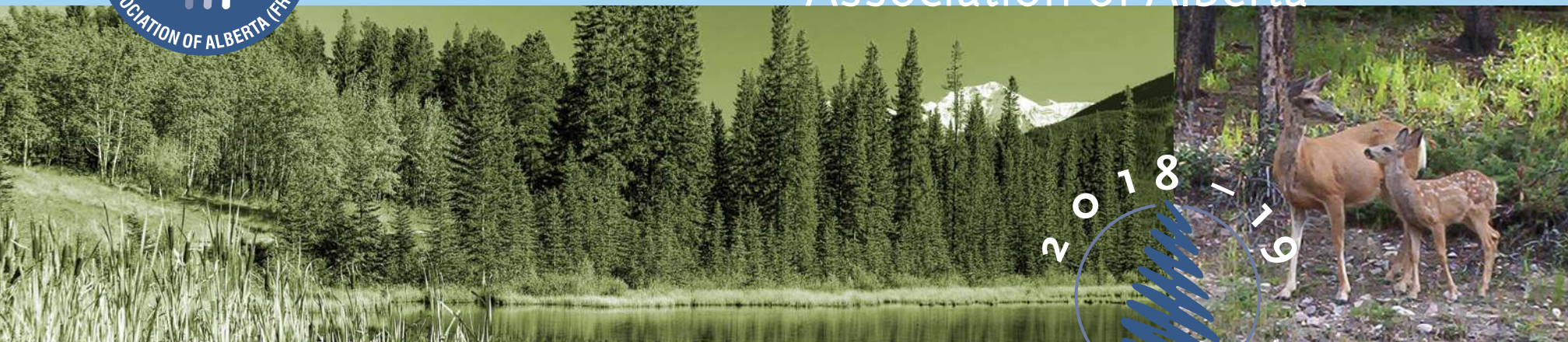




Forest Resource Improvement

Association of Alberta



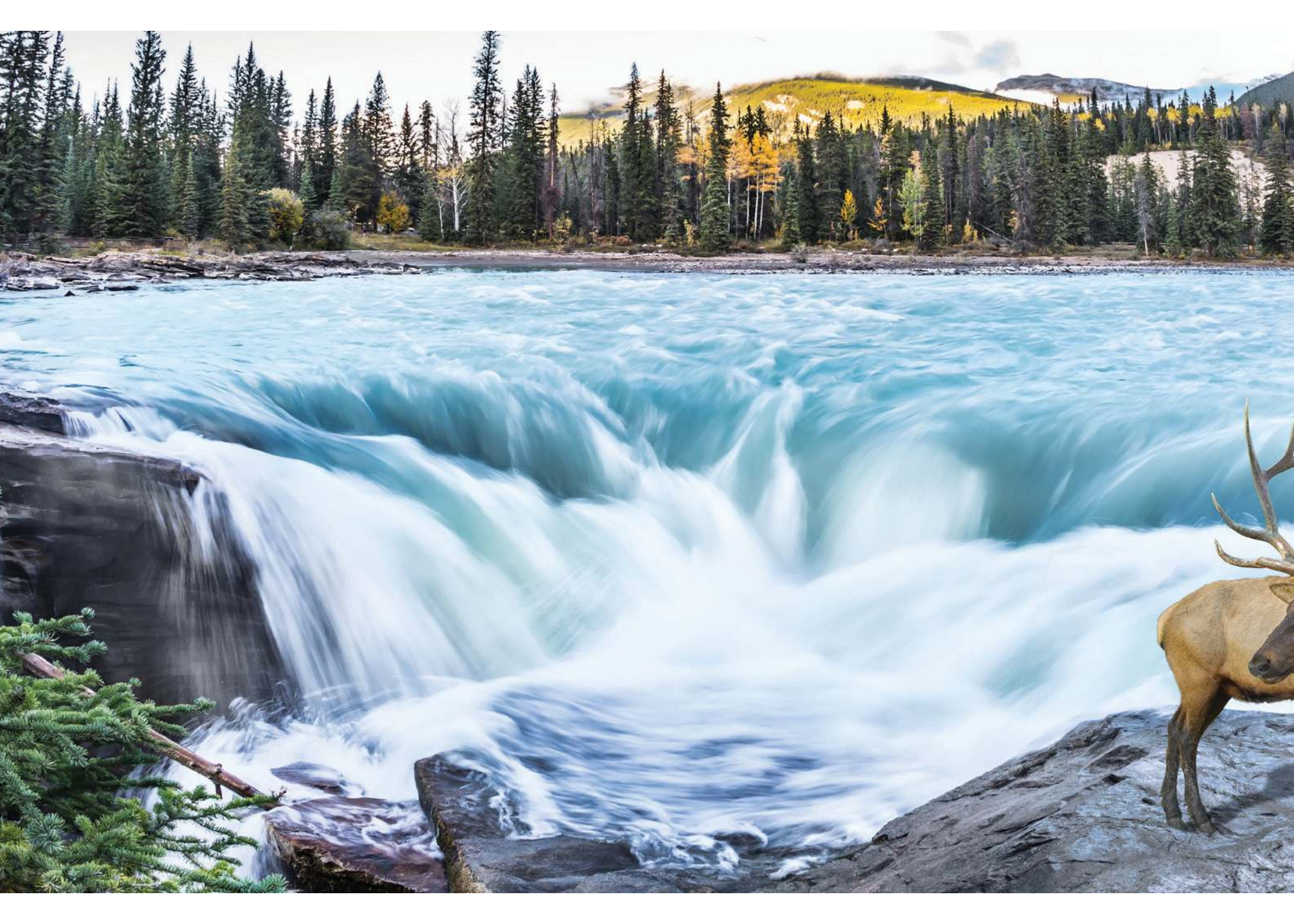




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President's Message



The Forest Resource Improvement Association of Alberta's (FRIAA's) mandate is to enhance Alberta's forest resources for the benefit of Albertans. We take on this responsibility with the utmost honour and privilege. This year we are very pleased that we were able to expand and grow the number of programs we deliver to better achieve these objectives and serve Albertans. We are honoured by the trust extended to us by industry, government, and the forestry community to deliver these programs, and we are proud of the success we have achieved collectively.

The programs delivered under FRIAA's management help sustain and improve a wide range of forest resources and drive improved forest-management practices. Together, we are making strides in improving our understanding of the relationship between human activity and forest resources, and we are proud to work with forward-thinking forestry professionals helping to set new standards of forest management in Alberta.

FRIAA continues to foster collaboration among academia, government, municipalities, communities, and industry in a unique way, improving efficiency and effectiveness of a range of sustainable forest activities. We will continue to support projects that draw on the knowledge, expertise, and experience of these groups to provide benefits to Albertans. Our programs address sustainable forest management challenges, species-at-risk requirements, reforestation needs, wildfire mitigation for communities, wildfire reclamation, insect and disease impacts, and climate-change adaptation strategies.

With \$12.5 million in funding disbursed for worthwhile projects under the Forest Resources Improvement Program (FRIP) over the past year and a further \$23.5 million committed to new projects, it's clear that FRIAA is highly effective at putting dollars to work enhancing Alberta's forest resources. Furthermore, \$5.4 million in funding has been disbursed to communities specifically for FireSmart projects, and a further \$7.3 million has been committed to future FireSmart work. Clearly, FRIAA is instrumental in supporting public safety in communities that are at risk of wildfire. Our other programs are also very effective in directing funds to worthwhile projects that deliver key benefits to Albertans.

We are very grateful for the continued support received this year from all our program stakeholders, industry members, and government colleagues. We will continue to work hard, with you, in order to improve Alberta's forest resources for Albertans everywhere.



Murray Summers, President



Report on Business Plan Objectives

FRIAA is a delegated administrative organization with a mandate to establish and administer programs and initiatives that enhance Alberta's forest resources for the benefit of all Albertans. 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 and
- Reforest public land.

FRIAA's 2018–19 update to the five-year 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 strategic priorities, a number of which were supported by FRIAA's various programs.

The strategic plan's first strategic priority is "diversifying the economy." 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 directly supports a diversified economy. Sustainable and enhanced forest resources support a healthy forest products industry, an expanded tourism and outdoor recreation industry, and other resource-based industries through more efficient integrated planning and management.

FRIAA supports the second strategic priority, "protecting vital public services," as we provide funds for projects, programs, and activities that are highly important to Albertans. These include reforestation, mountain pine beetle control, applied research, public education, wildfire mitigation, and other community-based projects related to healthy, sustainable, and secure forests.

The third strategic priority, "returning to balance," is supported by FRIAA's highly effective and unique delivery model. Using FRIAA as an arm's-length, independent administrative body to deliver key forest resource improvement programs is cost efficient and produces results.

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	1: Alberta's agriculture and forest industries are innovative, diversified and competitive 2: Alberta's effective agri-food and forest assurance systems inspire confidence 3: Alberta's land and natural resources are managed in an environmentally responsible and sustainable manner 4: Alberta has thriving rural communities
AEP	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	1: Responsible land and natural resource management that benefits all Albertans, respects Aboriginal and Treaty rights, and includes Indigenous perspectives

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 innovative, diversified and competitive

Projects that are funded by FRIAA help drive innovation and diversity in relation to the management of Alberta's forest resources, which in turn supports a diverse and competitive economy.

Alberta's effective agri-food and forest assurance systems inspire confidence

FRIAA funds a number of projects that are aimed at advancing and enhancing the state of forest management in Alberta through new technologies that apply a greater understanding of forest ecosystems and integrated resource management. With this advancement in forest management, the Province has the ability to enhance assurance systems aimed at validating sustained yield practices.

Alberta's land and natural resources are managed in an environmentally responsible and sustainable manner

Sustainable and responsible forest management is one of FRIAA's core objectives. FRIAA supports projects and initiatives aimed at improving sustainable management practices 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

Activities related to FRIAA-funded projects create jobs and economic activity in Alberta's rural communities. FRIAA funded over \$30 million in project activities in the past year that primarily take place in rural Alberta. The expenditures contribute directly to full-time employment, in addition to local contracting and business opportunities.

Environment and ecosystem health and integrity

All of FRIAA's programs contribute to ecosystem health by enhancing some aspect of the forest for the public's benefit. In particular, the Mountain Pine Beetle Program (MPBP) and Mountain Pine Beetle Forest Rehabilitation Program (MPBFRP) are forest ecosystem health initiatives that align closely with the Province's Mountain Pine Beetle Strategy.

Sustainable economic diversification

FRIAA's programs help significantly with economic diversification, since funding is largely provided for forestry workers, contractors, and other small businesses to carry out activities and produce results. These include forest industry companies, contractors, consultants, researchers, and other individuals implementing projects of all types and sizes.

Social well-being

Albertans have high regard for our forests and place significant value on a forested environment that enhances societal well-being in a variety of ways. This is exemplified by projects aimed at social aspects of sustaining and enhancing our forests, such as 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

FRIAA's FireSmart program is primarily aimed at protecting the public from the potentially devastating impacts of wildfire. 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.

Responsible land and natural resource management that benefits all Albertans, respects Aboriginal and Treaty rights, and includes Indigenous perspectives

Many of FRIAA's programs directly engage First Nations and Métis communities and positively impact their ability to participate in managing a broad range of forest resources and values that are important to them. A growing number of projects are intended to build these relationships. 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 eight programs for the fiscal year 2018–19.

Forest Resource Improvement Program (FRIP)

FRIP is funded entirely through FRIAA dues remitted by the forest industry. FRIP-funded projects are aimed at enhancing Alberta's forest resources for the benefit of all Albertans. Forest resources can be enhanced in various ways, including through improved sustained yield, enhanced forest management, better integrated resource management, and expanded reforestation. 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. All of these types of projects represent effective tools for government, industry, academics, communities, and contractors to collaborate on work towards a greater purpose.

Since its inception in 1997, FRIAA has contributed over \$228 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 2018–19 totalled \$12.5 million, with an additional \$23.5 million committed to ongoing projects. FRIAA is active in encouraging new project proposals, and both the funding levels and commitment levels are increasing.

Theme	Project payments in 2018/2019	Current projects	Current commitments
Integrated MPB / wildfire management	\$1,750,450	3	\$476,700
Species at risk / wildlife	\$1,572,857	36	\$4,305,678
Indigenous relations	\$699,844	6	\$699,481
Public engagement	\$3,454,214	35	\$6,025,584
Forest productivity	\$5,056,463	77	\$11,945,064
Total	\$12,533,829	157	\$23,452,507

2018–19 FRIP project expenditures were \$12.5 million, the most in 12 years. This amount is expected to continue to increase in the coming years.

Community Reforestation Program (CRP)

CRP provides funds for reforestation of areas harvested under the Community Timber Program or under permits and licences that are required to pay the reforestation levy. 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 CRP is meeting its objectives and contributing to public priorities.

The CRP is a highly efficient and effective approach to ensuring full reforestation of areas harvested by small timber operators and permit-holders throughout Alberta.

Harvested area within CRP program (ha)	CRP reforestation completed (ha)	Active treatment area (ha)
33,686	19,986	13,700

Activities in 2018–19	Area/unit
Site preparation	315 ha
Planting (area)	1,058 ha and 898,265 seedlings
Tending	451 ha
Regeneration surveys	3,411 ha

Wildfire Reclamation Program (WRP)

Since 2006, WRP has supported reforestation and reclamation activities related to previously reforested cutblocks that were damaged or destroyed by wildfires. As of March 31, 2019, 35,912 ha of reforested cutblocks that were damaged or destroyed by wildfires are being retreated and are expected to fully meet provincial standards.

In 2017–18, WRP was renewed for a further 10 years, and FRIAA has been able to continue committing funds 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, 2019, 58 approved WRP projects were active with outstanding commitments of \$16,935,011. Work carried out under this program has been an extraordinary example of how FRIAA allocates funds directly towards resource improvement and long-term sustainability.

WRP helps sustain Alberta's forests in the wake of wildfire.

Activities	2018/2019	Since inception
Site assessments	66 ha	39,180 ha
Site preparation (mechanical/chemical)	1,255 ha	16,033 ha
Planting (area)	5,313 ha	29,902 ha
Purchase of seedlings	6,790,076 seedlings	45,691,347 seedlings
Vegetation control	1,706 ha	9,491 ha
Regeneration surveys	4,715 ha	12,016 ha

Mountain Pine Beetle Program (MPBP)

MPBP was established on April 1, 2007, to support activities aimed at controlling the mountain pine beetle (MPB) infestation spreading throughout Alberta. Funding is provided by the Province and managed by FRIAA. This program has allowed industry to be a valuable partner in the province's critical MPB detection and control efforts. To date, the MPBP has distributed over \$30.4 million to key projects delivered by members and their contractors.

In 2018–19 MPBP was very active as funds were made available for activities related to the control and mitigation of the MPB infestation. Activities included containment baiting, dispersal pheromone, log yard management, surveys, single-tree treatments, and seed collection.

Activities	2018/2019	Since inception
Aerial surveys	–	13,667 km
Ground surveys	–	5,399 ha
Long-distance dispersal monitoring	172 sites	2,305 sites
Containment baiting	213 ha	1,244 ha
Log yard management	1,455 traps	18,712 traps
Dispersal pheromone	6,575 pouches	86,889 pouches
Single-tree control	13,730 trees	75,509 trees
Seed collection and seed orchard expansion	–	15,035 hl
Other eligible activities	1 activity	27 activities

FRIAA provided \$3.3 million in funding towards critical mountain pine beetle control activities.

Mountain Pine Beetle Forest Rehabilitation Program (MPBFRP)

MPBFRP was established in the fall of 2013. Its purpose 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 (MPB). Established target areas are those with the best prospects for successful rehabilitation and where active treatment will enhance ecosystem functionality. In 2018–19, \$8 million in uncommitted funds was transferred from this program to the Enhanced Reforestation of Legacy Disturbances Program.

Since its introduction in 2013, MPBFRP has funded 23 projects, resulting in over \$9.5 million of funds spent on rehabilitating forest stands damaged by MPB infestations. As of March 31, 2019, outstanding commitments to open projects amounted to \$1.6 million.

Activities	2018/2019	Since inception
Applied research	2 projects	6 projects
Cone collection	–	4,536 hl
Growth and yield	2 projects	2 projects
Stand rehabilitation	–	533 ha

FRIAA FireSmart Program

FRIAA's FireSmart program is designed to support the department's priorities related to public safety and community well-being. This program is a vehicle for engaging and supporting Alberta communities in their effort to reduce the threat of wildfire through community-based wildfire prevention, mitigation, and preparedness efforts. Disciplines such as community planning, public education and outreach, municipal development controls, legislation, inter-agency cooperation and cross-training, emergency planning, and vegetation management are eligible for funding. FRIAA FireSmart improves a community's resiliency to wildfire, minimizes potential loss, provides for firefighter safety, and improves suppression capability.

Since inception, FRIAA FireSmart has approved 253 projects that help protect Alberta's people, infrastructure, property, and environment through reducing fire hazard throughout the province. In 2018–19, \$5.4 million in funding was provided to local communities, with another \$7.3 million in commitments. As of March 31, 2019, 70 projects were active and 183 were completed.

FRIAA provided \$5.4 million towards FireSmart projects aimed at protecting vulnerable communities from wildfire—the most since the program's inception.

Activities	Active at March 31, 2019	Completed	Total
Community planning	12	48	60
Public education	17	31	48
Legislation	2	1	3
Inter-agency co-operation and cross-training	4	7	11
Vegetation management	35	95	130
Emergency planning	0	1	1
Total	70	183	253

Activities	Project payments in 2018/2019	Project payments	Outstanding commitments	Completed project details
Community planning	\$180,498	\$2,106,730	\$222,653	331 plans
Public education	\$631,197	\$1,392,332	\$524,912	128 events
Legislation	\$0	\$93,387	\$66,000	1 project
Inter-agency co-operation and cross-training	\$726,536	\$1,051,871	\$96,123	6 projects
Vegetation management	\$3,849,214	\$18,271,297	\$6,382,551	2,463 ha
Emergency planning	\$9,120	\$9,120	\$0	1 plan
Total	\$5,396,565	\$22,924,737	\$7,292,239	

Caribou Habitat Recovery Program (CHRP)

CHRP is a restructured program sponsored by Alberta Environment and Parks, building from and replacing the original Caribou Landscape Restoration Program originally sponsored by Alberta Agriculture and Forestry. This program is intended to support the Province's objectives related to the federal recovery strategies for Boreal and Southern Mountain woodland caribou populations, and Alberta's woodland caribou recovery plan. Eligible activities under the program include inventory, planning, legacy seismic line restoration, and certain activities that directly relate to these.

In 2018–19 the program funded four planning projects and three seismic line restoration projects in the Little Smoky / A La Pêche and Cold Lake caribou ranges. Outcomes include the development of an updated restoration framework for use by the department, consolidation of operational plans in the Little Smoky / A La Pêche ranges, and seismic line restoration in the Cold Lake range.

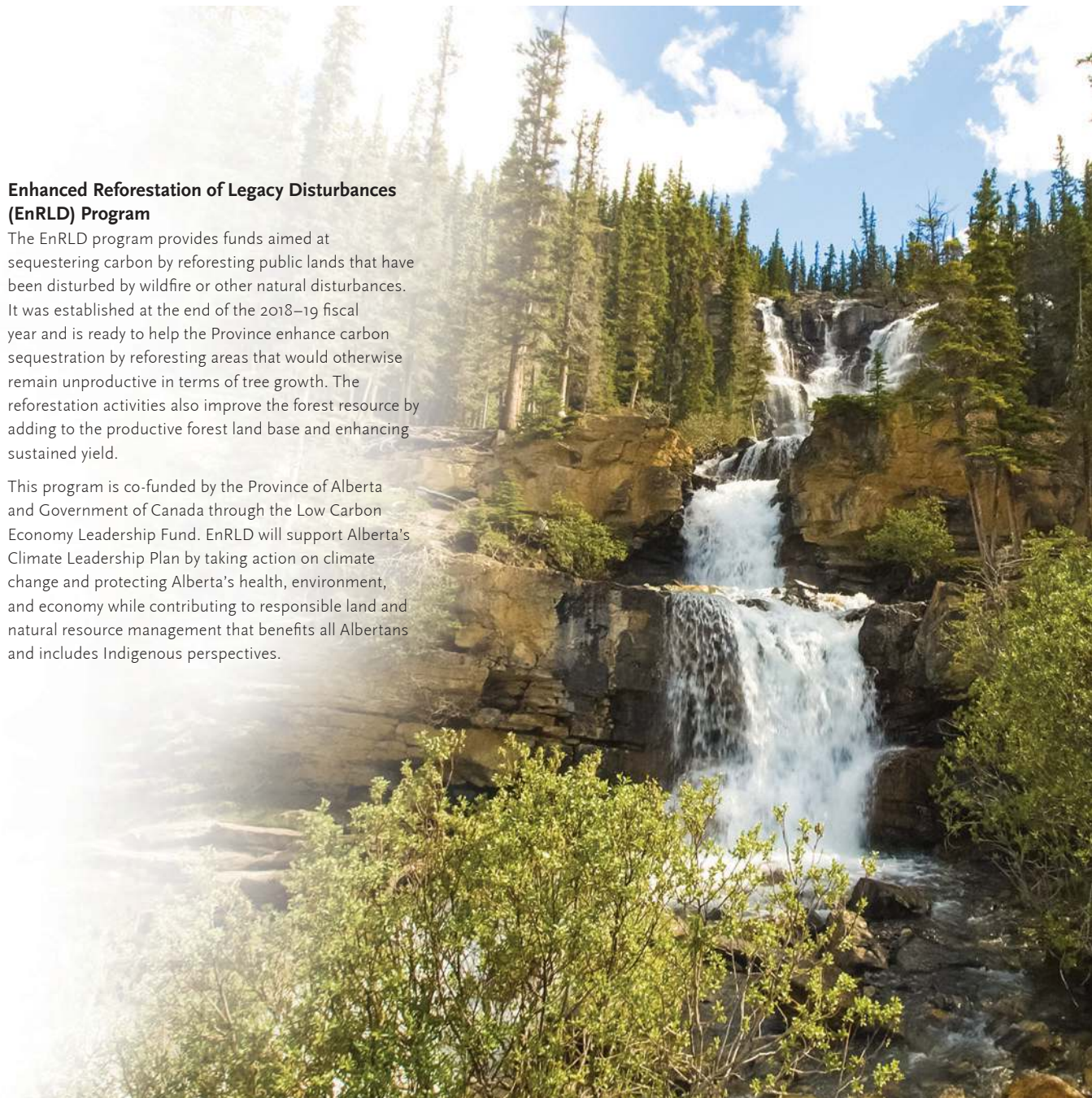
Activities	Active	Completed	Total
Planning	–	4	4
Operational treatments	3	–	3
Total	3	4	7

Activities	Project payments in 2018/19	Outstanding commitments
Planning	\$717,800	\$0
Operational treatments	\$1,379,289	\$4,471,607
Total	\$2,097,089	\$4,471,607

Enhanced Reforestation of Legacy Disturbances (EnRLD) Program

The EnRLD program provides funds aimed at sequestering carbon by reforesting public lands that have been disturbed by wildfire or other natural disturbances. It was established at the end of the 2018–19 fiscal year and is ready to help the Province enhance carbon sequestration by reforesting areas that would otherwise remain unproductive in terms of tree growth. The reforestation activities also improve the forest resource by adding to the productive forest land base and enhancing sustained yield.

This program is co-funded by the Province of Alberta and Government of Canada through the Low Carbon Economy Leadership Fund. EnRLD will support Alberta's Climate Leadership Plan by taking action on climate change and protecting Alberta's health, environment, and economy while contributing to responsible land and natural resource management that benefits all Albertans and includes Indigenous perspectives.



Status of Legislative, Governance, and Policy Requirements

The following tables outline the status of FRIAA's legislative, governance, and policy requirements for fiscal 2018–19.

Legislative requirement	Action required by FRIAA	Status
Business plan	Provide a three-year business plan (including goals) to the Minister annually.	Completed – Submitted February 26, 2019
Annual report	Provide an annual report summarizing activities and financial statements to the Minister of AAF.	Completed – Submitted June 22, 2018
Freedom of Information and Protection of Privacy (FOIP) Act requests	Adhere to <i>FOIP Act</i> regulations.	One <i>FOIP Act</i> referral received from AAF in 2018–19
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 28, 2018
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 2018–19
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 2018–19

Governance requirement	Action required by FRIAA	Status
Bylaws review	Ensure annual board review of FRIAA's bylaws.	Reviewed on April 12, 2018
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.	MOU reviewed with the Minister on 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 25, 2018) • Audit committee met April 12 and May 24, 2018, in accordance with policy, and reported to board accordingly • Audit for 2018–19 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 policy
Appeal policy	<ul style="list-style-type: none"> • Approved January 19, 1998, as amended • No appeals under policy initiated in 2018–19
Fund management policy	<ul style="list-style-type: none"> • Fund management committee established November 17, 1997 • Membership reviewed annually (October 25, 2018) • Fund management committee met June 21 and December 3, 2018, and reported to 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 committee and board in compliance with policy and investment statement
Public-at-large director selection protocol	<ul style="list-style-type: none"> • Policy reviewed and confirmed October 2000 • Reviewed December 3, 2018
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 2018–19
Annual business plan review process	<ul style="list-style-type: none"> • In compliance in 2018–19



FRIAA Governance

FRIAA is an association under the *Societies Act of Alberta* with delegated responsibilities and authorities under the *Environmental Protection and Enhancement Act*. FRIAA is accountable to its members and 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: Richard Briand
- Treasurer: David Wall
- Directors: David Kiil
Cliff Henderson
Bruce Mayer

FRIAA's board establishes standing committees to assist with details related to financial audits and fund management. These two committees report directly to the board against desired committee outcomes, relevant policies, and mandates.

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 conducting 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 (retired and replaced by Cliff Henderson)

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 the following FRIAA directors:

- David Wall
- Cliff Henderson
- David Kiil (retired and replaced by Norman Denney)

In addition to FRIAA's standing committees, FRIAA also uses committees or review panels with the following mandates.

Forest Resource Improvement Program Project Appeals Panel

If needed, an appeals panel can be established to hear appeals initiated by the membership. Members of the panel are selected case by case to suit 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 2018–19, no appeals panel was formed during that fiscal year.

Mountain Pine Beetle Program Evaluation Panel

The MPBP evaluation panel reviews and evaluates projects submitted under the MPBP and make recommendations on funding. Members of this panel are selected from FRIAA's board of directors, Alberta Agriculture and Forestry (AAF), and the public at large. Panel members in 2018–19 included:

- Norman Denney, FRIAA director
- Mike Undershultz, AAF representative
- Jim McCammon, public member

Caribou Habitat Recovery Program Review Panel

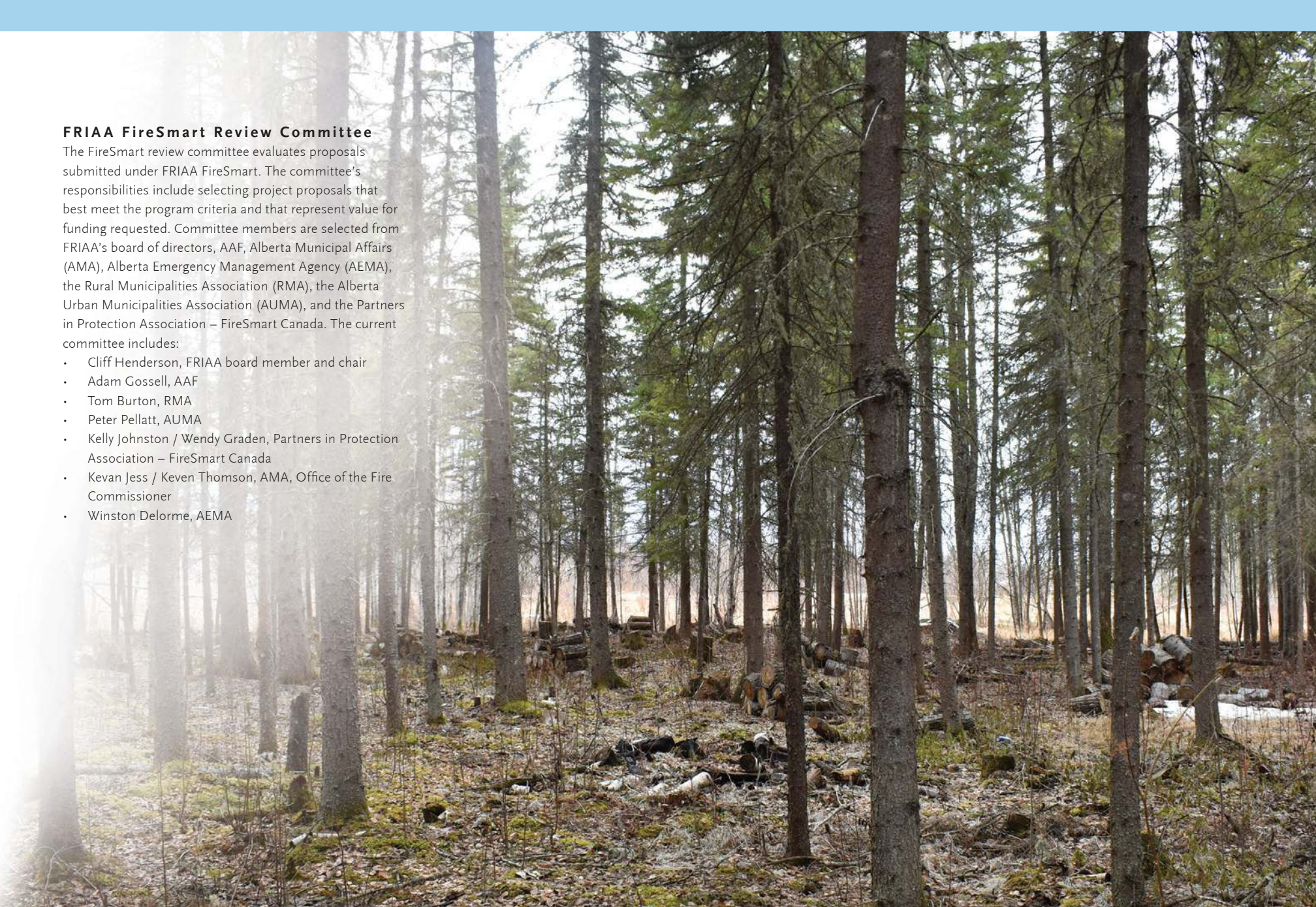
The CHRP review panel reviews and evaluates proposals submitted under CHRP. Their responsibilities include selecting project proposals that best meet the criteria outlined in requests for proposals and that represent value for funding requested. The members of the panel are selected from FRIAA's board of directors, the energy industry, the forestry industry, and Alberta Environment and Parks (AEP) and includes one caribou-habitat subject matter expert. A panel was struck twice and included:

- Norm Denney, FRIAA board member and chair (both panels)
- Cynthia Chand, AEP (both panels)
- Ryder McRitchie, Jupiter Resources Inc. (both panels)
- Laura Finnegan, fRI Research (first panel)
- Tim Gauthier, Tolko Industries Ltd. (first panel)
- Matthew Pyper, FUSE Consulting Ltd. (second panel)
- Laura Trout, West Fraser Timber Co. Ltd. (second panel)

FRIAA FireSmart Review Committee

The FireSmart review committee evaluates proposals submitted under FRIAA FireSmart. The committee's responsibilities include selecting project proposals that best meet the program criteria and that represent value for funding requested. Committee members are selected from FRIAA's board of directors, AAF, Alberta Municipal Affairs (AMA), Alberta Emergency Management Agency (AEMA), the Rural Municipalities Association (RMA), the Alberta Urban Municipalities Association (AUMA), and the Partners in Protection Association – FireSmart Canada. The current committee includes:

- Cliff Henderson, FRIAA board member and chair
- Adam Gossell, AAF
- Tom Burton, RMA
- Peter Pellatt, AUMA
- Kelly Johnston / Wendy Graden, Partners in Protection Association – FireSmart Canada
- Kevan Jess / Keven Thomson, AMA, Office of the Fire Commissioner
- Winston Delorme, AEMA



Financial Highlights

FRIAA's financial statements provide an overview of the funds and resources used to deliver its programs and initiatives. Notable financial aspects in 2018–19 include the following:

- FRIP collected \$49 million in FRIAA dues, significantly more than in previous years, as FRIAA dues vary according to the North American price for lumber.
- Project expenditures in FRIP were \$12.5 million, the most in 12 years. This amount relates to project contract commitments made in the past and is expected to continue to increase in the coming years. All FRIP funds are allocated to support projects that enhance forest resources of Alberta.
- CRP collected reforestation levies of \$1.9 million and, with investment income on the CRP fund, revenue totalled \$2.4 million, all of which is committed to outstanding reforestation work over the next 14 years. Program expenditures were \$2.5 million, reflecting operational decisions to concentrate certain silvicultural contract work to achieve economies of scale.
- The MPBP had project expenditures of \$3.3 million for MPB mitigation and control activities carried out by the forest industry and stakeholders. This reflects growing levels of activity related to MPB spread in the West Yellowhead area of Alberta.
- FRIAA FireSmart had project expenditures of \$5.4 million towards projects aimed at protecting vulnerable communities from wildfire. There is \$7.3 million in outstanding commitments for active projects.
- The administration to total spending ratio was 7.4%.

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 and fund management committees 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 current 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**

Opinion

We have audited the financial statements of Forest Resource Improvement Association of Alberta (the "Association"), which comprise the statement of financial position as at March 31, 2019, and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises:

- The information, other than the financial statements and our auditor's report thereon, in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The annual report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations,

or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Grant Thornton LLP
Chartered Professional Accountants
Edmonton, Canada
May 23, 2019

Financial Statements and Notes

Statement of Financial Position

	March 31, 2019	March 31, 2018
Assets		
Current assets:		
Cash	\$ 10,179,253	\$ 15,803,755
Accounts receivable and accrued interest receivable	1,497,294	4,851,899
Investments (Note 2)	10,852,022	7,077,436
Prepaid expenses and deposits	281,192	132,637
	22,809,761	27,865,727
Restricted cash	65,309,090	49,142,430
Investments (Note 2)	91,302,086	47,984,556
	\$ 179,420,937	\$ 124,992,713

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,837,694	\$ 599,262
Net assets:		
Forest Resource Improvement Program	98,838,899	60,127,433
Wildfire Reclamation Program (Note 3)	23,138,786	25,458,504
Community Reforestation Program (Note 4)	12,286,069	12,446,760
Mountain Pine Beetle Program (Note 5)	3,169,561	4,644,658
Mountain Pine Beetle Forest Rehabilitation Program (Note 6)	1,707,405	10,095,276
FRIAA FireSmart Program (Note 7)	15,824,241	11,620,820
Caribou Habitat Recovery Program (Note 8)	9,848,404	—
Enhanced Reforestation of Legacy Disturbance Program (Note 9)	9,769,878	—
	174,583,243	124,393,451
	\$ 179,420,937	\$ 124,992,713

Commitments (Note 10)

See accompanying notes to financial statements.

On behalf of the board:


Murray Summers
Director


David Wall
Director

Statement of Revenue and Expenditures

Year ended March 31

	Program									
	Forest Resource Improvement	Community Reforestation	Wildfire Reclamation	Mountain Pine Beetle	Mountain Pine Beetle Forest Rehabilitation	FRIAA FireSmart	Caribou Habitat Recovery	Enhanced Reforestation of Legacy Disturbances	2019 total	2018 total
		(Note 4)	(Note 3)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)		
Revenue:										
FRIAA dues	\$ 49,040,343	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 49,040,343	\$ 32,929,282
Grants	–	–	1,766,102	2,000,000	–	10,000,000	12,300,000	–	26,066,102	8,000,000
Fund transfer between programs	–	–	(1,746,000)	–	(8,000,000)	–	–	9,746,000	–	–
Other income	–	–	–	–	–	–	–	–	–	225,952
Reforestation levies	–	1,893,908	–	–	–	–	–	–	1,893,908	2,682,523
Total income	49,040,343	1,893,908	20,102	2,000,000	(8,000,000)	10,000,000	12,300,000	9,746,000	77,000,353	43,421,379
Expense:										
Accounting	70,465	105,956	27,987	18,756	18,530	44,114	26,786	–	312,594	286,301
Communication	36,062	28,227	12,632	16,268	7,422	33,070	17,406	–	151,087	212,338
Directors' expenses	1,581	1,581	1,581	1,581	1,054	1,581	1,581	–	10,540	11,226
Directors' honoraria	1,754	1,754	1,755	1,754	1,170	1,754	1,754	–	11,695	10,860
Field review	51,109	28,664	8,861	1,248	5,801	62,241	17,204	–	175,128	203,361
Financial audit	5,146	5,146	6,108	4,966	3,491	4,966	4,425	–	34,248	34,593
Insurance	1,059	1,059	1,028	1,028	716	1,028	935	–	6,853	6,828
Management support	138,317	161,988	80,807	104,898	150,825	159,416	248,238	398	1,044,887	1,000,853
Project audits	–	–	4,568	–	–	–	–	–	4,568	7,088
Office and miscellaneous	27,808	1,792	3,206	361	177	12,729	2,848	380	49,301	33,515
Professional fees	101,063	121,008	59,829	59,829	39,018	59,829	62,433	–	503,009	494,676
Project expenditures	12,533,829	1,870,319	2,577,205	3,303,282	300,380	5,396,565	2,097,089	–	28,078,669	25,049,436
Project operations and monitoring	107,111	109,125	26,749	18,934	26,229	118,059	24,132	–	430,339	439,515
Project review and approval	232,271	80,147	7,385	15,430	5,146	204,151	90,245	3,565	638,340	468,571
Total expense	13,307,575	2,516,766	2,819,701	3,548,335	559,959	6,099,503	2,595,076	4,343	31,451,258	28,259,161
	35,732,768	(622,858)	(2,799,599)	(1,548,335)	(8,559,959)	3,900,497	9,704,924	9,741,657	45,549,095	15,162,218
Other income (expense):										
Dividends	2,337,112	92,031	–	–	–	–	–	–	2,429,143	394,482
Interest	152,801	308,417	473,763	67,616	165,720	286,204	131,788	28,212	1,614,521	1,494,484
Market valuation recorded	770,578	45,897	–	–	–	–	–	–	816,475	(253,839)
GST rebates	25,285	15,822	6,118	5,622	6,368	16,720	11,692	9	87,636	73,198
Investment management fees	(307,078)	–	–	–	–	–	–	–	(307,078)	(148,991)
Net other income	2,978,698	462,167	479,881	73,238	172,088	302,924	143,480	28,221	4,640,697	1,559,334
Excess (deficiency) of revenue over expenditures	\$ 38,711,466	\$ (160,691)	\$ (2,319,718)	\$ (1,475,097)	\$ (8,387,871)	\$ 4,203,421	\$ 9,848,404	\$ 9,769,878	\$ 50,189,792	\$ 16,721,552

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31

	Program								
	Forest Resource Improvement	Community Reforestation	Wildfire Reclamation	Mountain Pine Beetle	Mountain Pine Beetle Forest Rehabilitation	FRIAA FireSmart	Caribou Habitat Recovery	Enhanced Reforestation of Legacy Disturbances	2019 total
		(Note 4)	(Note 3)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)	
Net assets, beginning of year	\$ 60,127,433	\$ 12,446,758	\$ 25,458,504	\$ 4,644,658	\$ 10,095,276	\$ 11,620,820	\$ –	\$ –	\$ 124,393,449
Excess (deficiency) of revenue over expenditures	38,711,466	(160,691)	(2,319,718)	(1,475,097)	(8,387,871)	4,203,421	9,848,404	9,769,878	50,189,792
Net assets, end of year	\$ 98,838,899	\$ 12,286,069	\$ 23,138,786	\$ 3,169,561	\$ 1,707,405	\$ 15,824,241	\$ 9,848,404	\$ 9,769,878	\$ 174,583,243

See accompanying notes to financial statements.



Statement of Cash Flows

Year ended March 31

	2019	2018
Increase (decrease) in cash and cash equivalents		
Operations:		
(Deficiency) excess of revenue over expenditures	\$ 50,189,792	\$ 16,721,552
Non-cash items		
Gain (loss) on fair value of investments	816,475	253,839
		16,975,391
Change in non-cash operating working capital		
Accounts receivable and accrued interest receivable	3,354,605	8,341,541
Prepaid expenses and deposits	(148,555)	81,666
Accounts payable and accrued liabilities	4,238,432	(4,570,137)
	56,817,799	20,828,461
Investing:		
Changes in restricted cash	(16,166,660)	6,896,625
Purchase of investments	(54,648,351)	(41,253,399)
Proceeds on sale and redemption of investments	8,372,710	25,110,170
Net (decrease) increase in cash and cash equivalents	(5,624,502)	11,581,857
Cash and cash equivalents		
Beginning of year	15,803,755	4,221,898
End of year	\$ 10,179,253	\$ 15,803,755

See accompanying notes to financial statements.

Notes to the Financial Statements

Year ended March 31, 2019

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 FRIP dues to fund the Forest Resource Improvement Program, which is aimed at these objectives.

Per agreement 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	Note 3
2000	Community Reforestation	Note 4
2005	Incidental Conifer *	–
2007	Mountain Pine Beetle	Note 5
2009	Fire Hazard Reduction and Forest Health **	–
2009	Forestry Workers Employment **	–
2013	Mountain Pine Beetle Forest Rehabilitation	Note 6
2014	FRIAA FireSmart	Note 7
2015	Caribou Landscape Restoration ***	–
2018	Caribou Habitat Recovery	Note 8
2019	Enhanced Reforestation of Legacy Disturbance	Note 9

* 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.

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

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 Habitat Recovery, and Enhanced Reforestation of Legacy Disturbances.

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 fair value of investments at March 31, 2019, is \$102,154,108 (2018: \$55,061,992).

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 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 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.

FRIAA entered into a new grant agreement with the Province effective April 1, 2017, to address wildfires occurring in 2017 and forward. The grants will be assessed based on the cost for reforestation of the burned cutblock. In 2019, \$1,766,102 in grants was received (2018: nil).

At the direction of the Minister of Agriculture and Forestry, \$1,746,000 of uncommitted funds was transferred from the Wildfire Reclamation Program to the Enhanced Reforestation of Legacy Disturbances Program to support the new initiative.

Restricted cash includes funds of \$23,160,645 (2018: \$25,497,345) 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 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*. No levies were received during the year.
- 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. \$1,893,908 in levies was received during the year (2018: \$2,266,145).

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

5. Mountain Pine Beetle Program (MPBP)

The MPBP 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 pin 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 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 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 MPBP was extended to 2019, and the \$2,000,000 grant for 2013 was received during the year. An annual grant of \$4,000,000 was received during 2014. An additional grant of \$2,000,000 was provided during 2015. The annual grant received in 2016 totalled \$2,000,000. Annual grants of \$2,000,000 and \$1,000,000 were received in 2018. A grant of \$2,000,000 was received in 2019.

Restricted cash includes \$4,072,407 (2018: \$1,669,117), which is restricted for use on the MPBP and held in a separate bank account.

6. Mountain Pine Beetle Forest Rehabilitation Program (MPBFRP)

The MPBFRP 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 the forestry sector and other operators 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 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 MPBFRP 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.

At the direction of the Minister of Agriculture and Forestry, \$8,000,000 of uncommitted funds was transferred from the MPBFRP to the Enhanced Reforestation of Legacy Disturbances Program to support the new initiative.

Restricted cash includes \$1,726,673 (2018: \$10,112,542), which is restricted for use on the MPBFRP 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 grant of \$5,000,000 was received. There were three amendments in 2019 with receipts of \$2,500,000, \$6,500,000, and \$1,000,000.

Restricted cash includes \$16,034,451 (2018: \$11,862,335), which is restricted for use in the FRIAA FireSmart Program and held in a separate bank account.

8. Caribou Habitat Recovery Program (CHRP)

The CHRP was established in 2018 to support Alberta Environment and Parks' efforts in supporting the Government of Canada's Recovery Strategy for the Woodland Caribou Boreal Population and the Recovery Strategy for the Woodland Caribou, Southern Mountain Population, by providing funds for eligible activities. Eligible activities that may be funded through projects include operational planning for caribou landscape restoration activities, caribou habitat restoration, monitoring, evaluation and reporting on caribou habitat conditions, and other activities, such as access management planning and traditional knowledge collection.

The program's overall purpose is to support efforts to sustain and improve caribou habitat in a manner that supports healthy and self-sustaining caribou populations. The purpose of the program is to support the Recovery Strategy by providing funds for eligible activities that:

- Assist the Department with projects that contribute to the scientific and technical understanding of caribou landscape restoration strategies and activities;
- Provide financial and logistical oversight of funding for planning work required to guide operational landscape restoration work for caribou habitat; or
- Provide financial and logistical oversight of funding for operational landscape restoration work for caribou habitat as supported by the Government of Alberta and industry.

Under the agreement, \$12,300,000 was be granted to FRIAA for the program in 2019. Restricted cash includes \$11,808,280 (2018: nil), which is restricted for use on the CHRP and held in a separate bank account.

9. Enhanced Reforestation of Legacy Disturbance Program (EnRLD)

The object of EnRLD is to support the Department by reforesting eligible disturbed areas by applying the provincial grant and Low Carbon Economy Fund money to projects that undertake eligible activities to rehabilitate damaged forests, enhance carbon sequestration to mitigate climate change, and maintain and enhance the forest resource.

The term of this agreement shall be from April 1, 2018, to March 31, 2022, unless otherwise extended or renewed or terminated in accordance with the terms hereof (the "term").

At the direction of the Minister of Agriculture and Forestry, \$1,746,000 of uncommitted funds was transferred from the Wildfire Reclamation Program and \$8,000,000 of uncommitted funds was transferred from the Mountain Pine Beetle Forest Rehabilitation Program.

Restricted cash includes \$9,755,605.80 (2018: nil), which is restricted for use on the EnRLD 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, 2019, FRIAA is committed to fund-approved projects with various terms in the following amounts for each program:

	2019	2018
Forest Resource Improvement	\$ 23,452,507	\$ 11,084,145
Community Reforestation	88,297	300,446
Wildfire Reclamation	16,935,011	19,341,957
Mountain Pine Beetle	378,549	1,332,476
Mountain Pine Beetle Forest Rehabilitation	1,632,536	1,932,852
FRIAA FireSmart	7,292,239	6,373,606
Caribou Habitat Recovery	4,471,607	—
	\$54,250,746	\$40,365,482

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:

	2019	2018
Norm Denney	\$ 5,161	\$ 2,669
Cliff Henderson	2,092	1,645
David Kiil	2,962	5,065
Murray Summers	1,480	1,481
Other	—	1,207
	\$11,695	\$12,067

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.

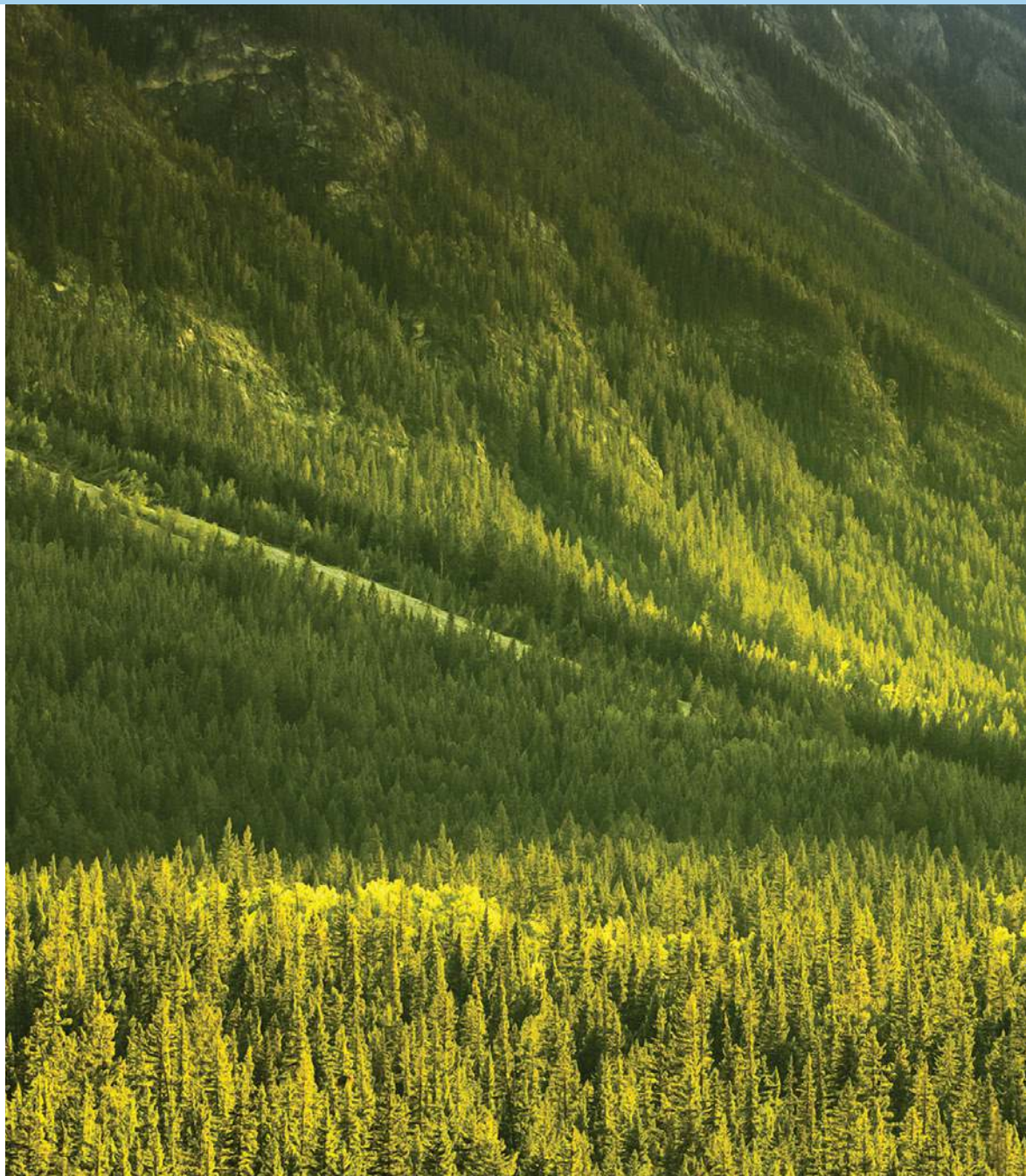
Fair value: The estimated fair value of cash, accounts receivable and accrued interest receivable, accounts payable and accrued liabilities approximates their carrying value due to the relatively short-term nature of these instruments. The estimated fair value of investments is determined using quoted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

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. ■ Crowsnest Forest Products Ltd. ■ Mercer Peace River Pulp Ltd. (formerly 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. ■ 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.







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