

# **Nawiinginokiima Forest Management Corporation**

2015-2016  
Annual Report



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## Chair's Message

As I begin my first year as Chair of the Nawiinginokiima Forest Management Corporation (NFMC), I look forward to a future of what the NFMC can be. I would like to highlight some of the areas that the LFMC model has changed how forest management happens on the NFMC land base. And I will keep these comments to what's happening and not what could happen, after all we, the board, the staff, the communities, the government, our partners, etc are crafting this model. It's "Tenure Reform" at its tender growing stages.

Highlights (which are further enhanced in various other section of this report ) include growth in forestry businesses operated by and with aboriginals, and recent discussions indicate that with start up assistance and cooperative monitoring we can expect more aboriginal businesses. A beginning towards meeting one of objectives of the Corporation. Improved relationships with and between our industry partners have come about after some testing, but with hard, honest discussions, predicable results, doing what we said we would do, and of course trust, there is a feeling, proof maybe, that working together will produce desirable results.

We have in our short life gone through IFA, s. FSC audits etc with good results, and we are presently involved with the provincial oversight review process and are looking forward to the final report, these processes bring an outside (as opposed to inside I guess) view and opinion(s) on sustainability, management, some of the shortfalls in the state of our land base, information that will assist the NFMC in crafting its management direction.

During our annual visitations and presentations to Chiefs and Councils and Mayors and Councils, very interesting discussions happened around the potential future of the NFMC, how communities might develop projects, either inside or outside forestry but on or from the land base and what role might the NFMC play. When like minds come together the potential outcome is tremendous.

I am very excited around our programs to grow our relationships with students, not only to promote the future potential for employment from the forest but the opportunity to explain and show off the residents of the forest, from toads to edible plants. I see great things coming out of this venture, definitely beyond forestry, most definitely bringing people closer to the land.

In closing I would say that the future for the NFMC looks promising, the basis for our collective decisions will remain to be the Objects of the Corporation. The visionary thinking of the board, the staff, the communities, the government, our industry partners, climate change and many others will aid in ensuring that the forest provides for the Objectives of the Corporation. This will not be an easy process, we as a Corporation are very young, and although we have had some successes, partial successes, differences of opinion, surprises etc "The sky has not fallen".

Two things should remain foremost in our minds, one change is constant and can be very exciting, and two our collective desire to craft a living model should not change.

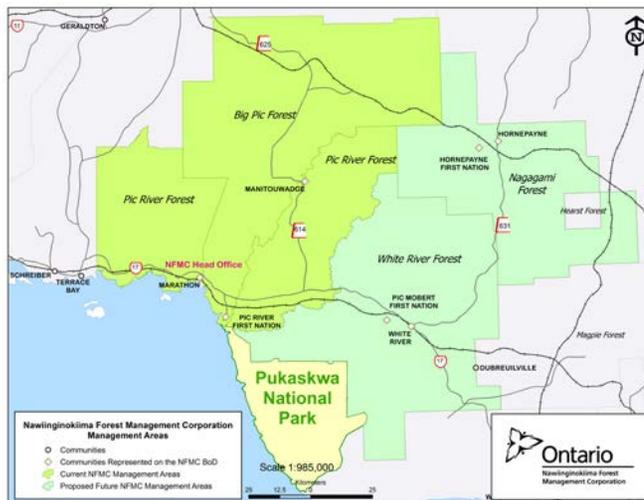
Respectfully Submitted

Grant E. Goodwin  
Chair of the Board  
Nawiinginokiima Forest Management Corporation

# 1.0 Background

## 1.1 Company Overview

The Nawiingnokiima Forest Management Corporation (NFMC) is the first Ontario local forest management corporation (LFMC) established under the *Ontario Forest Tenure Modernization Act, 2011* (OFTMA) (<http://www.ontario.ca/laws/statute/11o10>). The NFMC was established through the passage of Regulation 111/12 under the *Ontario Forest Modernization Act, 2011 (OFTMA)* on May 29, 2012, and represents a significant milestone towards modernizing forest tenure in Ontario.



The envisioned management area is comprised of four forest management units (FMUs): Big Pic, Pic River, White River and Nagagami Forests. This area encompasses approximately 1.9 million hectares of productive Crown forest with an available harvest volume of 2.2 million m<sup>3</sup> of merchantable fibre and 435,000 m<sup>3</sup> of biomass fibre annually (based on current forest management

plans). During 2015-2016 the NFMC managed the Big Pic and Pic River FMUs through Forest Resource Licenses (FRLs).

## 1.2 Corporate Governance

The Corporation is required to meet all obligations of a Crown Agency and has entered into a Memorandum of Understanding (MOU) with the MNRF that outlines the accountability relationship of the Agency and the Ministry. Specifically, the responsibilities of the Minister, Deputy Minister, Chair of the NFMC, the Board, and the General Manager (GM) are outlined within the MOU.

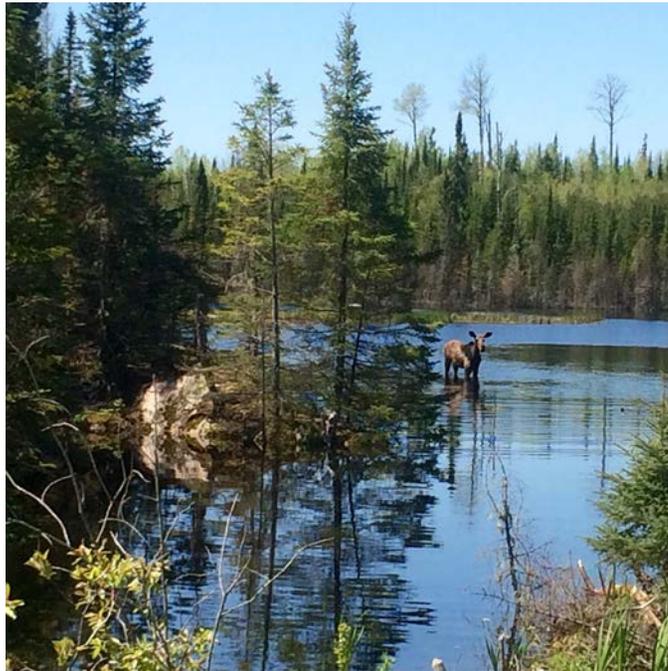
The GM is accountable to the Board, through the Chair, for the management of the Agency's operations and staff, while ensuring compliance with all applicable Acts, regulations and directives. The Board, in turn, is accountable to the Minister, through the Chair, for oversight and governance of the Agency, setting goals, objectives and strategic direction for the Agency, also while ensuring compliance with all applicable Acts, regulations and directives.

### Role of the Board

The responsibilities of Board members include:

- Supporting the GM, through approval of the operating budget, review of progress on strategic initiatives, and assistance in formulating next steps;
- Reviewing and approval of corporate policies and by-laws, identification of direction, with a focus on moving towards *taking initiative* rather than *being reactive*;
- Identifying and communication of potential problems growing in communities, as Directors represent key links between the NFMC and the communities (in this light, representative directors are to be kept informed of NFMC higher level activity with their constituents, e.g., meeting with Chief-in-Council or Mayor-in-Council);
- Involvement in communications with communities, e.g., attending meetings with community members;

- Managing political affairs, e.g., connections with the Minister; and
- Meeting the expectation to be knowledgeable, engaged, and present at Board meetings.



**Board of Directors**

During the year there were changes to the NMFC Board membership as terms expired, members left for new positions and new members joined. The board includes representatives from the communities of Manitouwadge, White River, Pic Mobert First Nation, Hornepayne, Pic River First Nation and a member-at-large who broaden its functional knowledge base and experience.

There were six NFMC Board members in place at March 31, 2106, and their tenures are listed below:

Member Name	Position	Tenure
Grant Goodwin	Acting Chair	20-Feb-2013 to 24-Mar-2018
John Grant Michano	Member	10-Feb-2016 to 9-Feb-2019
Tina Forsyth	Member	23-Jan-2013 to 22-Jan-2017
Julie Roy-Ward	Member	04-Nov-2015 to 03-Nov-2018
Gaetan Malette	Member	23-Jan-2013 to 22-Jan-2017
Donald Fry	Member	01-Feb-2013 to 31-Jan-2017

**Figure 1. Current NFMC Board Members**

Subsequent to year end NFMC filled the vacant member position for the community of Marathon and added a member-at-large who will be the Vice-Chair.

Collectively, the Board provides expertise in such areas as business administration, government relations, economic development, finance, forestry, Aboriginal and local issues.

**1.3 Board Committees**

In accordance with the OFTMA, the Board has established four standing committees:

**Audit and Finance Committee**

The Audit and Finance Committee is responsible for ensuring appropriate controls and accountabilities exist within the Agency with respect to audit, finance and areas of material risk.

*Chair: Tina Forsyth*

*Members: Grant Goodwin, Gaetan Malette, John MacGillivray*

### **Governance Committee**

The Governance Committee provides advice and recommendations on governance matters, including board vacancies.

*Chair: Grant Goodwin*

*Members: Tina Forsyth, Gaetan Malette, Don Fry, Julie Roy-Ward*

### **Performance Management and Human Resources Committee**

The Performance Management and Human Resources Committee provides advice and recommendations on matters relating to performance management and human resources.

*Chair and Members: To be determined*

### **Advisory Committees**

Also in accordance with the OFTMA, the Board has established a Stakeholder Advisory Committee whose membership will consist of individuals other than members of the Board. The Stakeholder Advisory Committee is intended to provide advice and recommendations to the Board on matters related to the Agency such as community interests or opportunities and forest industry expertise.

*Chair and Members: To be determined*



## **2.0 Description of Activities**

During the year the Ontario forestry industry showed signs of recovery as prices of forest products continue to increase and mills re-open, driven by the drop in the Canadian dollar. Locally, there were some challenges as mills took downtime or struggled with inventory issues and subsequent to year-end Olav Haavaldsrud Timber Co. Ltd went into receivership. However, the overall forecast is for continued improvement for the rest of the sector.

FRLs for the Big Pic and Pic River Forests were issued to the NFMC by the MNRF effective April 1, 2013. Forestry activities on these Forests are carried out under the authority of an approved forest management plan (FMP). The Big Pic Forest's FMP cycle is 2007 – 2017 and the Pic River Forest's FMP cycle is 2013 – 2023. These activities are subject to an Independent Forest Audit (IFA) every five years and the audit results are tabled in the Ontario legislature and made available to the public.

It is planned for the Big Pic and Pic River Sustainable Forest Licenses (SFLs) to be issued to the NFMC early in 2017-2018. The NFMC business plan for the SFL's have been approved and the NFMC is working with the MNRF to ensure we meet this timeline. The management of the NFMC has met with White River Forest Products and entered into an agreement for the transfer of the White River SFL to take place in 2017-2018. The status of the Nagagami Forest is uncertain at this time.

During 2015-2016, the NFMC continued to work to engage representatives from local municipalities and First Nations (FNs) and to develop MOA's with the forest industry. The NFMC's current management recognized the need for trust and transparency when dealing with communities and its forest industry partners such as making presentations to municipal councils and local citizen committees, holding regular operations meetings with contractors and mills to develop harvest plans and consulted the forest industry in developing the budget for the upcoming year.

During the 2015-2016 fiscal year, 567,000 m<sup>3</sup> of wood were delivered from the Big Pic and Pic River Forests to receiving mills. This compares to 525,000 m<sup>3</sup> of wood in 2014-2015. The primary customers were AV Terrace Bay Inc., Lecours Lumber Co., Levesque Plywood Limited, White River Forest Products

and Longlac Lumber Inc. The majority of volume was delivered by three primary contractors on the land base, B&M Hauling Ltd., AMIK Logging Limited Partnership/Lecours Lumber, and AV Terrace Bay Inc.

## **2.1 Start-up Funding**

The LFMC Conversion Program was established by the MNRF to provide financing for LFMC's until the SFL's were issued. During 2015-2016 the NFMC received disbursements from this fund of the balance from the 2014-2015 funding agreement. The NFMC prepared a funding application in 2015-2016 that was approved by the Forestry Futures Trust Committee, however funding was delayed which caused NFMC to curtail or delay a number of planned projects such as GIS support and training, road upgrades, and contributions to the operating reserve to preserve funds on hand.

## **2.2 Staffing, Office Establishment and Health and Safety**

The NFMC is a fully functioning Crown Agency with its own staff and central office in Marathon. The contact information and mailing address for the NFMC is:

Nawiinginkiiima Forest Management Corporation  
P.O. Box 1479  
22 Peninsula Road  
Marathon, ON P0T 2E0  
Phone: 807-229-8118  
Website: [www.nfmforestry.ca](http://www.nfmforestry.ca)



### **General Manager**

The GM, reporting to the Board of Directors, is responsible for the day-to-day management of the NFMC. The GM is also responsible for developing and implementing the operational plan for the Agency and has the flexibility to determine whether delivery of the operational plan is completed by in-house staff or through service providers based on its individual business conditions.

The NFMC has established its own human resource and procurement policies and is directly responsible for the terms and conditions of employment and health and safety in accordance with its human resource policies and applicable provincial and federal legislation and subject to approval by the Board. The NFMC is subject to all applicable Government of Ontario directives.

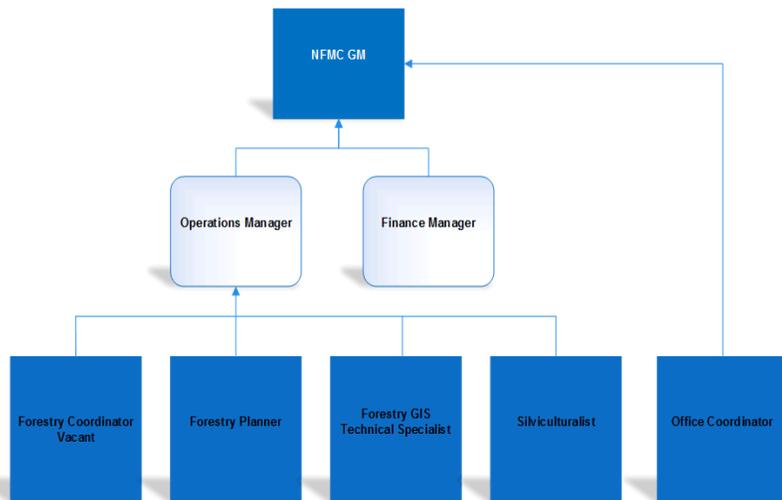
### **Staff Numbers**

The staff numbers remained constant in 2015-2016. It is expected that NFMC will require additional staff to support the activities of forest management, marketing and selling of wood, and forest compliance following the issuance of all SFLs to the NFMC. The NFMC will determine the appropriate mix of permanent and contract staff to be flexible enough to

meet varying forest management planning and operational demands of the applicable forest management units at different times in the forest management planning cycle. This flexibility will also be an important tool for the GM to manage costs and operational risks associated with the current business climate in the NFMC management area.

**Organizational Chart**

Additional staff are expected in 2016-2017 as the NFMC is still growing and is in the process of determining its employment needs going forward. During 2015-2016, the NFMC recruited to fill the position of Operations Manager and this employee will be in place in 2016-2017 on a permanent basis. The management team continues to strive to make the NFMC a desirable place to work. The organizational chart below represents the positions in 2015-2016 to manage the Big Pic and Pic River forests. Additional positions may be filled dependent on Agency needs, financial resources, and the timing of transition of the Nagagami and White River Forest SFLs. In addition, the use of contract staff versus full time, permanent NFMC employees is being constantly evaluated.



**Figure 2. NFMC organizational chart**

**Health and Safety Program**

The management of the NFMC is committed to the health and safety of its employees and all who are involved in forestry and silviculture operations on its land base. The NFMC is also committed to having an accident-free workplace through effective administration, education and training. To honor these commitments and to comply with provincial legislation and the Occupational Health and Safety Act (1990), the NFMC achieved a major milestone by having its comprehensive Health & Safety Program (H&SP) audited and endorsed in March 2015 by Workplace Safety North. The NFMC considers its H&SP an evergreen document and will make continued efforts to update its H&SP as required to ensure continued employee and contractor safety on its land base. To further cement its H&SP and promote safe work practices in forestry, the NFMC has established a partnership with Workplace Safety North to provide complimentary health and safety training courses to the various stakeholders on its land base.

***2.3 Forest Management and Operations***

During 2015-2016, the NFMC continued to establish appropriate mechanisms and structures to ensure ongoing activities associated with forest management planning, forest renewal and forest operations including harvesting and road construction and maintenance.

***2.4 Forest Certification and Environmental Policy***

***Forest Certification***

The NFMC is working with its industry partners to start the certification process for the Pic River Forest. The NFMC achieved Forest Stewardship Council (FSC®) forest management certification of the Big Pic Forest in September of 2014. Certifying the Big Pic Forest was considered a major accomplishment that demonstrated the NFMC’s commitment to manage its forests sustainably, support its industry partners, and help facilitate local community and First Nation economic development.

## **Environmental Policy**

The NFMC recognizes environmental protection as one of our guiding principles and a key component of sound business performance. The Board of Directors developed an Environmental Policy in June 2013. As part of the Environmental Policy for the NFMC, a commitment was made to providing quality forest products and related services in a manner that ensures a safe and healthy workplace for employees and minimizes the potential impact on the environment. In addition, the NFMC will operate in compliance with all relevant federal, provincial and municipal environmental legislation and strives to use pollution prevention and environmental best practices.

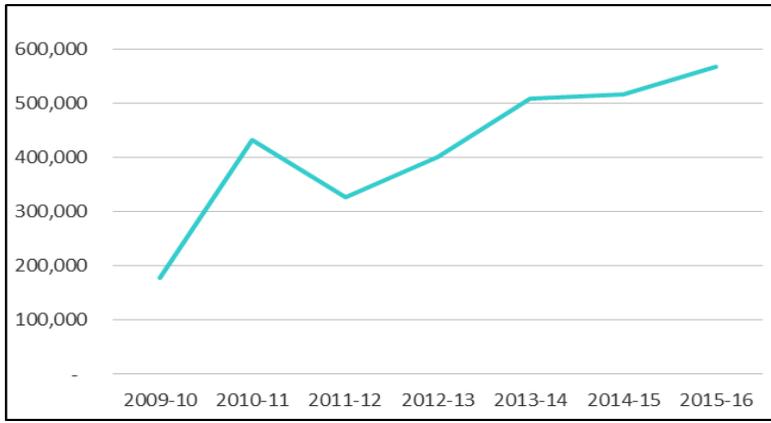
The environmental policy states that the NFMC will:

- integrate the consideration of environmental concerns and impacts into all of our decision making and activities,
- promote environmental awareness among our employees and encourage them to work in an environmentally responsible manner,
- train, educate and inform our employees about environmental issues,
- where required by legislation or where significant health, safety or environmental hazards exist, develop and maintain appropriate emergency and spill response plans,
- regularly communicate our environmental program to our clients, customers and the public and encourage them to support it,
- commit to the advancement of sustainable forest management practices and to the pursuit of FSC® certification on the NMFC management area, and
- strive to continually improve our environmental performance by periodically reviewing our environmental policy in light of our current and planned future activities.



## **2.5 Forest Product Markets**

The recovery in lumber demand and the restart of the Terrace Bay pulp mill by AV Terrace Bay has served as a catalyst for the softwood sawmills in the region. Demand for softwood saw logs and chips from the NFMC management area continued to increase. In 2015-2016, the NFMC management area supplied over 567,000 m<sup>3</sup> of wood and had six main customers. The NFMC is encouraged that major capital expenditures are planned by its core customers which will increase their efficiency and demand for wood from the management area. The NFMC is moving forward on strategic initiatives to increase contractor capacity further in 2016-2017., specifically through arrangements that support local and First Nation economic development.



**Figure 3. Delivered Volume (Big Pic & Pic River) 2009-2010 to 2015-2016**

## 2.6 Community Engagement

During the 2015-2016 fiscal year, the NFMC has been working hard to establish a strong foundation to allow it to move forward with its objects and mandate to support local and aboriginal economic development.

The Board has made efforts to meet with community leaders and their councils to provide updates on the NFMC and its operations. The NFMC has also taken a proactive approach for the development of its Procurement Policy and shared a draft with representatives from local and Aboriginal communities for review and comment.

The NFMC supported a local First Nation to start a harvesting operation that increased the supply from the Pic River forest and allowed the First Nation to move forward with a significant capital investment to purchase harvesting equipment.

During the coming year, the NFMC will continue to engage with First Nations, communities and other key stakeholders to develop meaningful strategies and programs to achieve the objects of the Agency's mandate.

### **Forest Tenure Modernization Oversight Group**

The MNRF established a multi-party Oversight Group to provide advice and recommendations to the Minister (through the Deputy) with regards for

forest tenure modernization. The NFMC has been represented on the Oversight group since its inception in 2014. The board of the NFMC recommended Grant Goodwin. In addition, Grant Goodwin has participated on several sub-groups of the Oversight Group related to one of the major projects of the Oversight Group – The Review of Forest Tenure Models.

In addition, the NFMC is participating in the MNRF's tenure review process and has already met with the team in charge.

## 2.7 Key Decisions and Accomplishments of the Board

The 2015-2016 fiscal year was active for the Board of Directors. Six Board meetings were held to discuss a broad range of topics associated with the operation and strategic direction of the Agency.

Key Board activities in 2015-2016 include:

- Approved Conflict Resolution Policy
- Participated in strategic planning session to update NFMC's strategic plan
- Approved 2014-2015 Annual Report
- Approved 2014-2015 BDO Financial Audit Report
- Approved 2016-2017 budget
- Board completed self-assessment questionnaire
- Board member for Hornepayne was identified and appointed
- Board member for Pic River First Nation was identified and appointed
- Established the NFMC Governance Committee
- Approved submission of 2015-2016 SFL Business Plan to MNRF
- Finance Committee implemented review matrix for future LFMCs in the province to employ
- Reviewed and approved Strategic Initiatives Policy
- Reviewed and approved the Capacity Building Agreement with local First Nations.

The Board agreed to important strategic initiatives during 2015-2016 that will set up the NFMC operations for future years. The primary initiatives include an agreement with White River Forest Products that will see the

White River SFL transferred to NFMC in 2016-2017 and a approval of a First Nation Capacity Building Agreement that will create harvesting and economic development opportunities for the community.

The Board met throughout 2015-2016, including the following:

- May 20, 2015
- September 14, 2015
- August 20, 2015
- December 8, 2015
- January 23, 2016
- March 1, 2016.

In addition, the Board members participated teleconferences and met for strategic planning and visioning sessions during the year.

### 3.0 Analysis of Performance

#### 3.1 Performance Measures

The NMFC will continue to develop operational performance measures and targets to ensure the achievement of its goals and objectives as well as achievement of the objectives for the Agency (as described in the OFTMA). The NFMC’s performance measures and achievements are outlined in the table below (Figure 4).

Goal	Performance measure	Standard/Target	2015-2016 Achievements
1. World class forest management company	<ul style="list-style-type: none"> <li>• Are the forests being managed sustainably as per audits/ certification standards, etc.?</li> <li>• Has the renewal program met or exceeded the commitments made in the approved FMP?</li> <li>• Has NFMC invested in R&amp;D to improve forest management</li> </ul>	<p>All forests certified by 2016/2017.</p> <p>Favourable audit findings.</p>	<p>Maintained third party certification on the Big Pic Forest.</p> <p>Addressing the findings of the 2014 Big Pic Independent Forest Audit.</p> <p>Implementing plan to address historic silviculture obligation.</p>
2. Becoming financially self sufficient	<ul style="list-style-type: none"> <li>• Does the NFMC have sufficient cash flow to support its operations</li> <li>• Has an appropriately sized operating reserve been established?</li> <li>• Has value for money been realized when spending taxpayer dollars?</li> <li>• Are accounts receivable collected in a timely manner?</li> </ul>	<p>\$200,000 to \$500,000 of free cash flow.</p> <p>\$2.8 million operating reserve by year end 2016/2017.</p>	<p>Cash on hand at Mar 31/2016 of \$1.6 million.</p> <p>Operating reserve and temporary investments by-law passed in November 2014. Funding application approved by FFTC in 2015-2016 includes \$300K for operating reserve.</p>
3. Extending scope of usage	<ul style="list-style-type: none"> <li>• Have commitment volumes been made available and/or utilized?</li> <li>• Has wood been made available to new entrants? How much?</li> <li>• Has NFMC moved closer to a</li> </ul>	<p>100 percent of commitment volume made available.</p> <p>Percentage of wood made available to open market</p>	<p>Commitment volumes made available but not fully utilized due to operational factors and conditions facing certain customers.</p> <p>Supported wood requirements of new/re-</p>

	<p>more economically efficient system for wood allocation and pricing?</p> <ul style="list-style-type: none"> <li>• Has utilization of available timber over operational period improved and/or new markets been developed?</li> </ul>	<p>customers.</p> <p>Positive utilization trends.</p>	<p>opened mills in and around the NFMC management area</p> <p>Positive trend in utilization with ~ 567,000 m<sup>3</sup> flowing in 2016-2017 which represents a 42,000 m<sup>3</sup> increase from the year before.</p>
4. Meeting governance requirements	<ul style="list-style-type: none"> <li>• Have government directives been followed (i.e. AEAD)</li> <li>• Completion of Annual Business Plan</li> <li>• Risk Assessment Evaluation</li> <li>• Annual Report</li> <li>• In addition to the AEAD, all classified agencies must adhere to: <ul style="list-style-type: none"> <li>i. Accountability Directive</li> <li>ii. Advertising Content Directive</li> <li>iii. Delegation of Authority Key Directive (MOF)</li> <li>iv. Government Appointees Directive</li> <li>v. Travel, Meal and Hospitality Expenses Directive</li> </ul> </li> </ul>	<p>All reports submitted on time.</p> <p>Posting of reports to NFMC website.</p> <p>100 percent compliance with directives.</p> <p>Development of relevant NFMC policies.</p> <p>Creation of Governance Committee to report to Board.</p>	<p>Timely submission of Annual Report, SFL Business Plan, and Agency Business Plan to MNRF.</p> <p>Posted reports to website; including travel, meal and hospitality expenses to website for public disclosure.</p> <p>Developed NFMC by-law related to operating reserve, and NFMC internal policies to support operations (procurement, accounts receivable, etc.).</p> <p>Established the NFMC Governance Committee.</p> <p>Reviewed and approved Strategic Initiatives Policy.</p> <p>Continuing to develop further policies for implementation in 2016-2017.</p>
5. Building new local forest related industry	<ul style="list-style-type: none"> <li>• Have local economic development opportunities been created/supported by NFMC operations?</li> </ul>	<p>Establish benchmarks for current levels. Targets to be determined.</p>	<p>Moved forward on several strategic initiatives consistent with NFMC objects (Agreements related to the industrial road, harvesting subcontractors, and First Nation capacity building.</p> <p>Board approved NFMC strategic initiative policy to support other possible strategic initiatives for 2015-2016 and beyond</p>
6. Establishing a new baseline for First Nation engagement	<ul style="list-style-type: none"> <li>• How have communities interests been represented by NFMC operations and decisions?</li> <li>• Have First Nation economic development opportunities been developed?</li> </ul>	<p>Establish benchmark for current levels.</p> <p>Targets to be determined.</p>	<p>Moved forward on strategic initiatives related to road maintenance and harvesting capacity with a local First Nation</p> <p>Reviewed and approved Strategic Initiatives Policy.</p> <p>Added Pic River First Nation representative</p>

7. Engaging the community in forestry	<ul style="list-style-type: none"> <li>How have communities interests been represented by NFMC operations and decisions?</li> </ul>	Events attended  Newspaper articles	to board. Staff attended community events and tradeshows across the region.  Various articles related to NFMC in the Marathon Mercury, Working Forest, and Northern Ontario Business.
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**Figure 4. NFMC Performance Measures**

### 3.2 Operational Performance

During the 2015-2016 fiscal year, the volume harvested on the land base was approximately 567,000 m<sup>3</sup> which represents 76 percent of its forecasted harvest volume of 643,600 m<sup>3</sup> for the year. Volumes were lower primarily due to lower than anticipated deliveries to White River Forest Products as they completed a major capital investment designed to increase productivity and suspension of deliveries Olav Haavaldsrud Timber Co. Ltd. The variance in harvesting and wood deliveries did not present a material impact to the NFMC cash flow as expenditures were also lower than forecast and NFMC continued its careful cash management strategies.

The NFMC sells, or enables the following mills to buy or access fiber from the Big Pic and Pic River Forests.

Mill	Location	Product
AV Terrace Bay	Terrace Bay	Pulp/Biomass
Capital Power Corporation	Calstock	Biomass
Lecours Lumber Co. Ltd	Hearst	SPF Lumber
Levesque Plywood Ltd	Hearst	Poplar Veneer
Longlac Lumber Inc	Longlac	SPF Lumber
Olav Haavaldsrud Timber Co. Ltd	Hornepayne	SPF Lumber
White River Forest Products	White River	SPF Lumber

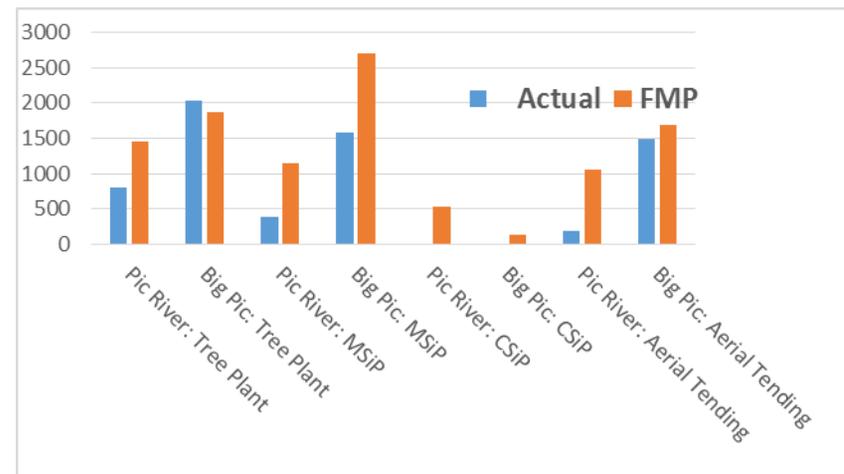
**Figure 5. Mills that Received Fibre from NFMC from 2015-2016**

The volume delivered from NFMC was primarily from the Big Pic Forest. The NFMC has worked to increase access to fibre on the Pic River Forest. In

2015-16 the volume from the Pic River forest was approximately 130,000 m<sup>3</sup>. NFMC's work with mills and local First Nations should result in full utilization of the forest in coming years.

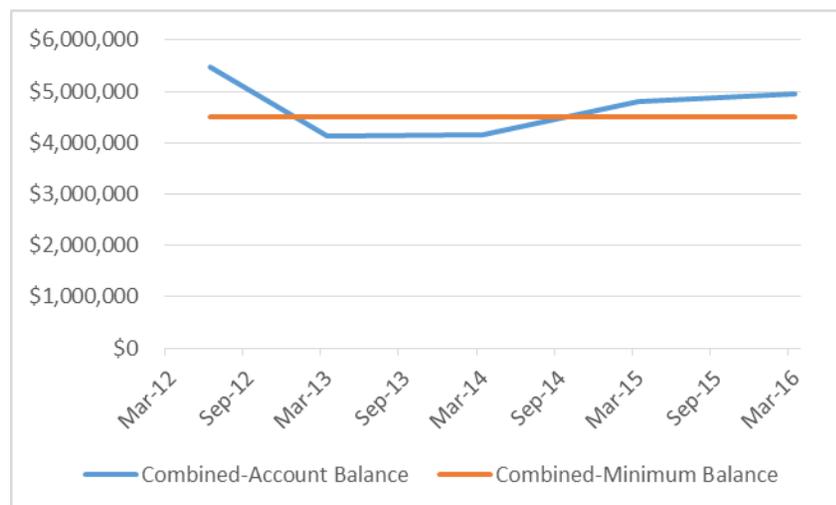
The NFMC has continued responsibility for the maintenance of the Caramat-Manitouwadge Industrial Road for the MTO. The NFMC utilizes a local First Nation contractor to perform road maintenance and provide an economic opportunity to the First Nation's community.

Forest management activities were carried out with support from qualified service providers to facilitate ongoing forest operations including any required amendments to the forest management plans and revisions to annual work schedules.



**Figure 6. Compare Actual Silvicultural Activities versus FMP for 2015-2016**

The NFMC has been active in ensuring appropriate data and information is available to facilitate more timely procurement of services for the delivery of the renewal programs. The NFMC has developed new strategies to ensure that the renewal program will meet objectives set out in the approved FMPs (i.e. timely treatment of harvest blocks, Free to Grow surveys, etc.). As a result of work by NFMC staff the combined Forest Renewal Trust (FRT) account now exceeds minimum balance.



**Figure 7. Forest Renewal Trust Fund Account Balance (Big Pic & Pic River)**

The 2015-2016 renewal program represents an improvement in area treated over the previous five years. The program included the following activities:

Mechanical Site Prep (ha)	2,837 ha
Aerial Tending	1,682 ha
Stock Production (trees)	4,300,000 trees
Planting (trees)	3,922,970 trees

**3.3 Financial Performance**

The Audit and Finance Committee was active during the year, approving financial statements, preparing budgets, draft business plans, etc. The Audit and Finance Committee also drafted a policy related to strategic initiatives to help guide the GM and Board in considering future proposals and projects that NFMC may be able to support to further its objects.

The Agency appointed an independent auditor to review the accounts and financial transactions of the Agency for 2015-2016 (see Section 5.0). The NFMC is a Crown Agency and operates on a non-profit basis and is exempt from income taxes under the federal Income Tax Act.

The NFMC recorded an operating deficit for 2015-16 of \$632,373 compared to a surplus \$1.1 million in the previous year. The difference is primarily due to the \$1.6 million received in 2014-2015 from the LFMC conversion fund.

The accounts receivable for stumpage in 2015-2016 was approximately \$300,000 compared with the previous year balance of \$1,135,000. During the prior year, the NFMC worked with its core customers as they dealt with cash flow and other operational challenges and the NFMC deferred collecting Crown dues until the mills were able to address their operating challenges.

**Balance Sheet**

The NFMC increased its cash position to \$1.5 million during the 2015-2016 audit period. The balance of accounts receivable at the end of the audit period was \$2.1 million composed of funding from the MNRF’s Roads Program funds (\$1,385,000), stumpage fees (\$330,000), MTO Northwest region (\$77,000), Forest Renewal trust Fund (\$56,000) and trade receivables (\$300,000). Trade receivables include administration and permit fees receivable from various mill customers and overlapping licensees.

The NFMC was owed approximately \$65,000 for Crown dues and administration fees by Olav Haavaldsrud Timber Co. Ltd. when it went into receivership. The NFMC does not anticipate recovering any of these funds.

The NFMC acquired additional computer and software valued at \$4,000 during the audit period. Equipment is recorded at cost less accumulated amortization.

Liabilities at year end were almost \$2.5 million and are primarily related to the accrued Crown dues including deliveries in January-March 2015 but not billed until after the year end (\$140,000), Forest Access Roads funds receivable by NFMC and repayable to the industry (\$2.2 million). The trade payables total \$10,000 and accrued wages total \$30,000.

### **Revenues**

Revenues from administrative fees and forest renewal charges are recognized when wood is delivered. Revenues from the MNRF's Provincial Forest Access Roads Program were recognized when the invoice was submitted for reimbursement.

The total revenue for the period totalled \$3.2 million. Operating revenues from administration and similar fees for the audit period were \$542,000, an increase of almost 10%. Roads funding for the audit period was \$2.3 million which includes funds received from the forest access roads program and the agreement with the MTO to maintain the Industrial Road.

The NFMC received no LFMC conversion funding during the 2015-2016 fiscal year. An application was approved by the FFTC but the funding agreement was not approved in the 2015/16 fiscal year. In the previous year the NFMC recorded \$1.6 million in revenue from the LFMC conversion fund.

### **Expenditures**

Wages and benefit costs incurred during the audit period totalled \$578,000. The Board of Director expenses totalled \$40,000, a reduction from the previous year as many of the start-up activities were completed in the previous year and board meeting were held at the NFMC office in Marathon. The NFMC also incurred contractor services expenses to support management activities of \$218,000.

The largest expenditure during the period was road construction and maintenance costs totalling \$2.2 million, which were recovered during the

year. Forest management costs, including renewal treatments amounted to \$90,000 (the majority of renewal activities were funded by direct contractor reimbursement by the Forest Renewal Trust).

The NFMC incurred professional fees of \$36,000 for the preparation of audited financial statements and legal and accounting advice to support various agreements and corporate decisions. The NFMC opened its permanent office in 2014-2015 and incurred office related expenses of \$74,000, including rent. Additional expenditures included forest certification costs of \$40,000 to maintain certification on the Big Pic Forest. During the year, NFMC wrote off accounts receivable related to Crown Dues and administration fees owed by Olaav Haavaldsrud Timber. In addition, the NFMC wrote off interest charges from 2014-15 related to the timing of funds received from the LFMC Conversion Program and the due date of Crown stumpage charges owed.

Per its mandate, the NFMC invested \$120,000 in training and capacity development to provide for opportunities and greater role for local and Aboriginal communities in the management of Crown forests. The funds were used primarily used to train employees at a First Nations based contractor that started operations on the landbase during the year.



## 4.0 The Path Ahead

Priorities for 2017-2018 will be to have the Big Pic and Pic River SFLs issued and White River transferred. Continued growth of the NFMC and the development of a corporate culture that focuses on productivity, efficiency, transparency, professionalism, and creating synergies.

As the NFMC assumes additional responsibilities the process to hire new staff will continue. The management of the NFMC believes its staff are the Agency's greatest asset. The NFMC will work to create an environment that encourages each staff member to achieve their full potential by encouraging professional development and growth.

The NFMC will work with its contractors to develop cost effective silviculture treatments that enhance forest health and productivity. The NFMC will work with harvesting contractors and receiving mills to ensure wood is delivered on time and at competitive prices, as well as working to maximize the value of the forest resource.

In 2015-2016, the NFMC began the process of preparing the amalgamated FMP for the Big Pic and Pic River Forests. The Big Pic Forest's planning cycle is 2007 – 2017 and the Pic River Forest's planning cycle is 2013 – 2023. In order to amalgamate these two forests the forest management planning cycles must align. Contingency plans have been the proposed mechanism to align these two schedules. The target date for implementing the new forest and its forest management plan is April 1, 2019.

Operational benefits may also be achieved from the proposed amalgamation. For example, forest harvesting and silviculture operations across one administrative land base would allow for efficiencies in planning, scheduling, and implementing operations. This would result in cost savings for NFMC, MNRF, and industry stakeholders. Following a single forest management plan, there would be lesser contractor confusion related to following Area of Concern prescriptions, conditions on regular operations, and Silviculture Ground Rule treatments. This would improve comprehension of compliance standards across SFL and MNRF staff.

The NFMC believes that the planned capital expenditures by local mills will stabilize the industry and increase demands from the forests it manages. The NFMC will look to broaden the market for its products by working with new entrants. The NFMC is encouraged by the restart of previously idled sawmills and the development of the new biomass mill in Wawa and believes that there are opportunities for future growth in the forest products sector.

The IFA for the Big Pic Forest for the period covering April 1, 2009 to March 31, 2014 was completed in the fall of 2014. The NFMC has been proactive and identified many of the issues raised by the IFA and corrected many of the findings before the audit commenced. The NFMC will work with the MNRF to address the recommendations outlined in the final audit report.



The NFMC has developed new strategies to ensure that the renewal program will meet FMP objectives. The NFMC has planned a cost effective renewal program for 2016-2017. The planned activities include:

Mechanical Site Prep (ha)	3,220 ha
Stock Production (trees)	4,250,000 trees
Planting (trees)	3,850,000 trees
Seed Collection (hL)	249 hL

Aerial Spray (ha)	2,600 ha
Supplemental Aerial Photography (ha)	23,462 ha
FTG Survey (ha)	100,000 ha

Upon receiving the SFL's, the NFMC will assume the responsibility for forest renewal including any past, present and future silviculture obligations associated with the Big Pic and Pic River Forests. As detailed in the 2015-2018 SFL Business Plan, the corporation has access to sufficient funding to ensure successful implementation of the silviculture obligation, it will use a combination of forest renewal funds, the Forestry Futures Trust and NFMC revenues to address the existing silviculture obligation. The Pic River Forest is currently below the prescribed minimum balance, the NFMC and the MNRF have agreed that while the NFMC is working to address the historical obligation a strategy to bring the Pic River forest renewal trust fund up to the minimum balance was developed.

Finally, one of the NFMC's priority areas for 2016-2017 will be the continued development of economic opportunities for the communities and First Nations in the NFMC management area. This will be accomplished through open and honest dialogue and business development collaboration and the development of the NFMC's Strategic Initiative Policy.

Tenure modernization is a long-term commitment by the Province to help revitalize Ontario's forest industry. To adhere to this commitment, the NFMC will continue its efforts at establishing a model that creates new economic development opportunities for northern communities and First Nations while ensuring the success and long term stability of the forest industry surrounding the management area.



## **5.0 Audited Financial Statements**

**Nawiinginokiima Forest  
Management Corporation  
Financial Statements**  
For the year ended March 31, 2016

**Contents**

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BDO Canada LLP  
1095 Barton Street  
Thunder Bay ON P7B 5N3 Canada

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## Independent Auditor's Report

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### To the Board of Directors of Nawiinginiima Forest Management Corporation

We have audited the accompanying financial statements of Nawiinginiima Forest Management Corporation, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nawiinginiima Forest Management Corporation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
September 14, 2016

**Nawiinginokiima Forest Management Corporation  
Statement of Financial Position**

March 31	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,487,511	\$ 1,328,617
Accounts receivable (Note 3)	2,143,705	3,820,408
Prepaid expenses	4,100	-
	<u>3,635,316</u>	<u>5,149,025</u>
Roadside inventory advances (Note 4)	900,000	400,000
Property, plant and equipment (Note 5)	84,487	121,347
	<u>\$ 4,619,803</u>	<u>\$ 5,670,372</u>

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 2,454,126	\$ 2,872,322
<b>Net assets</b>		
Unrestricted	1,865,677	2,498,050
Operating reserve (Note 7)	300,000	300,000
	<u>2,165,677</u>	<u>2,798,050</u>
	<u>\$ 4,619,803</u>	<u>\$ 5,670,372</u>

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## Nawiinginokiima Forest Management Corporation Statement of Operations and Accumulated Net Assets

For the year ended March 31	2016	2015
<b>Revenue</b>		
Administrative fees	\$ 541,597	\$ 499,721
Forestry Futures Trust funding	-	1,600,000
Forest renewal activity	339,884	383,701
Forest access roads	2,296,702	1,850,773
	<u>3,178,183</u>	<u>4,334,195</u>
<b>Expenses</b>		
Amortization	40,909	30,986
Automotive	25,992	13,541
Bank charges	17,727	21,696
Bad debt	140,386	-
Board of Directors activities	39,630	55,821
Community/First Nation training and development	121,219	395
Contract services	217,322	158,417
Forest certification	40,056	21,000
Forestry equipment & supplies	31,060	2,878
Forest management services	89,676	309,482
Human resources development	38,686	30,610
Insurance	29,986	25,085
Licenses and subscriptions	32,613	3,854
Miscellaneous	5,936	13,134
Office	74,130	49,062
Professional fees	35,708	44,034
Public access road maintenance	2,246,324	1,878,907
Public relations	5,034	7,714
Wages and benefits	578,162	530,991
	<u>3,810,556</u>	<u>3,197,607</u>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(632,373)</b>	<b>1,136,588</b>
<b>Net assets, beginning of the year</b>	<b>2,498,050</b>	<b>1,661,462</b>
<b>Transfer to operating reserve (Note 7)</b>	<b>-</b>	<b>(300,000)</b>
<b>Net assets, end of the year</b>	<b>\$ 1,865,677</b>	<b>\$ 2,498,050</b>

The accompanying notes are an integral part of these financial statements.

## Nawiinginokiima Forest Management Corporation Statement of Cash Flows

For the year ended March 31	2016	2015
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ (632,373)	\$ 1,136,588
Item not involving cash:		
Amortization	40,909	30,986
	<u>(591,464)</u>	<u>1,167,574</u>
Change in non-cash working capital items:		
Accounts receivable	1,676,703	(1,254,389)
Prepaid expenses	(4,100)	-
Accounts payable and accrued liabilities	(418,196)	1,486,026
	<u>662,943</u>	<u>1,399,211</u>
<b>Cash used in investing activities</b>		
Roadside inventory advances	(500,000)	(400,000)
<b>Cash flows from capital activities</b>		
Purchase of property, plant and equipment	(4,049)	(137,909)
<b>Increase in cash during the year</b>	<b>158,894</b>	<b>861,302</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,328,617</b>	<b>467,315</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,487,511</b>	<b>\$ 1,328,617</b>

The accompanying notes are an integral part of these financial statements.

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2016

### 1. Significant Accounting Policies

<b>Basis of Accounting</b>	These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.								
<b>Financial instruments</b>	<p>The Corporation's financial assets and financial liabilities are accounted for as follows:</p> <p>Cash and cash equivalents consist of cash on hand and bank balances.</p> <p>Accounts receivable are recorded at amortized cost less any valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the statement of operations.</p> <p>Roadside inventory advances are recorded at cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.</p> <p>Accounts payable and accrued liabilities are recorded at cost.</p>								
<b>Property, Plant and Equipment</b>	<p>Property, plant and equipment are recorded at cost less accumulated amortization.</p> <p>Road costs are expensed when incurred.</p> <p>Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.</p> <p>Amortization is provided for on a straight-line basis as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Computer equipment</td> <td style="text-align: right;">3 years</td> </tr> <tr> <td>Furniture and fixtures</td> <td style="text-align: right;">5 years</td> </tr> <tr> <td>Leasehold Improvements</td> <td style="text-align: right;">10 years</td> </tr> <tr> <td>Computer software</td> <td style="text-align: right;">3 years</td> </tr> </table>	Computer equipment	3 years	Furniture and fixtures	5 years	Leasehold Improvements	10 years	Computer software	3 years
Computer equipment	3 years								
Furniture and fixtures	5 years								
Leasehold Improvements	10 years								
Computer software	3 years								

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## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies (cont'd)

#### Revenue Recognition

Revenue from administrative fees are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

Revenue from forest renewable activity and forest access roads is recognized when earned and collection is reasonably assured.

The Corporation accounts for Forestry Futures Trust Funding when an agreement is signed by the Corporation, MNR and the Forestry Futures Trust Committee.

#### Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. The principal estimates used in the preparation of these financial statements are the useful lives of property, plant and equipment and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### Contributed Materials and Services

Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

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## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2016

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### 2. Nature of Business

The Nawiinginokiima Forest Management Corporation (NFMC) is a Crown Agency which was established by the Ontario Government on May 29, 2012 under the Ontario Modernization Act of 2011. Operations commenced in February 2013. NFMC was established to operate within the defined management area that includes the communities of the Ojibways of the Pic River First Nation, Pic Moberg First Nation, Hornpayne Aboriginal community, Marathon, Hornpayne, Manitouwadge and White River. NFMC operates on a not-for-profit basis and is exempt from income taxes under the Income Tax Act.

The mandate for Nawiinginokiima Forest Management Corporation is as follows:

- Manage Crown forests sustainability in accordance with the *Crown Forest Sustainability Act, 1994* including the development and implementation of Forest Management Plans.
- Market and sell available Crown timber.
- Provide economic benefits to communities.
- Provide for opportunities and greater role for local and Aboriginal communities in the management of Crown forests.
- Promote and attract forest sector investment in the local management area.
- Operate as a self financing business, which includes establishing an operating reserve which will ensure continued sustainable forest management in response to variations in economic cycles.
- Reinvest in the forest to improve the Crown forest asset.
- Advise the Minister of Natural Resources on matters related to the forest industry and forest sector.
- Collect, maintain and provide Crown timber sales and pricing information.

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### 3. Accounts Receivables

	2016	2015
Forestry Futures Trust	\$ -	\$ 1,600,000
Roads program	1,384,871	477,347
Stumpage fees	329,769	1,135,409
Trade	483,466	607,652
	2,198,106	3,820,408
Less: allowance for doubtful accounts	(54,401)	-
	\$ 2,143,705	\$ 3,820,408

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2016

#### 4. Roadside Inventory Advances

The Corporation has committed to provide advances to a contractor, B&M Hauling Ltd., to a maximum amount of \$900,000 for roadside inventory. As at March 31, 2016 the maximum committed advance amount has been provided. The advance is secured by wood processed at roadside or delivered to mills and a general security agreement covering all assets of B&M Hauling Ltd.

#### 5. Property, Plant and Equipment

	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 67,167	\$ 26,866	\$ 92,887	\$ 13,433
Leasehold improvements	20,000	4,000	20,000	2,000
Computer software	36,840	27,505	32,790	15,225
Computer equipment	39,588	20,737	13,869	7,541
	<u>\$ 163,595</u>	<u>\$ 79,108</u>	<u>\$ 159,546</u>	<u>\$ 38,199</u>
Net book value		<u>\$ 84,487</u>		<u>\$ 121,347</u>

#### 6. Accounts Payable

	2016	2015
Trade	\$ 12,685	\$ 189,094
HST payable	36,159	21,617
Roads	2,236,859	1,368,760
Stumpage fees	137,583	1,271,522
Wages	30,840	21,329
	<u>\$ 2,454,126</u>	<u>\$ 2,872,322</u>

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2016

### 7. Operating Reserve

The Board has established an operating reserve for the purpose of funding future possible operating deficits of Nawiinginokiima Forest Management Corporation. The release of these internally restricted amounts must be approved by representatives of the Board.

	2016	2015
Balance, beginning of year	\$ 300,000	\$ -
Transfer from unrestricted net assets	-	300,000
	\$ 300,000	\$ 300,000
Balance, end of year	\$ 300,000	\$ 300,000

### 8. Remuneration

Total remuneration of the Board members of the Corporation was approximately \$18,775 (\$28,500 - 2015) during the year.

### 9. Financial Risks and Concentration of Credit Risk

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Corporation's General Manager. The Board of Directors receives monthly reports from the Corporation's General Manager through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

NFMC is not exposed to interest rate or foreign currency risk.

#### Liquidity risk

Liquidity risk is the risk that NFMC encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, NFMC will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and commitments. Management is of the opinion that the Corporation is not exposed to significant liquidity risk.

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## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2016

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### 9. Financial Risks and Concentration of Credit Risk (cont'd)

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. NFMC is exposed to credit risk from its accounts receivable and roadside inventory advances. NFMC mitigates its potential credit risk through proactive credit management policies that include approval and monitoring processes. Certain receivables are from government sources and the Corporation works to ensure it meets all eligibility criteria in order to qualify to receive credits. Furthermore, it evaluates the collectibility of accounts receivable and roadside inventory advances and records an impairment allowance for doubtful accounts, which reduces the receivables and advances to the amount management believes will be collected. At year end, NFMC's accounts receivable are as follows; current \$1,641,569 (\$2,859,730 - 2015), 31 to 60 days \$329,214, (\$198,839 - 2015), 61 to 90 days \$nil, (\$136,816 - 2015), and over 90 days \$172,922 (\$625,023 - 2015).

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### 10. Commitments

Under the terms of the office rental agreement, the Corporation is committed to paying \$2,570 monthly plus any adjustments for inflation, per the Ontario consumer price index until December 31, 2016.

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### 11. Comparative Figures

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