



Forest Resource Improvement

Association of Alberta

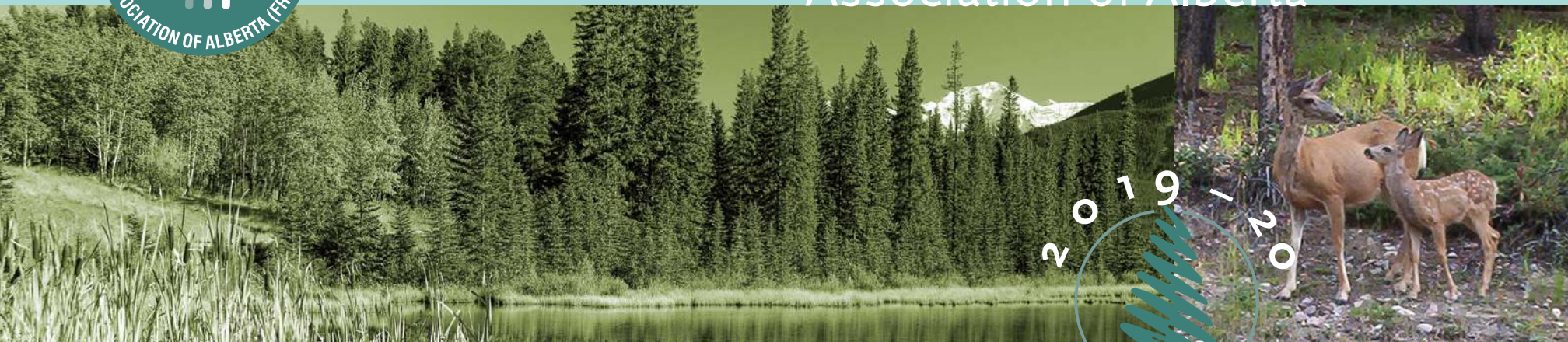






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President's Message



Over the 2019/2020 year, the Forest Resource Improvement Association of Alberta (FRIAA) has proven its value to Albertans. Committed to enhancing Alberta's forest resources for the benefit of Albertans, FRIAA has delivered programs and initiatives ranging from reforestation and enhanced silviculture to community safety and caribou habitat recovery. We consider the responsibility to serve Albertans and improve our forests a great privilege and we are pleased to be able to help bring government, industry, academia, contractors, and communities together to pursue these common goals.

This year we are very pleased that we could provide funding to Albertans under eight separate programs that all help sustain and improve a wide range of forest resources and that drive improved forest-management practices. FRIAA's programs have been reviewed by government and have earned their continuing support. Industry has been active in promoting or delivering projects under the various programs, and forest-based communities have been increasingly involved. Together we are making significant progress in developing a deeper understanding of forests and forest management and we are making our forests healthier and richer environments.

FRIAA has disbursed a record amount of funds in a number of areas. Over \$13.7 million in funding has been disbursed for worthwhile projects under the Forest Resource Improvement Program (FRIP) over the past year, and a further \$35.4 million is committed to new projects. Over \$7.2 million in funding has been disbursed to communities

specifically for FireSmart projects, and a further \$6.8 million has been committed to future FireSmart work. In addition, we have committed significant funds to projects under the Caribou Habitat Recovery Program, Enhanced Reforestation of Legacy Disturbances Program, and other programs aimed at reforestation and mountain pine beetle mitigation. Clearly, FRIAA is effective at putting dollars to work in our forests in a way that is inclusive and results driven.

In the coming year, we look forward to significant increases in the amount of work under the FRIP, FireSmart, Caribou, and Mountain Pine Beetle Programs. We are very grateful for the continued support received this year from all of 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 in relation to the enhancement of forest resources of Alberta in accordance with the *Forest Resources Improvement Regulation* under the *Environmental Protection and Enhancement Act* and the *Forests Act* (Alberta Regulation 152/1997).

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

- Enhance the forest resources of Alberta
- Promote enhanced management of the forest resources of Alberta
- Improve the sustained yield of the forest resources of Alberta
- Promote integrated resource management and
- Reforest public land using reforestation levies collected by FRIAA or cash and securities transferred to FRIAA.

FRIAA supports the government's priorities as described in the 2019–23 Strategic Plan.

FRIAA's 2019–20 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 "Getting Alberta back to work." 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 jobs through 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, "Making life better for Albertans," as we provide funds for projects, programs, and activities that are 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, "Standing up for Alberta," 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 business 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	<ol style="list-style-type: none"> 1. Growth and sustainability of Alberta's agriculture and forest sectors 2. Public health and safety 3. Responsible resource management 4. Thriving rural communities
AEP	<ol style="list-style-type: none"> 1. Environment and ecosystem health and integrity 2. Sustainable economic development 3. Public well-being 4. Public health and safety from environmental conditions and events
AIR	<ol style="list-style-type: none"> 1. Improved economic security and prosperity of Indigenous Peoples in Alberta 2. Improved Government of Alberta policies and direction that strengthen Indigenous communities and promote Alberta's interests

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.

Growth and sustainability of Alberta's agriculture and forest sectors

Projects that are funded by FRIAA assist in developing and implementing relevant science and innovation as well as diversity in relation to the management of Alberta's forest resources, which in turn supports a diverse and competitive economy.

Public health and safety

FRIAA supports projects that are dedicated to the prevention and mitigation of wildfire as well as recovery efforts aimed at addressing the associated social, environmental, and economic impacts and promotes healthy ecosystems.

Responsible resource management

Sustainable and responsible resource 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.

Thriving rural communities

Activities related to FRIAA-funded projects create jobs and economic activity in Alberta's rural communities. FRIAA funded approximately \$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 environment and ecosystem health and integrity 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 sustainable 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, academia, and other individuals implementing projects of all types and sizes.

Public 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 educational and recreational experiences, public awareness and outreach, community engagement on forestry and FireSmart issues, jobs and contracting opportunities, and support for various public uses of our forests.

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.

Improved Government of Alberta policies and direction that strengthen Indigenous communities and promote Alberta's interests

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 2019–20.

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 and must benefit at least one forest resource. FRIP 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 \$246 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 2019–20 totalled \$13.7 million, with an additional \$35.4 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 2019/2020	Active projects	Current commitments
Integrated MPB / wildfire management	\$658,405	6	\$230,452
Species at risk / wildlife	\$1,159,375	24	\$9,422,420
Indigenous relations	\$1,151,107	8	\$2,598,363
Public engagement	\$3,595,781	52	\$6,925,557
Forest productivity	\$7,160,060	85	\$16,256,506
Total	\$13,724,729	175	\$35,433,298

Project expenditures in FRIP were \$13.7 million, the most in 13 years. This amount relates to project commitments made in the past and 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 35,054 hectares (ha) of cutblocks harvested since May 1, 2000. These results clearly demonstrate that CRP is meeting its reforestation objectives, sustaining yields, 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)
35,054	21,889	13,165

Activities in 2019–20	Area/unit
Site preparation	233 ha
Planting (area)	1,071 ha and 1,453,540 seedlings
Tending	751 ha
Regeneration surveys	2,899 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, 2020, 35,786 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. As of March 31, 2020, an additional 780 ha of reforested cutblocks that were damaged or destroyed by wildfires are being treated. The program requires that participants carry out silvicultural treatments to meet provincial standards.

As of March 31, 2020, 63 approved WRP projects were active with outstanding commitments of \$15,353,684. Funding of \$25 million for the 2019 wildfires was received late in fiscal 2019/20 to enable an additional 11,683 hectares to be treated. Agreements for this work are currently being developed to commit these funds to projects. Work carried out under this program is an extraordinary example of how FRIAA allocates funds directly towards resource improvement and long-term sustainability.

Activities	2019/2020	Since inception
Site assessments	-	39,055 ha
Site preparation (mechanical/chemical)	6 ha	16,019 ha
Planting (area)	2,496 ha	32,031 ha
Purchase of seedlings	3,075,635 seedlings	48,403,595 seedlings
Vegetation control	434 ha	9,906 ha
Regeneration surveys	6,300 ha	18,315 ha

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

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.

Since its introduction in 2013, MPBFRP has funded 23 projects, resulting in over \$12.5 million of targeted funds committed to rehabilitating forest stands damaged by MPB infestations. As of March 31, 2020, outstanding commitments to open projects amounted to \$1.9 million.

Activities	Since inception
Applied research	6 projects
Cone collection	4,536 hl
Growth and yield	2 projects
Stand rehabilitation	533 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 \$32.4 million to key projects delivered by members and their contractors.

In 2019–20 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	2019/2020	Since inception
Aerial surveys	-	13,667 km
Ground surveys	16 ha	5,415 ha
Long-distance dispersal monitoring	61 sites	2,366 sites
Containment baiting	-	1,244 ha
Log yard management	2,088 traps	20,800 traps
Dispersal pheromone	9,934 pouches	96,823 pouches
Single-tree control	33,685 trees	109,194 trees
Seed collection and seed orchard expansion	-	15,035 hl
Other eligible activities	1 activity	28 activities

FRIAA provided \$2.0 million in funding towards critical mountain pine beetle control activities.

FRIAA FireSmart Program (FFP)

FFP 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. FFP improves a community's resiliency to wildfire, minimizes potential loss, provides for firefighter safety, and improves suppression capability.

Since inception, FFP has approved 316 projects that help protect Alberta's people, infrastructure, property, and environment through reducing fire hazard throughout the province. In 2019–20, \$7.2 million in funding was provided to local communities, with another \$6.9 in commitments. As of March 31, 2020, 76 projects were active and 240 were completed.

FRIAA provided \$7.2 million towards FireSmart projects aimed at protecting vulnerable communities from wildfire—the most since the program's inception.

Activities	Active at March 31, 2020	Completed	Total
Community planning	14	60	74
Public education	17	43	60
Legislation	2	1	3
Inter-agency cooperation and cross-training	3	8	11
Vegetation management	40	127	167
Emergency planning	0	1	1
Total	76	240	316

Activities	Project payments in 2019/2020	Project payments since inception	Outstanding commitments	Completed project details
Community planning	\$277,288	\$2,400,518	\$312,105	360 plans
Public education	\$319,296	\$1,673,831	\$467,801	148 events
Legislation	\$15,000	\$108,387	\$51,000	1 project
Inter-agency co-operation and cross-training	\$297,310	\$1,370,478	\$220,054	9 events
Vegetation management	\$6,380,879	\$24,652,175	\$5,827,868	3,463 ha
Emergency planning	\$0	\$9,120	\$0	1 plan
Total	\$7,289,773	\$30,214,510	\$6,878,827	



Caribou Habitat Recovery Program (CHRP)

CHRP is a program sponsored by Alberta Environment and Parks. It 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 2019–20 the program funded a legacy seismic line inventory project in the Bistcho caribou range, a seismic line restoration project in the A La Peche caribou range, and 12 projects to collect traditional land use (access) information. Outcomes include ongoing seismic line restoration in the Cold Lake and A La Peche ranges, capture of new aerial imagery for the Bistcho range, and the completion of one traditional land use (TLU) project.

Activities	Active	Completed	Total
Planning – operations	0	4	4
Planning – TLU	11	1	12
Operational treatments	4	0	4
Inventory	1	0	1
Total	16	5	21

Activities	Project payments	Outstanding commitments	Completed project details
Planning – operations	\$751,495	\$0	4 plans
Planning – TLU	\$40,000	\$432,634	1 project
Operational treatments	\$3,063,527	\$2,753,364	458 km
Operational treatments	\$366,251	\$558,201	179,180 seedlings
Inventory	\$333,120	\$556,000	0 projects
Total	\$4,554,393	\$4,300,199	

Enhanced Reforestation of Legacy Disturbances (EnRLD) Program

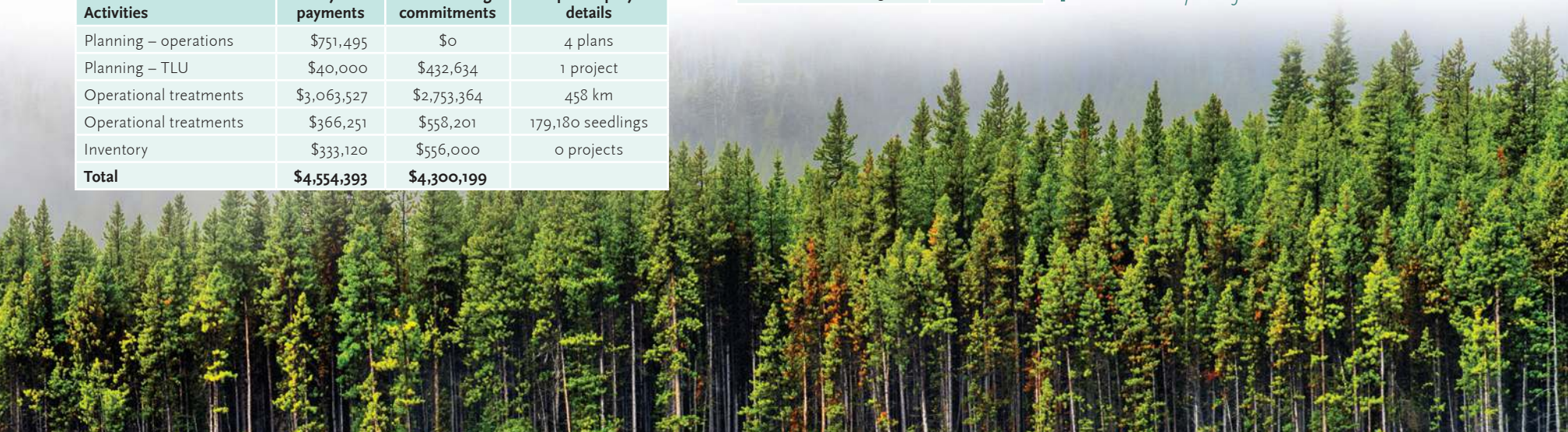
The EnRLD program provides funds aimed at sequestering carbon by reforesting public lands that have been disturbed by wildfire or other natural disturbances. It was established at the end of the 2019–20 fiscal year and is ready to help the Province enhance carbon sequestration by reforesting areas that 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.

EnRLD supports Alberta in protecting Alberta's health, environment, and economy while contributing to responsible land and natural resource management that benefits all Albertans and includes Indigenous perspectives.

Since inception, EnRLD has approved six projects to enable rehabilitation of public lands disturbed by wildfire throughout the province. In 2019–20, \$0.5 million in funding was provided to local contractors, with another \$7.1 million in commitments. As of March 31, 2020, 6 projects were active and 2 were completed.

Activities	2019/2020
Site assessments	18,719 ha
Site preparation (mechanical/chemical)	-
Planting (area)	-
Purchase of seedlings	-

FRIAA has committed \$7.6 million towards EnRLD projects aimed at sequestering carbon by reforesting public lands that have been disturbed by wildfire.



Status of Legislative, Governance, and Policy Requirements

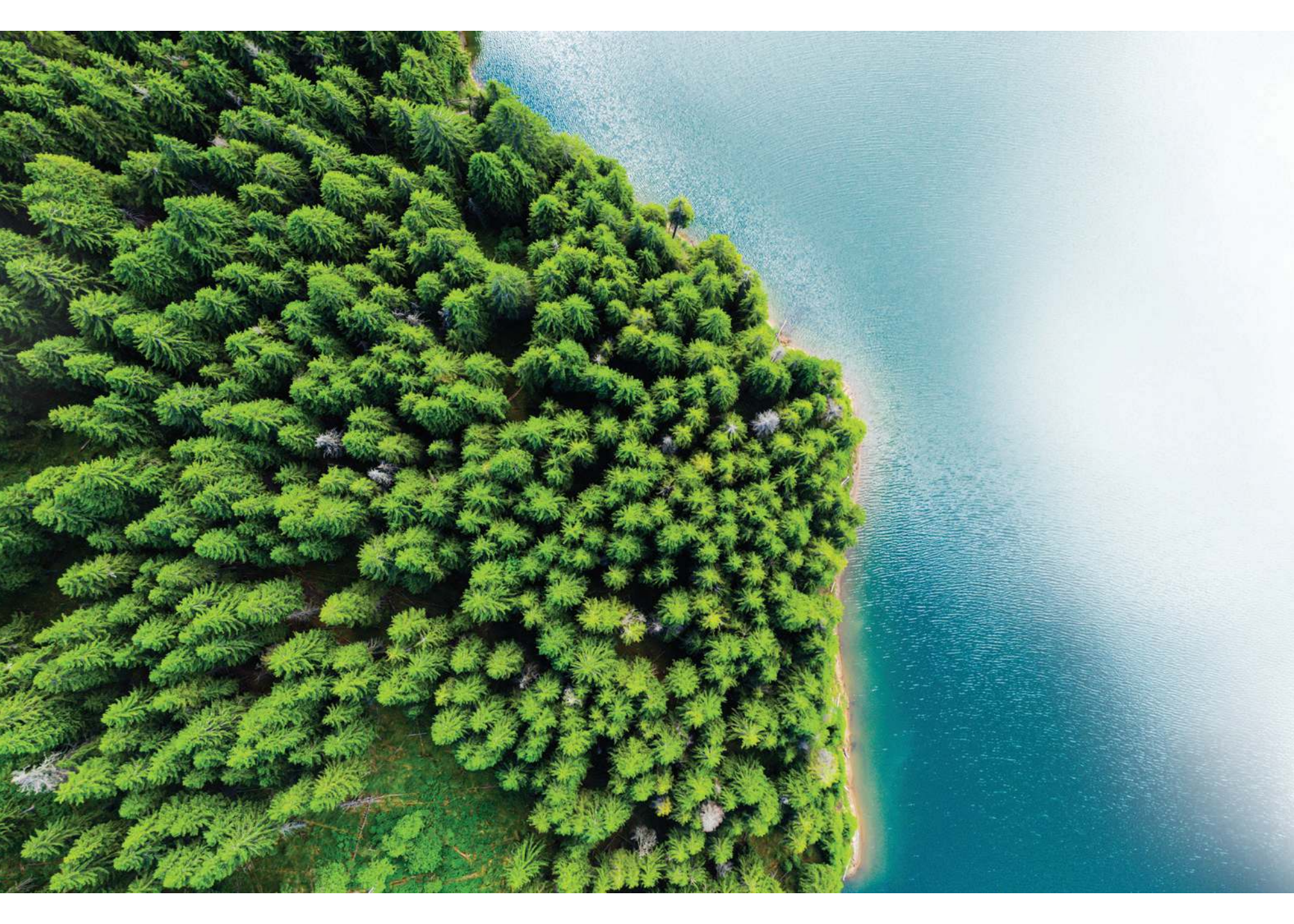
The following tables outline the status of FRIAA's legislative, governance, and policy requirements for fiscal 2019–20.

Legislative requirement	Action required by FRIAA	Status
Business plan	Provide a three-year business plan (including goals) to the Minister annually.	Completed – Submitted March 2, 2020
Annual report	Provide an annual report summarizing activities and financial statements to the Minister of AAF.	Completed – Submitted June 24, 2019
Freedom of Information and Protection of Privacy (FOIP) Act requests	Adhere to <i>FOIPPA</i> regulations.	No <i>FOIP Act</i> requests received in 2019–20
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 27 and 28, 2019
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 2019–20
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 2019–20

Governance requirement	Action required by FRIAA	Status
Bylaws review	Ensure annual review of FRIAA's bylaws.	In compliance
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 January 29, 2020
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 20, 2019

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 17, 2019)• Audit committee met April 9 and May 23, 2019, in accordance with policy, and reported to board accordingly• Audit for 2019–20 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 2019–20
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 20, 2019, and February 20, 2020, 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">• Protocol reviewed and confirmed October 2000• Protocol reviewed on ongoing basis
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 2019–20
Annual business plan review process	<ul style="list-style-type: none">• In compliance in 2019–20



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: Richard Briand
- Second vice president: Allan Bell
- Treasurer: David Wall
- Directors: Cliff Henderson
Bruce Mayer
Andrew Neigel

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
- Andrew Neigel
- 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. 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
- Andrew Neigel

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

FRIP Project Appeals Panel

If needed, an appeals panel can be established to hear appeals initiated by the membership. Its members 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 2019–20, no appeals panel was formed during that fiscal year.

MPBP Evaluation Panel

The MPBP evaluation panel reviews and evaluates projects submitted under the MPBP and makes 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 2019–20 included:

- David Wall, FRIAA director
- Mike Undersultz, AAF representative
- Jim McCammon, public member

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
- Wendy Graden / Ray Ault, Partners in Protection Association – FireSmart Canada
- Kevan Jess / Keven Thomson / Steve Otway, AMA, Office of the Fire Commissioner
- Winston Delorme, AEMA

CHRP 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. Its members are selected from FRIAA's board of directors, energy industry, forestry industry, Alberta Environment and Parks (AEP) and includes one caribou habitat / TLU subject matter expert. A panel was struck once and included:

- Richard Briand, FRIAA board member and chair
- Lance Katan, AEP
- Tracey Courser, West Fraser
- Lori Neufeld, Imperial Oil
- Brenda Parlee, University of Alberta

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 2019–20 include the following:

- FRIP collected \$19.2 million in FRIAA dues, significantly less than in the previous two years, but more than the 10-year average. FRIAA dues vary according to the North American price for lumber.
- Project expenditures in FRIP were \$13.7 million, the highest in 13 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 \$2.2 million, all of which is committed to outstanding reforestation work over the next 14 years. Program expenditures were \$1.9 million, reflecting operational decisions to concentrate certain silvicultural contract work to achieve economies of scale.
- The MPBP had project expenditures of \$2.0 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 \$7.2 million towards projects aimed at protecting vulnerable communities from wildfire, the most since the program's inception. There are \$6.9 million in outstanding commitments for active projects.
- The administration to total spending ratio was 6.9%.

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, 2020, and the statements of operations, 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, 2020, 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 basis of these 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.

Grant Thornton LLP
Chartered Professional Accountants
Edmonton, Canada
June 25, 2020

Financial Statements and Notes

Statement of Financial Position

	March 31, 2020	March 31, 2019
Assets		
Current assets:		
Cash	\$ 11,949,863	\$ 10,179,253
Accounts receivable and accrued interest receivable	27,704,625	1,497,294
Investments (Note 2)	7,187,988	10,852,022
Prepaid expenses and deposits	164,177	281,192
	47,006,653	22,809,761
Restricted cash	56,434,667	65,309,090
Investments (Note 2)	94,165,885	91,302,086
	\$ 197,607,205	\$ 179,420,937
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,812,518	\$ 4,837,694
Net assets:		
Forest Resource Improvement Program	100,994,975	98,838,899
Wildfire Reclamation Program (Note 3)	46,557,651	23,138,786
Community Reforestation Program (Note 4)	11,810,629	12,286,069
Mountain Pine Beetle Program (Note 5)	3,901,810	3,169,561
Mountain Pine Beetle Forest Rehabilitation Program (Note 6)	1,438,233	1,707,405
FRIAA FireSmart Program (Note 7)	10,064,387	15,824,241
Caribou Habitat Recovery Program (Note 8)	9,823,374	9,848,404
Enhanced Reforestation of Legacy Disturbance Program (Note 9)	9,203,628	9,769,878
	193,794,687	174,583,243
	\$ 197,607,205	\$ 179,420,937

Commitments (Note 10), Subsequent events (Note 13)

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	2020 total	2019 total
	(Note 4)	(Note 3)	(Note 3)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)		
Revenue:										
FRIAA dues	\$ 19,222,459	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 19,222,459	\$ 49,040,343
Grants	–	–	25,000,000	3,000,000	–	2,000,000	2,267,858	–	32,267,858	26,066,102
Other income	–	–	–	–	–	–	350,000	–	350,000	–
Reforestation levies	–	2,257,943	–	–	–	–	–	–	2,257,943	1,893,908
Total income	19,222,459	2,257,943	25,000,000	3,000,000	–	2,000,000	2,617,858	–	54,098,260	77,000,353
Expense:										
Accounting	72,021	86,739	29,176	16,925	15,829	45,722	20,654	22,558	309,624	312,594
Communication	65,781	37,300	23,107	20,110	8,757	52,440	36,414	22,834	266,743	151,087
Directors' expenses	1,252	1,253	1,253	1,283	418	1,253	1,253	835	8,800	10,540
Directors' honoraria	1,516	1,515	1,515	1,191	505	1,515	1,515	1,010	10,282	11,695
Field review	94,620	40,709	8,369	18,330	–	58,963	19,883	33,220	274,094	175,128
Financial audit	5,429	5,429	5,429	3,801	1,992	5,429	5,429	3,255	36,193	34,248
Insurance	1,020	1,020	1,020	708	368	1,020	1,020	623	6,799	6,853
Management support	175,527	128,955	80,154	114,696	129,602	228,033	154,692	45,160	1,056,819	1,044,887
Project audits	9,667	–	–	–	–	–	5,955	–	15,622	4,568
Office and miscellaneous	18,074	1,152	133	2,845	44	9,898	1,796	10,355	44,297	49,301
Professional fees	114,484	135,682	67,428	44,952	22,504	67,428	67,428	46,657	566,563	503,009
Project expenditures	13,724,729	1,891,404	1,813,530	2,034,171	117,085	7,289,773	2,457,304	498,283	29,826,279	28,078,669
Project operations and monitoring	129,100	108,487	27,189	31,690	7,524	131,963	49,274	25,280	510,507	430,339
Project review and approval	222,134	83,181	10,994	36,379	–	156,484	48,718	63,635	621,525	638,340
Total expense	14,635,354	2,522,826	2,069,297	2,327,081	304,628	8,049,921	2,871,335	773,705	33,554,147	31,451,258
	4,587,105	(264,883)	22,930,703	672,919	(304,628)	(6,049,921)	(253,477)	(773,705)	20,554,113	45,549,095
Other income (expense):										
Dividends	3,154,332	359,815	–	–	–	–	–	–	3,514,147	2,429,143
Interest	157,579	27,524	488,162	59,330	35,456	290,067	228,447	207,455	1,494,020	1,614,521
Market valuation recorded	(5,318,129)	(564,800)	–	–	–	–	–	–	(5,882,929)	816,475
GST rebates	–	–	–	–	–	–	–	–	–	87,636
Investment management fees	(424,811)	(33,096)	–	–	–	–	–	–	(457,907)	(307,078)
Net other income	(2,431,029)	(210,557)	488,162	59,330	35,456	290,067	228,447	207,455	(1,332,669)	4,640,697
Excess (deficiency) of revenue over expenditures:	\$ 2,156,076	\$ (475,440)	\$ 23,418,865	\$ 732,249	\$ (269,172)	\$ (5,759,854)	\$ (25,030)	\$ (566,250)	\$ 19,211,444	\$ 50,189,792

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	2020 total
		(Note 4)	(Note 3)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)	
Net assets, beginning 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
Excess (deficiency) of revenue over expenditures	2,156,076	(475,440)	23,418,865	732,249	(269,172)	(5,759,854)	(25,030)	(566,250)	19,211,444
Net assets, end of year	\$ 100,994,975	\$ 11,810,629	\$ 46,557,651	\$ 3,901,810	\$ 1,438,233	\$ 10,064,387	\$ 9,823,374	\$ 9,203,628	\$ 193,794,687

See accompanying notes to financial statements.



Statement of Cash Flows

Year ended March 31

	2020	2019
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenue over expenditures	\$ 19,211,444	\$ 50,189,792
Non-cash items		
Market valuation recorded	5,882,929	816,475
	25,094,373	51,006,267
Change in non-cash operating working capital		
Accounts receivable and accrued interest receivable	(26,207,331)	3,354,605
Prepaid expenses and deposits	117,015	(148,555)
Accounts payable and accrued liabilities	(1,025,176)	4,238,432
	(2,021,119)	56,817,799
Investing		
Changes in restricted cash	8,874,423	(16,166,660)
Purchase of investments	(45,262,299)	(54,648,351)
Proceeds on sale and redemption of investments	40,179,605	8,372,710
	3,791,729	(62,442,301)
Net increase (decrease) in cash and cash equivalents	1,770,610	(5,624,502)
Cash and cash equivalents		
Beginning of year	10,179,253	15,803,755
End of year	\$ 11,949,863	\$ 10,179,253

See accompanying notes to financial statements.

Notes to the Financial Statements

Year ended March 31, 2020

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
2007	Mountain Pine Beetle	Note 5
2013	Mountain Pine Beetle Forest Rehabilitation	Note 6
2014	FRIAA FireSmart	Note 7
2018	Caribou Habitat Recovery	Note 8
2019	Enhanced Reforestation of Legacy Disturbance	Note 9

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, 2020, is \$101,353,873 (2019: \$102,154,108).

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 originally expired on March 31, 2017; however, the term of the 2006 Program agreement was extended by the Province. 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 2020, grant amounts totalling \$25,000,000 were received subsequent to the year end (2019: \$1,766,102 received during fiscal 2019).

In 2019, at the direction of the Minister of Agriculture and Forestry, \$1,746,000 of uncommitted funds were transferred from the Wildfire Reclamation Program to the Enhanced Reforestation of Legacy Disturbances Program to support the new initiative.

Restricted cash includes funds of \$21,604,090 (2019: \$23,160,645) that are restricted for use on the Wildfire Reclamation Program and held in a separate bank account.

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

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

To implement the program, funds received for the Reforestation Program were delegated to FRIAA in two parts:

- a) Reforestation levies received and unexpended by the Province on areas cut under the authority of timber licenses and permits on or after May 1, 1994, but before May 30, 2000, are to be transferred to FRIAA according to section 143.91 of the *Timber Management Regulation*. No levies were received during the year.
- b) FRIAA has the authority to collect reforestation levies on areas cut under the authority of timber licenses and permits on or after May 30, 2000. The levies received during the year were \$2,084,659 (2019: \$1,893,908).

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 engage the forestry sector and other operators 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 Mountain Pine Beetle Program was extended to 2020. The \$2,000,000 grant for 2013 was received. An annual grant of \$4,000,000 was received during 2014. An additional grant of \$2,000,000 was provided during 2015. Annual grant received in 2016 totaled \$2,000,000. Annual grant amounts of \$2,000,000 and \$1,000,000 were received in 2018. A grant of \$2,000,000 was received in 2019. For fiscal 2020, annual grant amounts of \$1,000,000 and \$2,000,000 were received respectively in 2020 and subsequent to the year end. FRIAA was notified that this program will be extended, but the final agreement was not received by the date of the auditor's report.

Restricted cash includes \$2,065,290 (2019: \$4,072,407) which is restricted for use on the MPBP and is 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 to provide services, beyond regulatory obligations, to rehabilitate forested lands impacted by mountain pine beetle (MPB) 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 MPB 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.

In 2019, at the direction of the Minister of Agriculture and Forestry, \$8,000,000 of uncommitted funds were transferred from the MPBFRP to the Enhanced Reforestation of Legacy Disturbances Program to support the new initiative.

Restricted cash includes \$1,529,847 (2019: \$1,726,673) 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. In 2020, there was one amendment with receipt of \$2,000,000.

Restricted cash includes \$10,733,651 (2019: \$16,034,451), 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. Such activities that may be funded through projects include operational planning for caribou landscape restoration activities, caribou habitat restoration, monitoring, and evaluation and reporting on caribou habitat conditions or access management planning and traditional knowledge collection.

The CHRP's overall purpose is to support efforts to sustaining and improving caribou habitat in a way that supports healthy and self-sustaining caribou populations. It should support the Recovery Strategy by providing funds to:

1. Assist the Department with projects that contribute to the scientific and technical understanding of caribou landscape restoration strategies and activities;
2. Provide financial and logistical oversight of funding for planning work required to guide operational landscape restoration work for caribou habitat; or
3. 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. In 2020, \$2,267,858 in directly related costs were recovered.

Restricted cash includes \$11,088,588 (2019: \$11,808,280), 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 Funds 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").

In 2019, at the direction of the Minister of Agriculture and Forestry, \$1,746,000 of uncommitted funds were transferred from the Wildfire Reclamation Program, and \$8,000,000 of uncommitted funds were transferred from the MPBFRP.

Restricted cash includes \$9,413,201 (2019: \$9,755,605), which is restricted for use on the EnR LDP 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, 2020, FRIAA is committed to fund approved projects with various terms in the following amounts for each program:

Program	2020	2019
Forest Resource Improvement	\$ 35,318,379	\$ 23,452,507
Community Reforestation	97,803	88,297
Wildfire Reclamation	15,353,684	16,935,011
Mountain Pine Beetle	441,046	378,549
Mountain Pine Beetle Forest Rehabilitation	1,250,472	1,632,536
FRIAA FireSmart	6,818,277	7,292,239
Caribou Habitat Recovery	4,300,199	4,471,607
Enhanced Reforestation of Legacy Disturbance	7,134,675	—
	\$ 70,714,535	\$ 54,250,746

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:

	2020	2019
Norm Denney	\$ 2,044	\$ 5,161
Cliff Henderson	6,532	2,092
David Kiil	—	2,962
Murray Summers	1,705	1,480
	\$ 10,281	\$ 11,695

12. Financial instruments

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

Credit risk: 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 accounts receivable balance is made up of numerous receivables which reduces the concentration of credit risk. FRIAA notes that the COVID-19 pandemic may increase credit risk as a result of overall economic uncertainty. FRIAA will continue to monitor and adjust its credit management process, with regards to outstanding accounts receivables, as required to manage its 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.

13. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted local economies around the globe. In many countries, including Canada, businesses and charities are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to operations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Since year-end, FRIAA has seen a substantial reduction in the North American benchmark price of lumber, reflecting lower demand for construction-grade lumber, and expects this to result in a substantial decline in FRIAA dues rates. In response to the pandemic, FRIAA is continuing to monitor and adjust its operations, including implementing additional health and safety precautions to protect its staff and contractors, adjusting the timelines and completion

dates of projects to address health and safety requirements, and offering to industry participants a deferred payment plan for FRIAA dues for the months of April and May 2020, with a deferral of payment for up to six months.

As the events described above are considered non-adjusting subsequent events, the financial position and results of operations as of and for the year ended March 31, 2020, were not adjusted to reflect their impact. It is not possible to reliably estimate the duration and severity of the consequences of COVID-19 or the impact on the financial position and results of FRIAA for future periods.

FRIAA's Members

■ Alberta-Pacific Forest Industries Inc.
■ 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.
■ 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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