



Forest Resource Improvement Association of Alberta

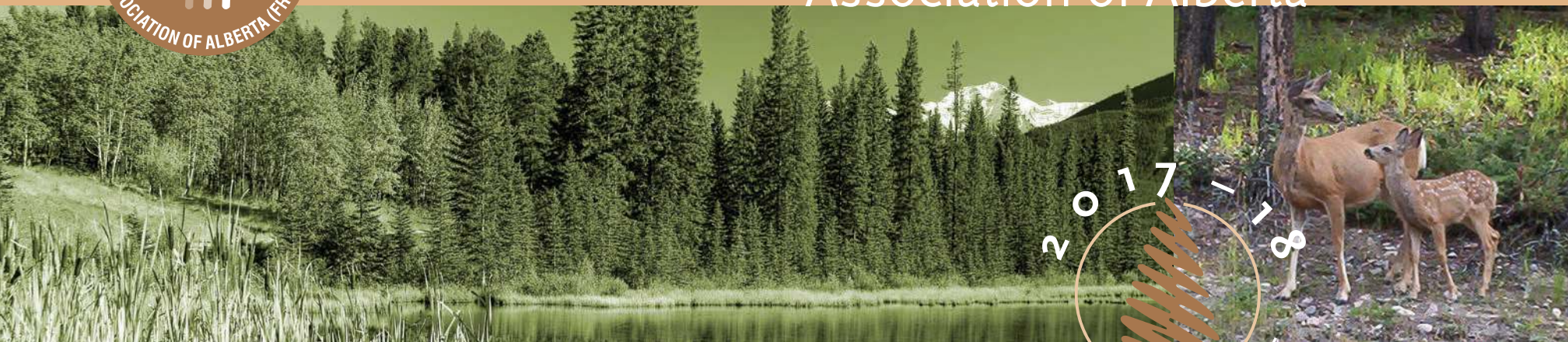






Table of Contents

President's Message	2
Report on Business Plan Objectives	4
Report on Program Activities	6
Status of Legislative, Governance, and Policy Requirements	10
FRIAA Governance	12
Financial Highlights	14
Risk Management	15
Auditor's Report	15
Financial Statements and Notes	16
FRIAA's Members	24

President's Message



The Forest Resource Improvement Association of Alberta (FRIAA) has had a busy and productive year delivering a range of forestry improvement programs and developing new initiatives to support provincial forest management and environmental protection priorities. Our broad reach with members and stakeholders and our effective business model make FRIAA an important partner for government and industry to achieve shared objectives. As president of FRIAA, I am very pleased to share with you our accomplishments of the past year and our outlook for the year to come.

The Forest Resource Improvement Program (FRIP) was very active again this past year as the strategies we have been implementing to increase project commitments have been producing results. Our membership and stakeholders are fully on board with these efforts and have increased project commitments to over \$11 million while spending \$5.7 million on worthwhile projects during the year. Activities under these ongoing and future FRIP projects represent forward-looking forestry enhancement projects that meet the Province's sustainability, biodiversity, and climate adaptation objectives.

The Wildfire Reclamation Program (WRP) and FRIAA FireSmart are both highly active, helping to mitigate the risk of wildfire on communities and helping to sustain healthy forests that were previously burnt. We are very pleased about the success of FRIAA FireSmart, as our liaison representatives have been helping communities to access the program and communities are increasingly adopting FRIAA FireSmart as a means of managing risks facing their homes. We are also impressed by the level of effort being put into WRP, which has seen the planting of over 38 million seedlings over the past 10 years.

FRIAA continues to support the Province's objectives to control 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. We plan to wind down the Mountain Pine Beetle Forest Rehabilitation Program and allocate that funding to other activities that effectively sustain forests.

Our Community Reforestation Program has been highly successful over the years as we collect reforestation levies and use them to reforest cutblocks harvested by timber permit holders and smaller timber operators. We are pleased that this program continues to be self-sustaining and effective in achieving reforestation objectives. All indications are that the program is meeting or exceeding expectations in terms of sustaining allowable harvest levels.

Looking forward, we have been working with the departments of Agriculture and Forestry and Environment and Parks to develop and implement new programs. We are excited to announce that the new Caribou Habitat Recovery Program will commence in 2018/19. We also expect that a new program aimed at reforesting burnt legacy areas will also commence early in the new year. Details on these programs will be forthcoming.

In closing, I would like to thank all of FRIAA's members and stakeholders for their collaborative efforts in delivering projects that enhance the forest resources of Alberta. I would also like to thank the Ministers of Agriculture and Forestry and Environment and Parks for their continued trust in our organization and their support for our efforts to serve all Albertans.

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

Murray Summers, President



Report on Business Plan Objectives

FRIAA is a delegated administrative organization 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 programs and initiatives support provincial objectives of the departments of Agriculture and Forestry, Environment and Parks, and Indigenous Relations.

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 collected by FRIAA or monies and securities transferred to FRIAA

FRIAA's 2017–2018 business plan was prepared to guide the association's activities over the past year as it sought to support the government's strategic direction through forest resource improvement initiatives. The Province's Strategic Plan identified several key outcomes as goals, a number of which were supported by FRIAA's various programs.

The first key outcome identified in the Strategic Plan is “a diversified economy that creates jobs and opportunities for all Albertans.” This is directly linked to FRIAA's objectives

related to enhancing the management of forest resources, improving the sustained yield of forest resources of Alberta, and integrating various resource management activities.

The second key outcome, “demonstrated leadership on climate change,” is supported by FRIAA's programs that have funded research, outreach, and workshops on climate change adaptation and resiliency.

The third key outcome in the Province's Strategic Plan, “education and training to enable Albertans to succeed in the global economy,” is again supported by FRIAA's programs that have funded education, outreach, and training initiatives relative to forestry and forest 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):

Dept.	Desired outcome
AAF	<ol style="list-style-type: none"> 1: Alberta's agriculture and forest industries are positioned for increased growth. 2: Alberta has effective assurance systems that inspire confidence. 3: Alberta's agriculture and forest industries are environmentally responsible and sustainable. 4: Alberta has thriving rural communities.
AEP	<ol style="list-style-type: none"> 1: Environment and ecosystem health and integrity. 2: Sustainable economic diversification. 3: Social well-being. 4: Protected public health and safety from environmental conditions and events.
AIR	<ol style="list-style-type: none"> 2: Alberta's coordinated approach to Indigenous strategic engagement, consultation and land claims respects Treaty rights, increases First Nations' participation in land management, enhances resource development certainty, and improves economic competitiveness.

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 positioned for increased growth.

Alberta's forest industry depends on healthy, productive, and sustainable forests. A reliable supply of fibre resources derived from sustainably managed forests that is managed for multiple resources and uses supports a sustainable industry. While FRIAA does not fund projects directly aimed at industry interests, projects funded by FRIAA that promote forest health, productivity, and sustainability help support a sustainable and growing industry. This in turn supports a diversified and sustainable provincial economy.

Alberta has effective assurance systems that inspire confidence.

FRIAA funds a number of projects aimed at advancing and enhancing the state of forest management in Alberta. This is done through applied research projects that improve our understanding of forest ecosystems and through inventory, planning, and education projects that help forest managers apply this improved understanding on the ground. As the state of forest management in Alberta advances, so does the assurance system aimed at ensuring that our forest environment is carefully managed. An assurance system based on science, advanced tools and methods, and a greater level of knowledge and awareness inspires confidence.

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

FRIAA supports AAF's desired outcome of an environmentally responsible and sustainable forest industry by supporting projects that enhance sustainable natural resource management practices and promote environmental protection. All projects funded by FRIAA are required to fully meet applicable provincial and federal environmental standards and legislation and must not adversely impact the environment. In addition, many projects funded under FRIAA's programs are directly aimed at improving sustainable management activities such as integrated resource management and planning initiatives, wildlife integration studies, enhanced silvicultural practices, insect and disease control, wildfire reclamation, and community reforestation.

Alberta has thriving rural communities.

Alberta's forest industry operates mainly in the rural regions of the provinces where forest management planning, timber harvesting, reforestation, and a variety of forest-based activities take place. All these activities create jobs and economic activity in Alberta's rural communities. FRIAA funds over \$20 million in project activities each year that primarily take place in rural Alberta. 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.

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. In addition, the Wildfire Reclamation Program specifically aims to reclaim areas damaged or destroyed by wildfire to restore site stability, watershed integrity, 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.

Sustainable economic diversification.

Alberta's forest industry represents diversification of the economy and promotion of sustainable economic benefits. FRIAA's programs help significantly in this regard as funding is largely provided for forestry workers, contractors, and other small businesses to deliver the work and produce results. These include contractors and individuals implementing large-scale reforestation projects, fuel modification projects, inventory and planning initiatives, scientific studies, and education and outreach efforts. Not only does this direct spending help shape a sustainable and diverse economy, but it also supports the growth of an industry more sustainably and diversely.

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 FireSmart, 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 respects Treaty rights, increases First Nations capacity, enhances resource development certainty, and improves economic competitiveness.

Many of FRIAA's 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 enhance their ability to participate in sustainable forest resource management. FRIAA FireSmart projects delivered by First Nations and other Indigenous communities typically employ local community members while helping these 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 the fiscal year 2017–18.

Forest Resource Improvement Program (FRIP)

FRIP projects include various activities that directly improve forest resources, promote enhanced forest management, or support the sustained yield of forest resources. To be eligible for funding, all FRIP project activities must fall outside industry's legislated requirements. Activities include stand improvement, enhanced planning and forest inventory, applied research projects, public outreach and education, and forest protection initiatives. FRIP projects are highly effective tools for government, industry, researchers, small businesses, and communities to collaborate in an effort to enhance Alberta's forests.

Since its inception in 1997, FRIAA has contributed over \$220 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 2017–18 totalled \$5.7 million, with an additional \$11.1 million committed to ongoing projects.

FRIAA continues to encourage FRIP stakeholders to apply existing FRIP funds towards eligible forestry projects. To facilitate this, FRIAA has engaged a consultant for stakeholders to use as a resource as they respond to this opportunity to make a significant and positive impact to Alberta's forests through eligible projects.

Type of project	Number of active projects	Current commitments
Operational	9	\$783,240
Inventory/planning	15	\$1,313,939
Applied research	57	\$5,059,266
Other	35	\$3,927,700
Total	116	\$11,084,145

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 32,834 hectares (ha) of cutblocks harvested since May 1, 2000. These results clearly demonstrate that the CRP is meeting its objectives.

Harvested area within CRP program (ha)	CRP reforestation completed (ha)	Active treatment area (ha)
32,834	16,701	16,133

Activities in 2017–18	Area/unit
Site preparation	479 ha
Planting (area)	1,214 ha and 1,672,260 seedlings
Tending	641 ha
Regeneration surveys	3,842 ha

Wildfire Reclamation Program (WRP)

Since 2006, the WRP has supported activities related to reclaiming and reforesting previously reforested cutblocks that were damaged or destroyed by wildfires. As of March 31, 2018, 35,788 ha of reforested cutblocks damaged or destroyed by wildfires are being re-treated and are expected to fully regrow. Total funding received over the past 10 years for the program is \$69.6 million.

In 2017–18, the WRP was renewed for another 10 years. Through the program, FRIAA continues to commit 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 provincial standards.

As of March 31, 2018, 55 approved WRP projects were active with outstanding commitments of \$19,314,957. 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	38,989 ha
Site preparation (mechanical/chemical)	14,758 ha
Planting (area)	24,211 ha
Purchase of seedlings	38,529,244 seedlings
Vegetation control	7,766 ha
Regeneration surveys	7,300 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 \$27.1 million to key projects delivered by members and their contractors.

As in years past, in 2017–18 the 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	2,133 sites
Containment baiting	1,031 ha
Log yard management	17,257 traps
Dispersal pheromone	80,314 pouches
Single tree control	61,779 trees
Seed collection and seed orchard expansion	15,035 hl
Other eligible activities	26 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 23 projects, resulting in over \$12.8 million of targeted funds committed to rehabilitating forest stands damaged by mountain pine beetle infestations. As of March 31, 2018, outstanding commitments to open projects amounted to \$1.9 million.

Activities since inception	Active	Completed	Cancelled	Total	Area/unit
Applied research	3	1	0	4	4 projects
Cone collection	0	9	1	10	4,536 hl
Growth and yield	1	1	0	2	2 projects
Stand rehabilitation	4	3	0	7	533 ha
Total	8	14	1	23	

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 Alberta's woodland caribou recovery plan. This is accomplished by funding eligible activities for projects that support efforts to sustain and improve caribou habitats in such a way that caribou populations will be healthy and self-sustaining.

In 2017–18 the program funded a pilot project in the Little Smoky/A La Pêche range. The project was aimed at developing a restoration guide to assist reclamation experts in effectively restoring landscapes suitable to woodland caribou populations and included a detailed operational plan for restoring 87.2 km of linear disturbances. The restoration guide and operational plan are a first step towards operational restoration work expected to be initiated in 2018–19 under a new Caribou Habitat Recovery Program.

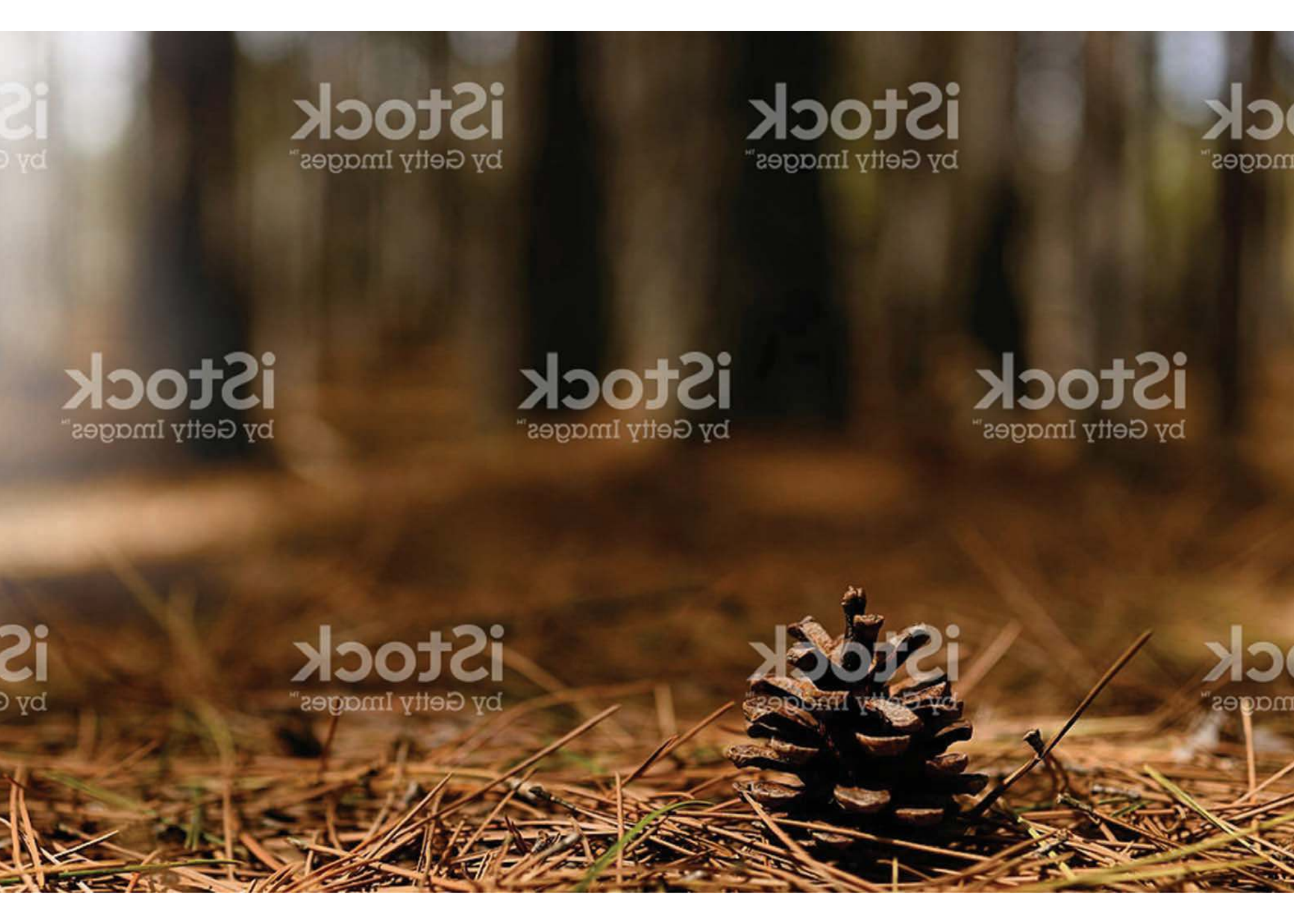
FRIAA FireSmart

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, inter-agency 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 191 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, 2018, 64 projects were active and 127 were completed.

Activities since inception	Active	Completed	Total
FireSmart planning	14	38	52
Public education	13	16	29
Legislation	1	1	2
Inter-agency cooperation and cross-training	3	3	6
Wildland fuel management	33	69	102
Total	64	127	191

Activities since inception	Project payments	Outstanding commitments	Completed project details
FireSmart planning	\$1,926,232	\$319,549	528 plans
Public education	\$761,135	\$296,870	1295 events
Legislation	\$93,387	\$36,000	1 project
Inter-agency cooperation and cross-training	\$325,335	\$634,058	3 projects
Wildland fuel management	\$14,422,084	\$5,087,129	1,886 ha
Total	\$17,528,173	\$6,373,606	



Status of Legislative, Governance, and Policy Requirements

The following tables outline the status of FRIAA's legislative, governance, and policy requirements for fiscal 2017–18.

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 30, 2017
Freedom of Information and Protection of Privacy (FOIP) Act requests	Adhere to <i>FOIP Act</i> regulations.	No <i>FOIP Act</i> requests in 2017–18
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, 2017
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 2017–18
FRIAA dues	Determine FRIAA dues as per sections 5(1) and 5(1.1) of the <i>Forest Resources Improvement Regulation</i> .	No changes to the dues schedule in 2017–18

Governance requirement	Action required by FRIAA	Status
Bylaws review	Ensure annual board review of FRIAA's bylaws.	Reviewed on April 13, 2017
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.	Scheduled for May 31, 2018
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 21, 2018

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 19, 2017) • Audit committee met on April 13 and May 29, 2017, in accordance with the policy and reported to the board accordingly • Audit for 2017–18 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 initiated in 2017–18
Fund management policy	<ul style="list-style-type: none"> • Fund management committee established November 17, 1997 • Membership reviewed annually (October 10, 2017) • Fund management committee met June 22 and December 4, 2017, and reported to the board accordingly • Statement of investment policies and goals approved April 22, 1998, and last amended December 4, 2017 • Statement of investment policies and goals for Community Reforestation Fund approved December 1, 2003, and last amended February 18, 2016 • Monthly and quarterly reports made by 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 2017–18
Annual business plan review process	<ul style="list-style-type: none"> • In compliance in 2017–18



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 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
Bruce Mayer

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 the following FRIAA directors:

- 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 the following FRIAA directors:

- 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, a panel can be established to hear appeals initiated by the membership. Members of the panel are selected case by case 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. Because there were no appeals in 2017–2018, no appeals panel was formed during that fiscal year.

Mountain Pine Beetle Program 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 mountain pine beetle control requirements. Members currently include:

- David Kiil, FRIAA director
- Mike Undershultz, Alberta Agriculture and Forestry representative
- Jim McCammon, public member

Mountain Pine Beetle Forest Rehabilitation Program 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 proposals that best represent the interests of FRIAA and its partners and meet the evaluation criteria established by the board of directors.

Tribunal members are selected from FRIAA's board of directors, AAF, and a mutually agreed upon third party. They 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. The committee's responsibilities include selecting and evaluating proposals that best represent the interests of FRIAA and the local government and meet the evaluation criteria established by the board of directors.

Committee 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, Alberta Agriculture and Forestry representative
- Tom Burton, AAMDC representative
- Peter Pellatt, AUMA representative
- Kelly Johnston, Partners in Protection Association
- Kevan Jess / Keven Thomson, Alberta Municipal Affairs, Office of the Fire Commissioner
- Winston Delorme, Alberta Emergency Management Agency



Financial Highlights

FRIAA's financial statements provide an overview of the funds and resources used to deliver its programs and initiatives. Notable numbers from fiscal 2017–18 include the following:

- The Forest Resource Improvement Program (FRIP) collected \$32.9 million in FRIAA dues in 2017–18, significantly more than in previous years, as FRIAA dues vary according to the North American price for lumber.
- Project expenditures in FRIP in 2017–18 were \$5.7 million, consistent with the previous year. This amount, which relates to past project contract commitments, is expected to significantly increase in the coming years. All FRIP funds are allocated to support projects that enhance Alberta's forest resources.
- The Community Reforestation Program (CRP) collected reforestation levies of \$2.0 million and, with investment income on the CRP fund, revenue totalled \$2.3 million, all of which is committed to outstanding reforestation work over the next 14 years. Program expenditures were \$2.7 million for the 2017–18 fiscal year compared to \$1.9 million the previous year, reflecting operational decisions to concentrate silvicultural contract work in 2017–18 to achieve economies of scale.
- For the Wildfire Reclamation Program (WRP), no funds were transferred to FRIAA, while project expenditures totalled \$9.2 million in 2017–18. This compares to project expenditures of \$10 million in 2016–17. Outstanding commitments of \$19.3 million remain in relation to ongoing reforestation activities for the 35,788 hectares at various stages of reforestation to be carried out over the next 14 years.
- The Mountain Pine Beetle Program (MPBP) had project expenditures of \$1.8 million for mountain pine beetle mitigation and control activities carried out by the forest industry and stakeholders in 2017–18. This compares to \$0.8 million spent the previous year. There are outstanding commitments for active projects of \$1 million.
- The Mountain Pine Beetle Forest Rehabilitation program spent just over \$0.5 million for operational projects aimed at restoring ecosystem health and functionality on areas damaged by the beetle infestation. This compares to expenditures of \$1.0 million the previous year. There are outstanding commitments for active projects of \$1.9 million.
- FRIAA FireSmart had project expenditures of \$5.7 million towards projects aimed at protecting vulnerable communities from wildfire. This compares to \$4.9 million spent the previous year. Outstanding commitments for active projects total \$6.4 million.
- Administration equalled 7.3% of total spending, consistent with previous years.

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 delivering projects through contractual agreements.

In addition to the above measures, FRIAA adheres to AAF 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, 2018, and the statement of revenues and expenditures, statement of changes in net assets and cash flows for the year ended March 31, 2018, 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 Association'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, 2018, and its financial performance and its cash flows for the year ended March 31, 2018, 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 24, 2018

Financial Statements and Notes

Statement of Financial Position

	March 31, 2018	March 31, 2017
Assets		
Current assets:		
Cash	\$ 15,803,755	\$ 4,221,898
Accounts receivable and accrued interest receivable	4,851,899	13,193,440
Investments	7,077,436	1,923,952
Prepaid expenses and deposits	132,637	214,303
	27,865,727	19,553,593
Restricted cash (Note 2)	49,142,430	56,039,055
Investments	47,984,556	37,248,650
	\$ 124,992,713	\$ 112,841,298

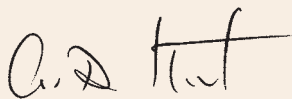
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 599,262	\$ 5,169,399
Net assets:		
Forest Resource Improvement Program	60,127,433	33,039,319
Wildfire Reclamation Program (Note 3)	25,458,504	34,715,054
Community Reforestation Program (Note 4)	12,446,760	12,674,976
Mountain Pine Beetle Program (Note 5)	4,644,658	3,638,492
Mountain Pine Beetle Forest Rehabilitation Program (Note 6)	10,095,276	10,801,296
FRIAA FireSmart Program (Note 7)	11,620,820	12,665,460
Caribou Landscape Restoration Program (Note 8)	—	137,302
	124,393,451	107,671,899
	\$ 124,992,713	\$ 112,841,298

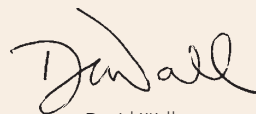
Commitments (Note 9)

See accompanying notes to the 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 7)	Mountain Pine Beetle Forest Rehabilitation Program (Note 6)	Wildfire Reclamation Program (Note 3)	Mountain Pine Beetle Program (Note 5)	Caribou Landscape Restoration Program (Note 8)	Community Reforestation Program (Note 4)	Forest Resource Improvement Program	2018 total	2017 total
Revenue:									
FRIAA dues	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$32,929,282	\$ 32,929,282	\$ 6,509,098
Reforestation levies	–	–	–	–	–	2,266,145	–	2,266,145	1,906,097
Other income	225,952	–	–	–	–	–	–	225,952	–
Grants	5,000,000	–	–	3,000,000	–	–	–	8,000,000	10,519,112
	5,225,952	–	–	3,000,000	–	2,266,145	32,929,282	43,421,379	18,934,307
Expenditures:									
Accounting	49,941	23,378	30,825	17,997	2,662	90,420	71,078	286,301	290,342
Communication	44,246	20,803	23,637	20,460	–	53,889	49,303	212,338	213,052
Directors' expenses	1,772	1,772	1,772	1,772	–	2,360	1,778	11,226	9,625
Directors' honoraria (Note 10)	1,541	1,541	1,541	1,541	–	2,057	2,639	10,860	15,746
Field review	57,653	8,534	31,039	5,745	–	46,955	53,435	203,361	152,132
Financial audit	3,841	3,841	12,828	3,841	(180)	5,121	5,301	34,593	49,041
Insurance	1,025	1,025	1,025	1,025	–	1,394	1,334	6,828	7,158
Management support	286,619	98,257	128,521	70,562	83,127	193,366	140,401	1,000,853	807,638
Project audits	–	–	4,568	–	–	–	2,520	7,088	11,550
Office and miscellaneous	14,066	2,313	2,927	2,835	–	4,433	6,941	33,515	28,336
Professional fees	63,253	63,253	65,642	63,253	–	129,048	110,227	494,676	396,405
Project expenditures	5,670,222	564,953	9,244,476	1,810,077	45,000	1,978,856	5,735,852	25,049,436	24,846,619
Project operations and monitoring costs	94,010	24,528	43,425	16,924	7,313	137,627	115,688	439,515	366,756
Project review and approval	135,924	14,884	28,823	12,561	3,339	97,806	175,234	468,571	442,448
Total expense	6,424,113	829,082	9,621,049	2,028,593	141,261	2,743,332	6,471,731	28,259,161	27,636,848
	(1,198,161)	(829,082)	(9,621,049)	971,407	(141,261)	(477,187)	26,457,551	15,162,218	(8,702,541)
Other income (expenses):									
Dividends	–	–	–	–	–	(34,897)	429,379	394,482	320,462
Interest	137,819	117,381	356,335	30,062	988	395,276	456,623	1,494,484	1,297,291
Gain (loss) on fair value of investments	–	–	–	–	–	(127,831)	(126,008)	(253,839)	2,013,212
GST rebates	15,702	5,681	8,164	4,697	2,971	16,423	19,560	73,198	(194,215)
Investment management fees	–	–	–	–	–	–	(148,991)	(148,991)	(151,126)
	153,521	123,062	364,499	34,759	3,959	248,971	630,563	1,559,334	3,285,624
Excess (deficiency) of revenues over expenditures:	\$ (1,044,640)	\$ (706,020)	\$ (9,256,550)	\$ 1,006,166	\$ (137,302)	\$ (228,216)	\$ 27,088,114	\$ 16,721,552	\$ (5,416,917)

See accompanying notes to the financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2018

	FRIAA FireSmart Program (Note 7)	Mountain Pine Beetle Forest Rehabilitation Program (Note 6)	Wildfire Reclamation Program (Note 3)	Mountain Pine Beetle Program (Note 5)	Caribou Landscape Restoration Program (Note 8)	Community Reforestation Program (Note 4)	Forest Resource Improvement Program	2018 total
Net assets, beginning of year	\$12,665,460	\$10,801,296	\$ 34,715,054	\$ 3,638,492	\$ 137,302	\$ 12,674,976	\$33,039,319	\$107,671,899
Excess (deficiency) of revenues over expenditures	(1,044,640)	(706,020)	(9,256,550)	1,006,166	(137,302)	(228,216)	27,088,114	16,721,552
Net assets, end of year	\$11,620,820	\$10,095,276	\$25,458,504	\$4,644,658	\$ —	\$12,446,760	\$60,127,433	\$ 124,393,451

See accompanying notes to the financial statements.

Statement of Cash Flows

Year ended March 31

	2018	2017
Increase (decrease) in cash and cash equivalents		
Operations		
(Deficiency) excess of revenue over expenditures	\$ 16,721,552	\$ (5,416,917)
Non-cash items		
Loss (gain) on fair value of investments	253,839	(2,013,212)
	16,975,391	(7,430,129)
Change in non-cash operating working capital		
Accounts receivable and accrued interest receivable	8,341,541	(12,489,138)
Prepaid expenses and deposits	81,666	(6,757)
Accounts payable and accrued liabilities	(4,570,137)	3,852,479
	\$20,828,461	(16,073,545)
Investing		
Changes in restricted cash	6,896,625	(9,015,632)
Purchase of investments	(41,253,399)	(9,770,638)
Proceeds on sale and redemption of investments	25,110,170	12,086,767
Net (decrease) increase in cash and cash equivalents	11,581,857	(22,773,048)
Cash and cash equivalents		
Beginning of year	4,221,898	26,994,946
End of year	\$ 15,803,755	\$ 4,221,898

See accompanying notes to the financial statements.

Notes to the Financial Statements

Year ended March 31, 2018

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 Forest Resource Improvement Program (FRIP) dues to fund FRIP, 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*	–
2007	Mountain Pine Beetle Program	Note 5
2009	Fire Hazard Reduction and Forest Health Program**	–
2009	Forestry Workers Employment Program**	–
2013	Mountain Pine Beetle Forest Rehabilitation Program	Note 6
2014	FRIAA Firesmart Program	Note 7
2015	Caribou Landscape Restoration Program	Note 8

* This program was completed and wound up during the fiscal year ending March 31, 2018.

** 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: Includes 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, and Caribou Landscape Restoration.

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 at March 31, 2018, is \$55,061,992 (2017: \$35,571,625).

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 of the reversal.

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 return 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 and 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 \$25,497,345 (2017: \$30,320,784) 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 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 licences 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 (2017: \$nil).
- b) FRIAA 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 \$2,266,145 (2017: \$1,906,097).

All reforestation levies and association interests are to be used solely for this program.

5. 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 “department”) 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 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 grants 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, 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 the year. An annual \$4,000,000 grant was received during 2014. An additional \$2,000,000 grant was provided during 2015. Annual grants received in 2016 totalled \$2,000,000. Annual grants of \$2,000,000 and \$1,000,000 were received in 2018.

Restricted cash includes \$1,669,117 (2017: \$3,678,366), which is restricted for use on the Mountain Pine Beetle Program and held in a separate bank account.

6. 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 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 cannot 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 Forest Rehabilitation Grant Agreement was amended by increasing the initial grant by another \$5,000,000, received on April 29, 2014, and by 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 another \$3,000,000 to carry out eligible activities under the terms of the agreement. Another annual grant of \$3,500,000 was received in 2016.

Restricted cash includes \$10,112,542 (2017: \$10,832,951), which is restricted for use on the Mountain Pine Beetle Forest Rehabilitation Program and held in a separate bank account.

7. 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 was approved and received in 2015. Additional grants of \$5,000,000 and \$2,500,000 were received in 2016 and 2017, respectively. The agreement was amended again in 2018 and a \$5,000,000 grant was received.

Restricted cash includes \$11,862,335 (2017: \$11,021,070), which is restricted for use in the FRIAA FireSmart Program and held in a separate bank account.

8. 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 or on behalf of FRIAA.

The grant of \$500,000 was received in June 2015. The program had been put on hold in 2016 with the change of government. FRIAA received confirmation that the program would proceed in 2017. The program was completed in 2018 and final wrap-up of the program finances will occur in early 2019.

Restricted cash includes \$1,092 (2017: \$185,884), which is restricted for use on the Caribou Landscape Restoration Program and held in a separate bank account.

9. Commitments

All funds received for specific programs must be spent on the program's operating activities. As at March 31, 2018, FRIAA is committed to fund approved projects with various terms in the following amounts for each program:

	2018	2017
Forest Resource Improvement Program	\$ 11,084,145	\$ 8,527,838
Community Reforestation Program	300,446	284,489
Wildfire Reclamation Program	19,341,957	28,929,233
Mountain Pine Beetle Program	1,332,476	955,111
Mountain Pine Beetle Forest Rehabilitation Program	1,932,852	3,690,173
FRIAA FireSmart Program	6,373,606	6,215,483
	\$40,365,482	\$48,902,327

10. Related-party transactions

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

	2018	2017
Norm Denney	\$ 2,669	\$ 1,834
Cliff Henderson	1,645	8,658
David Kiil	5,065	5,149
Murray Summers	1,481	1,705
Other	1,207	353
	\$12,067	\$17,699

11. 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: This is 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: This 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 fluctuate because of changes in market rates.

12. Comparative figures

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



FRIAA's Members

■ Alberta-Pacific Forest Industries Ltd. ■ ANC Timber Ltd. ■ Askee Development Corporation
■ Blue Ridge Lumber Inc. ■ Boucher Bros. Lumber Ltd. ■ Canadian Forest Products Ltd. ■
Crownsnest 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