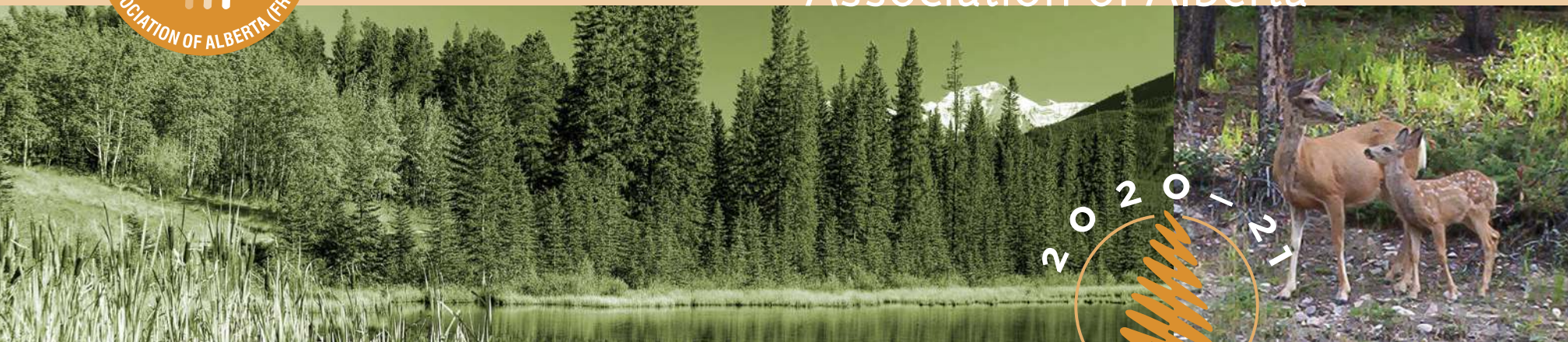




# Forest Resource Improvement

## Association of Alberta











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# President's Message



Over the past year, the Forest Resource Improvement Association of Alberta (FRIAA) proved its value to Albertans. April 2020 to May 2021 was an unusual and remarkable year for us all, with the COVID-19 pandemic forcing FRIAA, its members, and stakeholders to conduct business with a new approach. Governments took this opportunity to expand and add some programs, focusing on forestry as a way to keep Albertans working and sustain the provincial economy. At the same time, we experienced unprecedented demand for lumber and high prices, which translated into a spike in stumpage, including FRIAA dues.

FRIAA is committed to enhancing Alberta's forest resources for the benefit of Albertans through various 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 help bring together government, industry, academia, contractors, and communities to pursue these common goals.

This year we were able to provide funding to Albertans under 10 separate programs and continued to focus on provincial priorities such as FireSmart, caribou habitat recovery, and mountain pine beetle control. FRIAA's programs have been reviewed by government and have earned its continuing support, as they have helped to sustain and improve a wide range of forest resources and drive improved forest-management practices.

We would like to thank everyone involved in FRIAA's programs for their continuing positive and constructive approach. Industry has been active in promoting and delivering projects under the various programs, and forest-based communities have been increasingly involved. In addition, we were pleased to step

up and assist the provincial government with the Community FireGuard Construction Program, as well as the provincial and federal government with the COVID Safety Measures Program. Together, we are making significant progress in developing a deeper understanding of forests and forest management while making our forests healthier and richer environments.

FRIAA disbursed a record amount of funds in several areas. Over \$25.9 million in funding was disbursed for worthwhile projects under the Forest Resource Improvement Program (FRIP) over the past year, and a further \$33.4 million was committed to new projects. Over \$5.6 million in funding was disbursed to communities specifically for FRIAA FireSmart projects, and a further \$3.8 million was committed to future FRIAA FireSmart work. We also committed significant funds to projects under the Caribou Habitat Recovery Program (CHRP), 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 FRIP, FRIAA FireSmart, CHRP, and the Mountain Pine Beetle Control Program. We are grateful for the continued support we received this past year from all our program stakeholders, industry members, and government colleagues. We will continue to work hard with you to improve Alberta's forest resources for Albertans everywhere.

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

**Murray Summers**, President







# Report on Business Plan Objectives

FRIAA is a delegated administrative organization with a mandate to establish and administer programs and initiatives for the enhancement of Alberta's forest resources 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, which are to establish programs and initiatives that

- 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 using reforestation levies collected by FRIAA or cash and securities transferred to FRIAA.

FRIAA supports the Province's priorities as described in the Government of Alberta's 2020–23 Strategic Plan.

FRIAA's 2020–21 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 "Supporting job creation." FRIAA's objectives related to enhancing the management of forest resources, improving the sustained yield of the forest resources of Alberta, and integrating various resource management activities directly supported 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 supported the second strategic priority, "Making life better for Albertans," as we provided funds for projects, programs, and activities that are important to Albertans. These included 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," was supported by FRIAA's highly effective and unique delivery model. By Using FRIAA as an arm's-length, independent administrative body to deliver key forest-resource-improvement programs, the Province produced efficient and cost-effective 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"> <li>1. Growth and sustainability of Alberta's agriculture and forest sectors</li> <li>2. Public health and safety</li> <li>3. Responsible resource management</li> <li>4. Thriving rural communities</li> </ol>
AEP	<ol style="list-style-type: none"> <li>1. Environment and ecosystem health and integrity</li> <li>2. Sustainable economic development</li> <li>3. Public well-being</li> <li>4. Public health and safety from environmental conditions and events</li> </ol>
AIR	<ol style="list-style-type: none"> <li>1. Improved economic security and prosperity of Indigenous Peoples in Alberta</li> <li>2. Improved Government of Alberta policies and direction that strengthen Indigenous communities and promote Alberta's interests</li> </ol>

This report reflects FRIAA's accomplishments over the year in relation to its own goals and program structure and its contributions to the 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 a science-based and innovative approach to enhanced forest management, improving Alberta's forest resources, which in turn supports a diverse and competitive economy.

## Public health and safety

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

the past year, FRIAA also assisted with programs aimed at reimbursing COVID-19-related health and safety costs incurred by small and medium-sized businesses.

## 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. In the past year, FRIAA funded over \$58 million in project activities that primarily took place in rural Alberta. The expenditures contributed 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 FRIAA 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 FRIAA 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. FRIAA FireSmart projects delivered by First Nations and other Indigenous communities typically employ local community members while helping these communities to reduce the threat of wildfire.









# Report on Program Activities

The following section highlights key activities and results for each of FRIAA's 10 programs for the fiscal year 2020–21.

## 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 FRIP funding, all 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 and work toward a greater purpose.

Since its inception in 1997, FRIAA has contributed over \$271 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 2020–21 totalled \$25.9 million, with an additional \$33.4 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 2020–21	Active projects	Current commitments
Integrated mountain pine beetle / wildfire management	\$2,141,134	4	\$129,147
Species at risk / wildlife	\$2,959,386	33	\$10,150,224
Indigenous relations	\$1,492,918	9	\$1,327,188
Public engagement	\$7,580,247	38	\$7,533,704
Forest productivity	\$11,698,058	91	\$14,305,330
<b>Total</b>	<b>\$25,871,744</b>	<b>175</b>	<b>\$33,445,593</b>

*Project expenditures in FRIP were \$25.9 million, the most in 14 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)

The 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. The CRP is funded entirely by reforestation levies paid directly to FRIAA by timber permit-holders and small quota-holders. FRIAA has been achieving sustainability goals for 35,371 hectares (ha) of cutblocks harvested since May 1, 2000. These results clearly demonstrate that the 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 the CRP program (ha)	CRP reforestation completed (ha)	Active treatment area (ha)
35,371	22,729	12,642

Activities in 2020–21	Area/unit
Site preparation	194 ha
Planting (area)	1,119 ha and 1,515,050 seedlings
Tending	390 ha
Regeneration surveys	2,673 ha



### Wildfire Reclamation Program (WRP)

Since 2006, the WRP has supported reforestation and reclamation activities related to previously reforested cutblocks that were damaged or destroyed by wildfire. As of March 31, 2021, 35,786 ha of reforested cutblocks that were damaged or destroyed by wildfires were being retreated and were expected to fully meet provincial standards.

In 2017–18, the 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, 2021, an additional 13,166 ha of reforested cutblocks that were damaged or destroyed by wildfire were being treated. The program requires that participants carry out silvicultural treatments to meet provincial standards.

As of March 31, 2021, 71 approved WRP projects were active, with outstanding commitments of \$33,445,593. Agreements for this work are currently being developed to commit these funds to projects. Work carried out under this program has been an extraordinary example of how FRIAA allocates funds directly toward resource improvement and long-term sustainability.

Activities	2020–21	Since inception
Site assessments	4,297 ha	43,352 ha
Site preparation (mechanical/chemical)	1,506 ha	17,525 ha
Planting (area)	3,720 ha	35,751 ha
Purchase of seedlings	6,237,115 seedlings	54,640,710 seedlings
Vegetation control	705 ha	10,611 ha
Regeneration surveys	58 ha	18,373 ha

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

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

The 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 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, the MPBFRP has funded 23 projects, resulting in over \$11.2 million of targeted funds committed to rehabilitating forest stands damaged by MPB infestations. As of March 31, 2021, outstanding commitments to open projects amounted to \$625,980.

Activities	Since inception
Applied research	4 projects
Cone collection	4,536 hectolitres (hl)
Growth and yield	2 projects
Stand rehabilitation	533 ha

### Mountain Pine Beetle Program (MPBP)

The 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 \$35.0 million to key projects delivered by members and their contractors.

In 2020–21 the 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	2020–21	Since inception
Aerial surveys	-	13,667 km
Ground surveys	-	5,415 ha
Long-distance dispersal monitoring	56 sites	2,422 sites
Containment baiting	-	1,244 ha
Log yard management	1,467 traps	22,267 traps
Dispersal pheromone	7,400 pouches	104,223 pouches
Single-tree control	6,746 trees	115,940 trees
Seed collection and seed orchard expansion	-	15,035 hl
Other eligible activities	1 activity	29 activities

*FRIAA provided \$2.5 million in funding toward critical mountain pine beetle control activities.*



### FRIAA FireSmart Program

The FRIAA 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 development, inter-agency co-operation 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 its inception, FRIAA FireSmart has approved 369 projects that help protect Alberta's people, infrastructure, property, and environment through reducing fire hazard throughout the province. In 2020–21, \$5.6 million in funding was provided to local communities, with another \$3.8 in commitments. As of March 31, 2021, 80 projects were active and 283 were completed.

*FRIAA provided \$5.6 million toward FRIAA FireSmart projects aimed at protecting at-risk communities from wildfire.*

Activities	Active at March 31, 2021	Completed	Total
Community planning	17	71	89
Public education	23	46	69
Legislation development	0	3	3
Inter-agency co-operation and cross-training	11	11	22
Vegetation management	29	156	185
Emergency planning	0	1	1
<b>Total</b>	<b>80</b>	<b>289</b>	<b>369</b>

Activities	Project payments in 2020–21	Project payments since inception	Outstanding commitments	Completed project details
Community planning	\$260,498	\$2,660,480	\$372,823	433 plans
Public education	\$115,060	\$1,788,891	\$544,729	151 events
Legislation development	\$10,531	\$118,919	\$0	3 projects
Inter-agency co-operation and cross-training	\$325,580	\$1,696,058	\$209,779	12 events
Vegetation management	\$4,905,719	\$29,557,895	\$2,679,297	4,067 ha
Emergency planning	\$0	\$9,120	\$0	1 plan
<b>Total</b>	<b>\$5,617,389</b>	<b>\$35,831,899</b>	<b>\$3,806,691</b>	



### Caribou Habitat Recovery Program (CHRP)

The 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 2020–21 the program funded a two-year survival assessment project and a seed collection project. Two additional restoration compartments in the Little Smoky caribou range were initiated. Three planning projects were established, in the Red Earth, Narraway, and Redrock–Prairie Creek caribou ranges.

Activities	Active at March 31, 2021	Completed	Total
Planning – operations	4	5	9
Engagement – Traditional Land Use	11	1	12
Operational treatments	3	2	5
Inventory	1	0	1
Monitoring	0	1	1
Seed collection	1	0	1
<b>Total</b>	<b>20</b>	<b>9</b>	<b>29</b>

Activities	Project payments in 2020–21	Project payments since inception	Outstanding commitments	Completed project details
Planning – operations	\$133,500	\$964,995	\$527,561	1,931 km
Engagement – Traditional Land Use	\$33,982.50	\$73,983	\$398,651	1 project
Operational treatments (km)	\$305,366.60	\$3,414,937	\$464,870	517 km
Operational treatments (seedlings)	\$692,681.84	\$932,889	\$558,201	374,770 seedlings
Inventory	\$227,894	\$561,014	\$328,106	17,008 km
Monitoring	\$74,636	\$74,636	\$0	59 km
Seed collection	\$62,954	\$62,954	\$75,325	4.9 kg
<b>Total</b>	<b>\$1,531,015</b>	<b>\$6,085,408</b>	<b>\$6,352,714</b>	

### 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 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.

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

Since its inception, the EnRLD Program has approved 10 projects throughout the province to enable rehabilitation of public lands disturbed by wildfire. In 2020–21, \$4.0 million in funding was provided to local contractors, with another \$4.5 million in commitments. As of March 31, 2021, six projects were active and four were completed.

Activities	2020–21	Since inception
Site assessments	12,528 ha	31,247 ha
Site preparation (mechanical/chemical)	44 ha	44 ha
Planting (area)	164 ha	164 ha
Seedlings planted	195,895 seedlings	195,895 seedlings

*FRIAA has committed \$9.0 million toward EnRLD projects aimed at sequestering carbon by reforesting public lands that have been disturbed by wildfire.*

### **Community FireGuard Construction Program (CFCP)**

The CFCP is designed to support the Provincial FireSmart Program initiative by funding the construction of community fireguards to provide for enhanced public safety and improved protection of at-risk communities.

From September 2020 through March 2021, 13 communities engaged in the program, developing and implementing work plans to construct fireguards adjacent to their community. The program allowed for livestock grazing as a means of ongoing and longer-term vegetation management on the sites. Additionally, the program provided work opportunities for local contractors and labour, with a significant portion of the work completed by March 31, 2021, amounting to \$8,958,583 in payments to communities. The remainder of the funding commitment will see the projects completed prior to the end of the fiscal year at March 31, 2022.

### **FRIAA Forest-Sector COVID Safety Measures Program (CSMP)**

The CSMP was developed to help defray incremental costs associated with COVID-19 safety measures faced by small and medium-sized enterprises in the forest sector, including tree-planting operations. The Province established guidelines and requirements for workplaces to manage COVID-19-related health and safety risks.

The CSMP started in fall of 2020, with applications being received until March 15, 2021. The program does not subsidize or relieve the forestry sector of its responsibilities for sustained-yield forest management, including reforestation and other forest-management activities; rather, it addresses activities that arise directly out of complying with the additional workplace health and safety requirements—activities above and beyond required forest management functions.

The program is funded by the Government of Canada (Department of Natural Resources) and administered by FRIAA on behalf of the Government of Alberta. FRIAA received \$3,045,455.32 in funding from Natural Resources Canada in May 2021 to help defray the incremental costs incurred for 29 small and medium-sized enterprises.





# Status of Legislative, Governance, and Policy Requirements

The following tables outline the status of FRIAA's legislative, governance, and policy requirements for fiscal 2020–21.

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, 2021
Annual report	Provide an annual report summarizing activities and financial statements to the Minister of Alberta Agriculture and Forestry (AAF).	Completed – Submitted August 31, 2020
Freedom of Information and Protection of Privacy (FOIP) Act requests	Adhere to FOIP Act regulations.	No FOIP Act requests received in 2020–21
Records management system	Have a reliable records management system in place.	In compliance
Program reporting to the Minister of AAF	Report all forestry enhancement programs to the Minister as per the grant agreements.	In compliance – Individual annual reports submitted June 30, 2020
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 2020–21
FRIAA dues	Determine FRIAA dues as per sections 5(1) and 5(1.1) of the Forest Resources Improvement Regulation.	No changes to the dues schedule in 2020–21

Governance requirement	Action required by FRIAA	Status
Bylaws review	Ensure an annual review of FRIAA's bylaws.	In compliance
Director requirements	In accordance with the bylaws, elect or appoint directors to 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 the 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
Memorandum of Understanding (MOU) review	Review the MOU with the Minister annually.	To be reviewed with the Minister during 2021–22
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.	Held on October 29, 2020

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 the Minister are well represented.

Policy	Status
Audit committee policy	<ul style="list-style-type: none"> <li>• Approved August 26, 1997</li> <li>• Audit committee established August 26, 1997; membership reviewed annually (December 7, 2020)</li> <li>• Audit committee met April 9 and June 25, 2020, in accordance with policy, and reported to the board accordingly</li> <li>• Audit for 2020–21 completed in accordance with policy and legislative requirements</li> </ul>
Conflict-of-interest policy	<ul style="list-style-type: none"> <li>• Approved August 26, 1997</li> <li>• Conflicts reported and recorded in accordance with policy</li> </ul>
Appeal policy	<ul style="list-style-type: none"> <li>• Approved January 19, 1998, as amended</li> <li>• No appeals under policy initiated in 2020–21</li> </ul>
Fund management policy	<ul style="list-style-type: none"> <li>• Fund management committee established November 17, 1997</li> <li>• Membership reviewed annually (December 7, 2020)</li> <li>• Fund management committee met December 7, 2020, and reported to the board accordingly</li> <li>• Statement of investment policies and goals approved April 22, 1998, and last amended December 4, 2017</li> <li>• Statement of investment policies and goals for the Community Reforestation Fund approved December 1, 2003, and last amended February 18, 2016</li> <li>• Monthly and quarterly reports made by investment managers to the committee and board in compliance with policy and investment statement</li> </ul>
Public-at-large director selection protocol	<ul style="list-style-type: none"> <li>• Protocol reviewed and confirmed October 2000</li> <li>• Protocol reviewed on an ongoing basis</li> </ul>
Community Reforestation Program	<ul style="list-style-type: none"> <li>• Approved and effective May 30, 2000, and reviewed on an ongoing basis</li> </ul>
Forest Resource Improvement Program description and guidelines	<ul style="list-style-type: none"> <li>• Approved August 26, 1997, as amended, and reviewed on an ongoing basis</li> </ul>
Annual budgeting protocol	<ul style="list-style-type: none"> <li>• In compliance in 2020–21</li> </ul>
Annual business plan review process	<ul style="list-style-type: none"> <li>• In compliance in 2020–21</li> </ul>





# 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 are listed below:

- President: Murray Summers
- Vice-president: Richard Briand
- Second vice-president: Allan Bell
- Treasurer: David Wall
- Directors: Bruce Mayer  
Andrew Neigel  
Mary-Jane Munn-Kristoff

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 regarding 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,
- conducting audits through FRIAA's auditors, and
- recommending an auditor to the members for approval.

Members of this committee are the following FRIAA directors:

- David Wall
- Andrew Neigel
- Richard Briand

## **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 the Forest Resource Improvement Program (FRIP) and Community Reforestation Program (CRP) are observed,
- assessing the performance of FRIAA's investment manager and the investment fund against specific targets and measurement criteria, and
- confirming that FRIAA's investment return targets are achieved.

Members of this committee are the following FRIAA directors:

- David Wall
- Andrew Neigel
- Richard Briand

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. 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 2020–21, no appeals panel was formed during that fiscal year.

## **Mountain Pine Beetle Program (MPBP) 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 2020–21 included

- David Wall, FRIAA director and chair;
- Mike Undershultz, AAF representative; and
- Jim McCammon, public member.

## **FRIAA FireSmart review committee**

The FRIAA 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), the 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 (April–June 2020) and David Wall (July 2020–March 2021), FRIAA director and chair;
- Adam Gossell, AAF;
- Winston Delorme, AEMA;
- Tom Burton, RMA;
- Peter Pellatt, AUMA;
- Ray Ault, Partners in Protection Association – FireSmart Canada;
- Laura Stewart, Community Wildfire Resilience Association of Alberta – FireSmart Alberta; and
- James Orr / Keven Thomson, AMA, Standards Development and Support – Building, Fire, Energy, and Barrier-Free.

### **Caribou Habitat Recovery Program (CHRP) review panel**

The CHRP review panel reviews and evaluates proposals submitted under the CHRP. Its 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 include a subject matter expert or member of the public. A panel was struck four times in 2020–21 and included

- Richard Briand, FRIAA director and chair (four panels);
- Cynthia Chand, AEP (four panels);
- Greg Branton, Old Growth Forestry Consulting Ltd. (first panel);
- Ryder McRitchie, Jupiter Resources (second panel);
- Wendy Crosina, Weyerhaeuser (second panel);
- Lori Neufeld, Imperial Oil (third and fourth panels);
- Tim Gauthier, Tolko Industries Ltd. (third and fourth panels); and
- Matthew Pyper, FUSE Consulting Ltd. (second, third, and fourth panels).

### **Enhanced Reforestation of Legacy Disturbances (EnRLD) Program review panel**

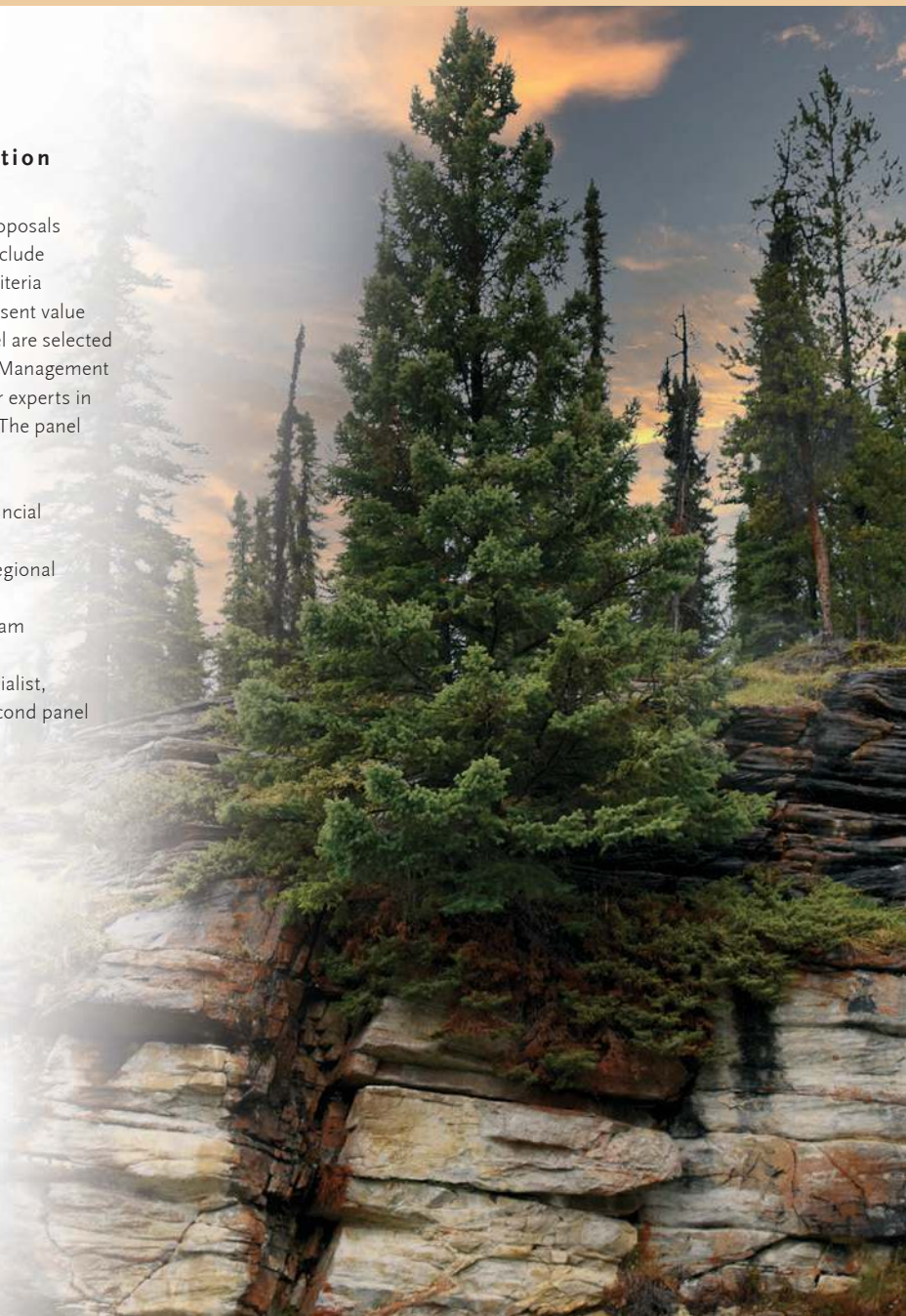
The EnRLD review panel reviews and evaluates proposals submitted under the EnRLD Program. Its responsibilities include selecting project proposals that best meet the criteria outlined in requests for proposals and that represent value for funding requested. The members of the panel are selected from FRIAA's board of directors and AAF and include a member of the public. A panel was struck once in 2020–21 and included

- Murray Summers, FRIAA director and chair;
- Andy Shandro, AAF representative; and
- Greg Branton, public member.

### **Community FireGuard Construction Program (CFCP) review panel**

The CFCP review panel reviews and evaluates proposals submitted under the CFCP. Its 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, AAF – Wildfire Management Branch (WMB), AEP – Agrologist, subject matter experts in wildland fuels and forest tenure, and the public. The panel convened three times in 2020–21 and included

- David Wall, FRIAA director and chair;
- Adam Gossell, AAF – WMB, manager, Provincial FireSmart Program;
- Osman Hamid, AEP, approvals manager, Regional Integrated Approvals;
- Dave Schroeder, AAF, Prescribed Fire Program coordinator, Provincial FireSmart Program;
- Graham Legaarden, AAF, forest tenure specialist, Forestry Stewardship and Trade Branch (second panel only); and
- Ray Ault, public member.





# 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 2020–21 are listed below:

- The Forest Resource Improvement Program (FRIP) collected \$109 million in FRIAA dues, significantly higher than the 10-year average. FRIAA dues vary according to the North American price for lumber.
- Project expenditures in FRIP were \$25.9 million, the highest in more than 20 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 the forest resources of Alberta.
- The Community Reforestation Program collected reforestation levies of \$2.4 million, all of which is committed to outstanding reforestation work over the next 14 years. Program expenditures were \$1.9 million, reflecting a balance between levies and investment income and expenditures.
- The Mountain Pine Beetle Program had project expenditures of \$2.5 million for mountain pine beetle (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 \$5.6 million toward projects aimed at protecting at-risk communities from wildfire. There are \$3.8 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 Alberta Agriculture and Forestry 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, 2021, 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 Forest Resource Improvement Association of Alberta as at March 31, 2021, 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 Organization 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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  
May 20, 2021



# Financial Statements and Notes

## Statement of Financial Position

	March 31, 2021	March 31, 2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 29,612,771	\$ 11,949,863
Accounts receivable and accrued interest receivable	8,976,086	27,704,625
Investments (Note 2)	16,348,251	7,187,988
Prepaid expenses and deposits	100,557	164,177
	55,037,665	47,006,653
Restricted cash	86,202,066	56,434,667
Investments (Note 2)	165,475,196	94,165,885
	\$ 306,714,927	\$ 197,607,205

## Liabilities and Net Assets

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 5,775,188	\$ 3,812,518
<b>Net assets:</b>		
Forest Resource Improvement Program	196,936,094	100,994,975
Wildfire Reclamation Program (Note 3)	38,894,862	46,557,651
Community Reforestation Program (Note 4)	13,194,143	11,810,629
Mountain Pine Beetle Program (Note 5)	6,176,036	3,901,810
Mountain Pine Beetle Forest Rehabilitation Program (Note 6)	744,507	1,438,233
FRIAA FireSmart Program (Note 7)	7,417,585	10,064,387
Caribou Habitat Recovery Program (Note 8)	21,665,303	9,823,374
Enhanced Reforestation of Legacy Disturbances Program (Note 9)	4,947,362	9,203,628
Community FireGuard Construction Program (Note 10)	10,822,506	-
FRIAA Forest-Sector COVID Safety Measures Program (Note 11)	141,341	-
	300,939,739	193,794,687
	\$ 306,714,927	\$ 197,607,205

### Commitments (Note 12)

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	Community FireGuard Construction	FRIAA COVID Safety Measures	2021 total	2020 total
		(Note 4)	(Note 3)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)	(Note 10)	(Note 11)		
<b>Revenue:</b>												
FRIAA dues	\$ 109,631,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,631,507	\$ 19,222,459
Grants	-	-	-	5,000,000	-	3,500,000	13,700,000	-	20,000,000	-	42,200,000	32,267,858
Other income	-	-	-	-	-	-	-	-	-	-	-	350,000
Reforestation levies	-	2,388,129	-	-	-	-	-	-	-	-	2,388,129	2,257,943
Total income	109,631,507	2,388,129	-	5,000,000	-	3,500,000	13,700,000	-	20,000,000	-	154,219,636	54,098,260
<b>Expense:</b>												
Accounting	94,869	78,257	30,279	14,908	11,928	45,141	27,624	17,711	26,982	900	348,599	309,624
Communication	66,875	31,811	17,268	12,613	2,837	31,373	22,302	18,136	15,579	4,968	223,762	266,743
Directors' expenses	262	289	289	193	96	195	195	193	189	-	1,901	8,800
Directors' honoraria	520	498	498	332	166	373	373	332	251	-	3,343	10,282
Field review	79,759	24,420	5,945	6,393	490	26,442	2,559	16,119	-	-	162,127	274,094
Financial audit	5,303	3,649	5,303	3,535	1,768	3,649	3,649	3,535	3,308	1,654	35,353	36,193
Insurance	1,059	1,059	1,059	706	353	1,059	1,059	706	-	-	7,060	6,799
Management support	332,815	175,803	99,662	99,395	34,224	156,498	186,349	95,206	147,477	68,695	1,396,124	1,056,819
Project audits	-	-	-	-	-	-	-	-	-	-	-	15,622
Office and miscellaneous	1,548	21,750	869	1,042	294	1,052	709	1,415	268	13	28,960	44,297
Professional fees	105,216	89,682	59,783	39,855	19,928	55,282	49,297	38,150	20,972	5,075	483,240	566,563
Project expenditures	25,871,744	1,918,737	7,408,933	2,533,407	624,492	5,617,389	1,531,015	4,005,290	8,958,583	-	58,469,590	29,826,279
Project operations and monitoring	141,360	114,293	28,103	17,786	4,691	141,966	45,664	55,582	27,077	2,901	579,423	510,507
Project review and approval	194,388	95,763	21,577	17,385	528	125,748	51,270	55,408	48,631	24,517	635,215	621,525
Total expense	26,895,718	2,556,011	7,679,568	2,747,550	701,795	6,206,167	1,922,065	4,307,783	9,249,317	108,723	62,374,697	33,554,147
	82,735,789	(167,882)	(7,679,568)	2,252,450	(701,795)	(2,706,167)	11,777,935	(4,307,783)	10,750,683	(108,723)	91,844,939	20,554,113
<b>Other income (expense):</b>												
Dividends	2,874,022	280,636	-	-	-	-	-	-	-	-	3,154,658	3,514,147
Interest	69,444	8,128	266,779	21,776	8,069	59,365	63,994	51,517	71,823	64	620,959	1,494,020
Market valuation recorded	10,688,226	1,297,239	-	-	-	-	-	-	-	-	11,985,465	(5,882,929)
Investment management fees	(426,362)	(34,607)	-	-	-	-	-	-	-	-	(460,969)	(457,907)
Net other income	13,205,330	1,551,396	266,779	21,776	8,069	59,365	63,994	51,517	71,823	64	15,300,113	(1,332,669)
<b>Excess (deficiency) of revenue over expenditures:</b>	\$ 95,941,119	\$ 1,383,514	\$ (7,412,789)	\$ 2,274,226	\$ (693,726)	\$ (2,646,802)	\$ 11,841,929	\$ (4,256,266)	\$ 10,822,506	\$ (108,659)	\$ 107,145,052	\$ 19,211,444

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 Rehabilitation	FRIAA FireSmart	Caribou Habitat Recovery	Enhanced Reforestation of Legacy Disturbances	Community FireGuard Construction	FRIAA Forest-Sector COVID Safety Measures	2021 total
		(Note 4)	(Note 3)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)	(Note 10)	(Note 11)	
Net assets, beginning 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	\$ -	\$ -	<b>\$ 193,794,687</b>
Excess (deficiency) of revenue over expenditures	95,941,119	1,383,514	(7,412,789)	2,274,226	(693,726)	(2,646,802)	11,841,929	(4,256,266)	10,822,506	(108,659)	<b>107,145,052</b>
Interfund transfer	-	-	(250,000)	-	-	-	-	-	-	250,000	-
Net assets, end of year	\$ 196,936,094	\$ 13,194,143	\$ 38,894,862	\$ 6,176,036	\$ 744,507	\$ 7,417,585	\$ 21,665,303	\$ 4,947,362	\$ 10,822,506	\$ 141,341	<b>\$ 300,939,739</b>

See accompanying notes to financial statements.

## Statement of Cash Flows

### Year ended March 31

	2021	2020
Increase (decrease) in cash and cash equivalents		
<b>Operations:</b>		
Excess of revenue over expenditures	\$ 107,145,052	\$ 19,211,444
Non-cash items		
Market valuation recorded	(11,985,465)	5,882,929
	95,159,587	25,094,373
Change in non-cash operating working capital		
Accounts receivable and accrued interest receivable	18,728,539	(26,207,331)
Prepaid expenses and deposits	63,620	117,015
Accounts payable and accrued liabilities	1,962,670	(1,025,176)
	115,914,416	(2,021,119)
<b>Investing:</b>		
Changes in restricted cash	(29,767,399)	8,874,423
Purchase of investments	(82,694,726)	(45,262,299)
Proceeds on sale and redemption of investments	14,210,617	40,179,605
	(98,251,508)	3,791,729
Net increase in cash and cash equivalents	17,662,908	1,770,610
Cash and cash equivalents		
Beginning of year	11,949,863	10,179,253
End of year	\$ 29,612,771	\$ 11,949,863

See accompanying notes to financial statements.





# Notes to Financial Statements

## Year Ended March 31, 2021

### 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 Alberta's forest resources and the management thereof, improve the sustained yield of Alberta's forest resources, and promote integrated resource management. FRIAA uses Forest Resource Improvement Program dues to fund the program, which focuses on 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 ("Wildfire Reclamation Program")	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 Disturbances	Note 9
2020	Community FireGuard Construction	Note 10
2021	FRIAA Forest-Sector COVID Safety Measures	Note 11

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).

### Impact of COVID-19 Pandemic

Since December 31, 2019, the spread of COVID-19 has severely impacted many 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. 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 the Association for future periods.

### 2. Summary of significant accounting policies

**Revenue recognition:** FRIAA uses the restricted-fund method of accounting. All restricted contributions are recorded as revenue of the appropriate restricted fund in the period to which it relates under the terms of the agreements.

FRIAA earns dues and levies based on the timber sales of Alberta producers. Producers are required to report timber sales and related dues or levies by filing a timber return with FRIAA. Revenues are recognized using the accrual method when amounts are measurable, and collection is reasonably assured. Dues and levies are based on the volume of timber produced and legally owing to FRIAA when timber dues are owing to the Crown. Reforestation levies are recorded in the Community Reforestation Program, as they provide direct funding for the program.

Investment income is recorded in the period that it is earned.

**Cash and cash equivalents:** Includes unrestricted cash on hand and balances with banks, net of outstanding cheques.

**Restricted cash:** Includes cash restricted for use in the following programs: Wildfire Reclamation, FRIAA FireSmart, Mountain Pine Beetle Forest Rehabilitation, Mountain Pine Beetle, 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 cost of investments carried at fair value at March 31, 2021, was \$175,146,228 (2020: \$106,463,063).

**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 the 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 their 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 if FRIAA determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, FRIAA 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 Wildfire Program (“Wildfire Reclamation Program” or “WRP”)**

The WRP 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 WRP, established to encourage the reclamation of land disturbed or destroyed by wildfire, is operated by FRIAA.

Under the agreement (“1998 program”), 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 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; however, subsequent to March 31, 2012, FRIAA received a letter of intent from the Province extending the expiry date to March 31, 2013. FRIAA was also directed to transfer any then-unexpended funds plus earnings to a new grant agreement (see below), where they would be used to complete any outstanding work under the 1998 program, then used in the new program.

On July 3, 2007, FRIAA entered into the 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 was to be used to reclaim 2006 and 2007 burned cutblocks. The annual grants of \$730,272 received in 2009, \$2,631,068 received in 2010, and \$372,288 received in 2011 under the terms of the agreement were to be used to reclaim 2008, 2009, and 2010 burned cutblocks, respectively. The 2012 annual grant of \$15,000,000 was to be used to reclaim 2011 burned cutblocks. During 2013, annual grants of \$8,869,107 and \$7,081,465 were received to reclaim 2011 and 2012 burned cutblocks, respectively. The annual grant of \$878,965 provided during 2014 was to be used to reclaim reforested hectares impacted by wildfire during 2013. An annual grant of \$1,097,656 received during 2015 was to be used to reforest cutblocks impacted by wildfire during 2014. An annual grant of \$19,828,670 received in 2016 was to be used to reforest cutblocks impacted by wildfire during 2015. An annual grant of \$8,019,112 received in 2017 was 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 is no earlier than seven years past the end of the term. Any unused grant amount is to 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 (“2017 program”) 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 WRP to the Enhanced Reforestation of Legacy Disturbances (EnRLD) Program to support the new initiative. In 2021, at the direction of the Minister of Agriculture and Forestry, \$4,108,274 of uncommitted funds were transferred from the 2006 program to the 2017 program.

Restricted cash includes funds of \$38,939,195 (2020: \$21,604,090) restricted for use on the WRP and held in a separate bank account.

### **4. Community Reforestation Program (CRP)**

The CRP 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 CRP was established to reforest Crown lands subject to reforestation levies.

To implement the program, funds received for the CRP 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, were 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. The levies received during the 2021 fiscal year were \$2,388,129 (2020: \$2,257,943).

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 pine stands. Under the agreement, the Department provides a grant to be used to administer forest-industry-sector operators engaged to provide services, beyond tenured obligations, to control, suppress, or eradicate the mountain pine beetle.

Under the agreement, \$5,000,000 was provided in 2007 as initial funding to start the program. Additional annual grants of \$5,000,000 were provided in April 2008 and December 2009. Annual grant amounts were to be approved by the Department throughout the term of the agreement—April 1, 2007 to March 31, 2012—unless it was otherwise extended, renewed, or terminated in accordance with the terms. Annual grants of \$4,500,000 and \$1,200,000 were provided in the years ending March 31, 2012, and 2011, respectively.

The MPBP was extended to 2020. A \$2,000,000 grant for 2013 was received for the year 2013. 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 grant amounts of \$2,000,000 and \$1,000,000 were received in 2018. A grant of \$2,000,000 was received in 2019. Annual grant amounts for fiscal 2020 of \$3,000,000 were received in 2020.

A new agreement has been put in place for the period of April 1, 2020, to March 31, 2025. Under this agreement, \$5,000,000 was received in 2021.

Restricted cash includes \$1,993,118 (2020: \$2,065,290) 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. The program was established as

a framework for providing the requisite funding to FRIAA in the form of a grant to engage forest-industry-sector operators and other interested parties in activities, beyond regulatory obligations, to rehabilitate forested lands impacted by mountain pine beetle infestations. The agreement was to be in effect from March 31, 2013, to March 31, 2020, unless it was 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 was to maintain and enhance the ecosystem function of Alberta’s forest resources by assisting the Department in rehabilitating pine-dominated forests impacted by the mountain pine beetle to such an extent that they were unable to be saved or rejuvenated in a timely manner without the assistance contemplated by the program. Activities contemplated by the program would not include those under the existing tenure or regulatory or legislative responsibility of any timber disposition holder. The program encouraged 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. A new agreement was approved to begin on April 1, 2021.

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 EnRLD Program to support the new initiative.

Restricted cash includes \$757,268 (2020: \$1,529,847) 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 was to be in effect from January 9, 2014, to March 31, 2019, unless it was extended or renewed by agreement in writing or terminated by the parties. The parties' rights and obligations would 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 could terminate the agreement without cause on 60 days' written notice to FRIAA.

Two years from the last day of the term, any unused grant money was to 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 FRIAA FireSmart Program. During the term of the agreement the Department could from time to time within a fiscal year grant additional funds to this program.

On the following dates, the FRIAA FireSmart Grant Agreement was amended, as follows: On March 31, 2014, it was amended by increasing the initial program grant by \$1,600,000. On September 25, 2014, it was again amended by increasing the program grant by \$8,000,000. Both increases were 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. The agreement was amended in 2021 with grants of \$2,000,000 and \$1,500,000 received.

Restricted cash includes \$8,431,302 (2020: \$10,733,651) restricted for use on 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 sustaining and improving caribou habitat in a manner that supports healthy and self-sustaining caribou populations. The purpose of the program is to support the recovery strategies by providing funds for eligible activities for projects that

1. assist the Department in contributing 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 granted to FRIAA for the CHRP in 2019. In 2020, \$2,267,858 in directly related costs were recovered. There were three agreement amendments in fiscal 2021, with \$2,000,000, \$7,700,000, and \$4,000,000 received in 2021.

Restricted cash includes \$17,822,669 (2020: \$11,088,588) restricted for use on the CHRP and held in a separate bank account.

## **9. Enhanced Reforestation of Legacy Disturbances (EnRLD) Program**

The objective of the EnRLD Program is to support the Department of Agriculture and Forestry (the "Department") in reforesting eligible disturbed areas by applying the provincial grant and federal Low Carbon Economy Leadership Fund dollars 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 the agreement between Her Majesty the Queen in Right of Alberta, as represented by the Department Minister, and FRIAA is from April 1, 2018, to March 31, 2022, unless it is otherwise extended, renewed, or terminated in accordance with the terms.

In 2019, at the direction of the Department Minister, \$1,746,000 of uncommitted funds were transferred from the WRP to the EnRLD Program and \$8,000,000 of uncommitted funds were transferred from the MPBFRP to the EnRLD Program. No new funding was received in 2021.

Restricted cash includes \$4,992,373 (2020: \$9,413,201) restricted for use on the EnRLD Program and held in a separate bank account.

## **10. Community FireGuard Construction Program (CFCP)**

The CFCP program was initiated in 2020 to promote and improve the safety of remote forestry communities from wildfire. The program provides funds for the communities to establish fireguards around their populated areas in a way that provides for local employment and longer-term protection.

The term of the agreement between Her Majesty the Queen in Right of Alberta, as represented by the Minister of Agriculture and Forestry, and FRIAA was to be from April 1, 2020, to March 31, 2021, unless it was otherwise extended, renewed, or terminated in accordance with the terms.

Under the agreement, FRIAA received \$20,000,000 in 2021. No further funding is expected. An extension of the agreement was approved to March 31, 2022. A fully executed agreement had not been received as of the statement date.

Restricted cash includes \$13,016,092 (2020: nil) restricted for use on the CFCP and held in a separate bank account.

### 11. FRIAA Forest-Sector COVID Safety Measures Program (CSMP)

The CSMP was initiated in late 2020 to address the significant incremental costs faced by small to medium-sized enterprises, including tree-planting companies, of implementing health and safety measures to keep workers and local communities safe. This program is funded by the Government of Canada (Ministry of Natural Resources) and administered by FRIAA on behalf of the Government of Alberta.

At the direction of the Minister of Agriculture and Forestry, \$250,000 was transferred from the 2006 WRP to cover administration costs to initiate the program. A single submission of eligible expenditures was submitted to Natural Resources Canada and will be subsequently transferred to FRIAA in early fiscal 2022. Applicants have been advised that no funds will be paid until the funds are received from the government.

Restricted cash includes \$250,049 (2020: nil) restricted for use on the CSMP and held in a separate bank account.

### 12. Commitments

All funds received for specific programs must be spent on the program's operating activities. As at March 31, 2021, FRIAA was committed to fund approved projects with various terms in the following amounts for each program:

Program	2021	2020
Forest Resource Improvement	\$ 33,445,593	\$ 35,318,379
Community Reforestation	99,962	97,803
Wildfire Reclamation	30,653,856	15,353,684
Mountain Pine Beetle	524,503	441,046
Mountain Pine Beetle Forest Rehabilitation	625,980	1,250,472
FRIAA FireSmart	3,831,158	6,818,277
Caribou Habitat Recovery	6,352,714	4,300,199
Enhanced Reforestation of Legacy Disturbances	4,521,486	7,134,675
Community FireGuard Construction	9,752,386	-
	\$ 89,807,638	\$ 70,714,535

### 13. 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:

	2021	2020
Norm Denney	\$ -	\$ 2,044
Cliff Henderson	-	6,532
Andrew Neigel	1,576	-
Murray Summers	1,767	1,705
	\$ 3,343	\$ 10,281

### 14. 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.

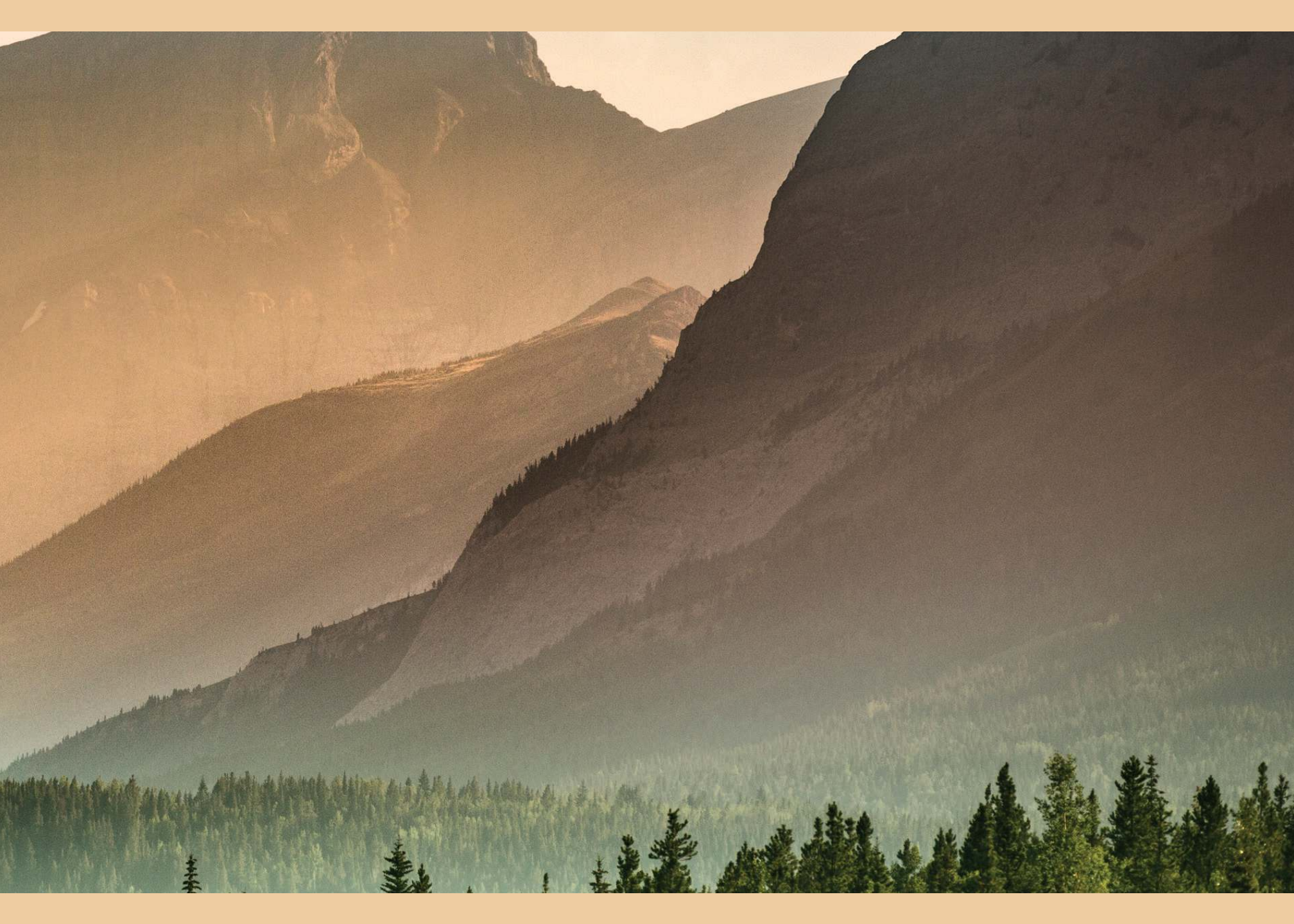
**Credit risk:** Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. FRIAA is exposed to credit risk from accounts receivable. Its accounts receivable balance is made up of numerous receivables, which reduces the concentration of credit risk. The Association notes that the COVID-19 pandemic may increase credit risk as a result of overall economic uncertainty. The Association will continue to monitor and adjust its credit management process with regard to outstanding accounts receivables as required to manage its credit risk.

**Interest rate risk:** Interest rate risk is the potential for financial loss arising from changes in interest rates. Investments bear interest at a fixed rate. Fixed-rate investments are subject to interest rate price risk, as the values will fluctuate because of changes in market rates.

## 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. ■ Ed Bobocel Lumber (1993) Ltd. ■ Foothills Forest Products Inc. (Dunkley Lumber Ltd.)  
■ Manning Forest Products ■ Medicine Lodge Timber Products Ltd. ■ Mercer Peace River Pulp Ltd. ■ Millar Western Forest Products Ltd. ■ N'deh Limited Partnership ■ 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.









Forest Resource Improvement  
Association of Alberta  
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