used to reforest cutblocks impacted by wildfire during 2016.

The agreement expires on March 31, 2017, unless the term of the 2006 Program agreement is extended or renewed. The Province has communicated their intent to renew the agreement. 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 includes funds of \$30,320,784 (2016: \$17,015,500) 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 *Forests Act* and the *Forest Resource Improvement Regulation* pursuant to the *Environmental Protection and Enhancement Act*. The Reforestation Program was established to reforest Crown lands subject to reforestation levies.

To implement the program, funds received for the Reforestation Program were delegated to FRIAA 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 FRIAA according to section 143.91 of the *Timber Management Regulation*. The levies received during the year were \$nil (2015: \$nil).
- b) FRIAA 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 \$1,906,097 (2016: \$2,104,279).

All reforestation levies and associated interests are to be used solely for this 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 Incidental Conifer Program, established to encourage the replacement of coniferous timber harvested as the result of and incidental to deciduous timber harvesting operations, will be operated by FRIAA.

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

In February 2016, FRIAA 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. This program was completed as of March 31, 2017. Final wrap-up of the program finances will occur in April 2017.

Restricted cash includes funds of \$nil (\$2016: \$561,604) that are restricted for use on the Incidental Conifer Program and held in a separate bank account.

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 FRIAA. This program 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 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 start the program. Additional annual grant 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, 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 \$2,000,000 grant for 2013 was received during that year. An annual grant of \$4,000,000 was received during 2014. An additional grant of \$2,000,000 was provided during 2015. Annual grants received in 2016 totalled \$2,000,000.

Restricted cash includes \$3,678,366 (2016: \$3,623,181), which is restricted for use on the Mountain Pine Beetle Program and held in a separate bank account.

7. Mountain Pine Beetle Forest Rehabilitation Program

The Mountain Pine Beetle 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 FRIAA. It was established as a framework for providing the requisite funding to FRIAA 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 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.

Under the agreement \$9,000,000 of initial funding was provided to FRIAA to start the program. Its purpose is to maintain and enhance the ecosystem function of forest resources

of Alberta by assisting the Department in rehabilitating pine-dominated forests 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 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 above and beyond required forest management obligations.

On September 20, 2013, the Mountain Pine Beetle 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 slightly changing the proposal approval process and cost/funding caps. On July 14, 2014, the Mountain Pine Beetle Forest Rehabilitation Program was again amended by advancing an additional \$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.

Restricted cash includes \$10,832,951 (2016: \$11,062,117), which is restricted for use on the Mountain Pine Beetle Forest Rehabilitation Program and held in a separate bank account.

8. FRIAA FireSmart Program

The FRIAA FireSmart Program was established 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 FRIAA. It was established to support the FireSmart initiative by providing funds for eligible activities that:

- (a) provide for enhanced public safety and improved protection of forest communities, forest resources, and planning 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 and the practical application of FireSmart throughout Alberta.

The agreement is in effect from January 9, 2014, to March 31, 2019, unless extended or renewed by agreement in writing or terminated by the parties. The parties’ rights and obligations shall continue in full force and effect past the term for such period required for completing the eligible activities and FRIAA obligations under this agreement. The Department may terminate this agreement without cause on 60 days’ written notice to FRIAA.

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.

Under the agreement, FRIAA received \$6,000,000 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.

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 FRIAA Firesmart Agreement was again amended by increasing the program grant by \$8,000,000. Both increases are intended for eligible activities under the agreement. Another \$3,000,000 has been approved for next fiscal year. The \$3,000,000 in additional grants approved previously was received. Another \$5,000,000 and \$2,500,000 in additional grants were received in 2016 and 2017, respectively.

Restricted cash includes \$11,021,070 (2016: \$14,259,889), which is restricted for FRIAA's FireSmart Program and held in a separate bank account.

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 recovery 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. FRIAA has now received confirmation that the program is intended to proceed in 2017.

Restricted cash includes \$185,884 (2016: \$501,132), which is restricted for use on the Caribou Landscape Restoration Program and held in a separate bank account.

10. Commitments

All funds received for specific programs must be spent on the program's operating activities. As at March 31, 2017, FRIAA is committed to fund approved projects with various terms in the following amounts for each program:

	2017	2016
Forest Resource Improvement Program	\$ 8,527,838	\$ 7,196,674
Community Reforestation Program	284,489	171,887
Wildfire Reclamation Program	28,929,233	12,451,557
Mountain Pine Beetle Program	955,111	26,049
Incidental Conifer Program	—	505,600
Mountain Pine Beetle Forest Rehabilitation Program	3,690,173	3,400,377
FRIAA FireSmart Program	6,515,483	3,295,393
	\$48,902,327	\$27,047,537

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:

	2017	2016
Norm Denney	\$ 1,834	\$ 1,250
Cliff Henderson	8,658	4,341
A. David Kiil	5,149	4,293
Murray Summers	1,705	3,499
Other	353	455
	\$17,699	\$13,838

12. Financial instruments

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

Interest rate risk: 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. Comparative figures

Certain prior-year comparative figures were reclassified to conform to this year's presentation.



FRIAA Members

■ Alberta-Pacific Forest Industries 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. ■ Ed Bobocel Lumber
(1993) Ltd. ■ Foothills Forest Products Inc.
■ Manning Forest Products ■ Medicine
Lodge Timber Products Ltd. ■ Millar
Western Forest Products Ltd. ■ Ndeh
Limited Partnership Ltd. ■ Northland
Forest Products Ltd. ■ Spray Lake Sawmills
(1980) Ltd. ■ Spruceland Millworks Inc.
■ Sundre Forest Products Ltd. ■ Tall Pine
Timber Co. Ltd. ■ Tolko Industries Ltd.
■ Vanderwell Contractors (1971) Ltd. ■
West Fraser Mills Ltd. ■ Weyerhaeuser
Company Ltd. ■ Zavisha Sawmills Ltd.





Forest Resource Improvement
Association of Alberta
www.friaa.ab.ca