

# Nawiinginokiima Forest Management Corporation

2016-2017 Annual Report



[www.nfmcforestry.ca](http://www.nfmcforestry.ca)

**Nawiinginokiima Forest Management Corporation  
Annual Report  
2016-2017**

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## Chair's Message

On behalf of the Nawiinginiima Forest Management Corporation's (NFMC) Board of Directors, it gives me great pleasure to have the opportunity to highlight recent accomplishments achieved by the NFMC in 2016-2017. First, the staff of the NFMC are to be commended as both individuals and as team members for their commitment to an evolving Crown Agency and to the potential that the forests on the NFMC management area hold. The NFMC is fortunate to have its skilled staff members with their visionary and multi-disciplinary approach to sustainable forestry and silviculture.

After many meetings, discussions, much stakeholder engagement, policy implementations, and great effort by all involved, the NFMC was successful in obtaining the Sustainable Forest Licenses (SFLs) for the Big Pic and Pic River forests in June 2017. Further, I am pleased to share that discussions are well under way to bring the White River SFL under the management of the NFMC. With the expansion of the NFMC management area, additional staff and an increase in Board membership numbers will be given consideration in the near future.

With economic setbacks endured by the forestry sector over the past decade, the recruitment and mentoring of a new generation of forestry workers has been hindered presenting a challenge voiced throughout the sector. In an effort to counter this challenge, the NFMC will continue to encourage the engagement of youth from local communities through various vehicles: bursaries and scholarships for post-secondary students entering forestry related studies, student co-op placements, hiring post-secondary students for summer employment positions, and even local nature hikes.

Over the past year, the NFMC has made substantial inroads towards one of its Agency objects of providing economic development opportunities for First Nations peoples on or near its management area. The NFMC now has First Nations owned forestry businesses operating on its management area. The NFMC is committed to fully supporting further expansion of First Nation's businesses into the forestry sector through NFMC program initiatives and it has recently put in place.

Similar to fostering First Nation economic development in the forestry sector, the NFMC staff and Board members continue to engage with local communities on its management area in order to foster economic development opportunities. At minimum, meetings with each community (Mayor and Council) and First Nation (Chief and Band Council) on the NFMC management area are held annually. The NFMC is now in the preliminary stages of investigating potential business opportunities for local communities on its management area.

Lastly, I wish to extend my sincere thanks to the members of the NFMC Board and staff, employees of the Ministry of Natural Resource and Forestry (MNRF), the First Nations, local communities and contractors on the NFMC management area, and to consumers who purchase wood and wood products from the NFMC management area.

To learn more about the NFMC, I encourage you to visit its website at: [nfmforestry.ca](http://nfmforestry.ca)

Respectfully,

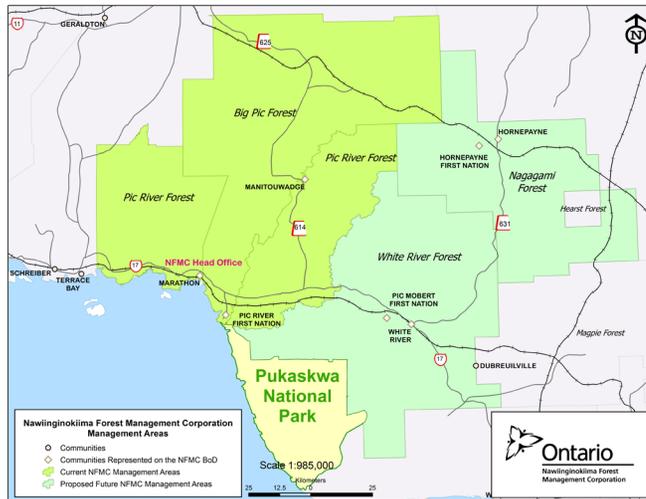


Grant E. Goodwin  
Chair of the Board, Nawiinginiima Forest Management Corporation

# 1.0 Background

## 1.1 Company Overview

The Nawiinginiima 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 (FMPs). During 2016-2017 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 Ministry of Natural Resources and Forestry (MNRF) that outlines the accountability relationship of the Agency and the MNRF. 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.

### Board of Directors

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

There were seven NFMC Board members in place at March 31, 2107. Their tenures are listed below:

Member Name	Position	Community	Tenure
Grant Goodwin	Chair	Manitouwadge	20-Feb-2013 to 24-Mar-2018
Fraser Dunn	Vice-Chair	Member-at-large	30-Jun-2016 to 29-Jun-2019
John Grant Michano	Member	Pic River First Nation	10-Feb-2016 to 9-Feb-2019
David Giuliano	Member	Marathon	22-Jun-2016 to 21-Jun-2019

Julie Roy-Ward	Member	Hornepayne	04-Nov-2015 to 03-Nov-2018
Tina Forsyth*	Member	White River	23-Jan-2013 to 22-Jan-2017
Donald Fry*	Member	Pic Mobert First Nation	01-Feb-2013 to 31-Jan-2017

**Figure 1. Current NFMC Board Members**

\* members waiting for Order in Council (OIC) approval at March 31, 2017 received reappointment on June 28, 2017.

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, John MacGillivray*

#### **Governance Committee**

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

*Chair: Grant Goodwin*

*Members: All Board members*

*Non-voting Member: Carmelo Notarbartolo*

#### **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: Fraser Dunn*

*Members: Donald Fry, Grant Goodwin, Julie Roy Ward*

### **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*

### **1.4 Mandate**

The OFTMA states the objects of an LFMC as follows:

- To hold forest resources licences and manage Crown forests in accordance with the Crown Forest Sustainability Act, 1994 (CFSA) and to promote the sustainability of Crown forests.
- To provide for economic development opportunities for Aboriginal peoples.
- To manage its affairs to become a self-sustaining business entity that optimizes value from Crown forest resources while recognizing the importance of local economic development.
- To market, sell and enable access to a predictable and competitively priced supply of Crown forest resources.
- To carry out such other objects as may be prescribed by regulation.

## 2.0 Description of Activities

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 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.

Subsequent to the March 31, 2017 year end the SFL's for the Big Pic and Pic River units were issued to the NFMC. The management of the NFMC entered into an agreement with White River Forest Products 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 2016-2017, the NFMC continued to work to engage representatives from local municipalities and First Nations 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 2016-2017 fiscal year, 507,000 m<sup>3</sup> of wood were delivered from the Big Pic and Pic River Forests to receiving mills. This compares to 567,000 m<sup>3</sup> of wood in 2015-2016. The decrease in deliveries can be attributed to the closure of Olav Haavaldsrud Timber Co in April 2016 and less volume being made available to non-commitment holders as the NFMC prepares for the Contingency Plans on the Big Pic and Pic River. 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 management area, B&M Hauling Ltd., AMIK Logging Limited Partnership/Lecours Lumber, and AV Terrace Bay Inc.

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

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

Nawiinginokiima Forest Management Corporation  
P.O. Box 1479  
22 Peninsula Road  
Marathon, ON P0T 2E0  
Phone: 807-229-8118  
Website: [www.nfmcforestry.ca](http://www.nfmcforestry.ca)  
General inquiries: [contact@nfmcforestry.ca](mailto:contact@nfmcforestry.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.

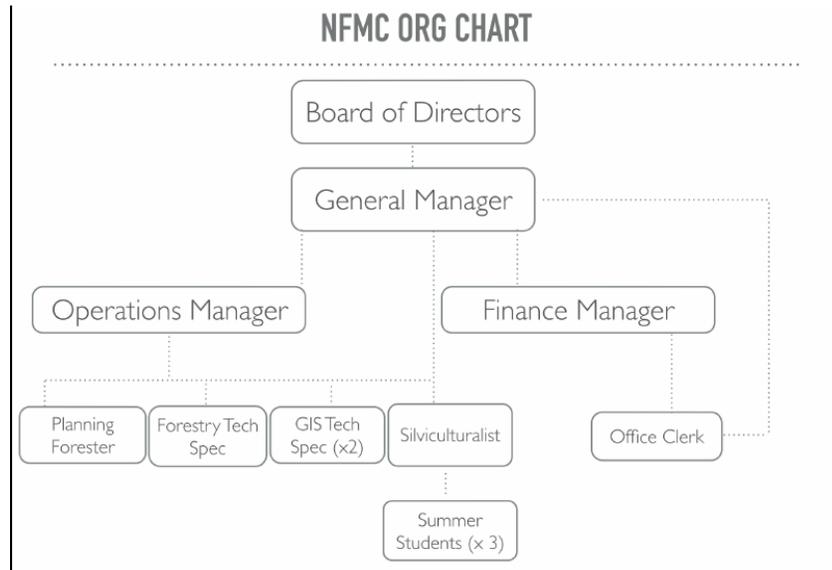
### **Staff Numbers**

The NFMC added staff during the year to bring the total to nine full time employees. 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 may be added in 2017-2018 as the NFMC continues to grow and is in the process of determining its employment needs going forward. The

management team continues to strive to make the NFMC a desirable place to work.



**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 management area. 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 management area. 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 management area.

**2.2 Forest Management and Operations**

During 2016-2017, 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.

**2.3 Forest Certification and Environmental Policy**

**Forest Certification**

The NFMC achieved Forest Stewardship Council (FSC®) forest management certification of the Pic River Forest during 2016-2017 to compliment the Big Pic Forest which was certified in 2014. Certification of the forests under its management is considered a major accomplishment that demonstrates 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,

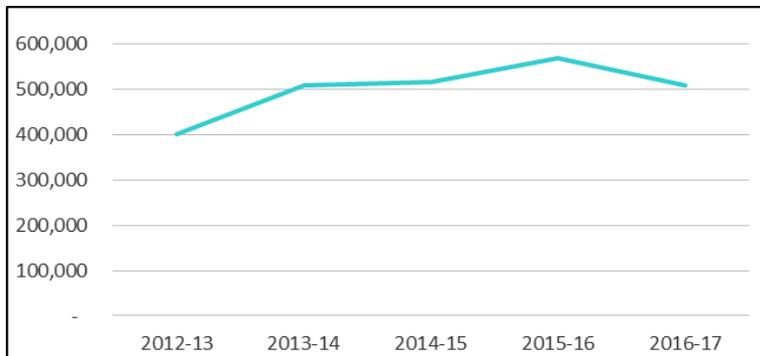
- where required by legislation or where significant health, safety or environmental hazards exist, develop and maintain appropriate emergency and spill response plans,
- regularly communicate our environmental program to our clients, customers and the public and encourage them to support it,
- commit to the advancement of sustainable forest management practices and to the pursuit of FSC® certification on the NFMFC 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.

made efforts to meet with community leaders and their councils to provide updates on the NFMFC and its operations. The NFMFC has also taken a positive approach in the development of its Procurement Policy with provisions for local and Aboriginal based businesses.

During the coming year, the NFMFC 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.

## 2.4 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. In 2016-2017, the NFMFC management area supplied over 507,000 m<sup>3</sup> of wood and had six main customers. The NFMFC is moving forward on strategic initiatives to increase contractor capacity further in 2017-2018., specifically through arrangements that support local and First Nation economic development.



**Figure 3. Delivered Volume (Big Pic & Pic River) 2009-2010 to 2016-2017**

## 2.5 Community Engagement

During the 2016-2017 fiscal year, the NFMFC 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 GM and Board has

## 3.0 Analysis of Performance

### 3.1 Performance Measures

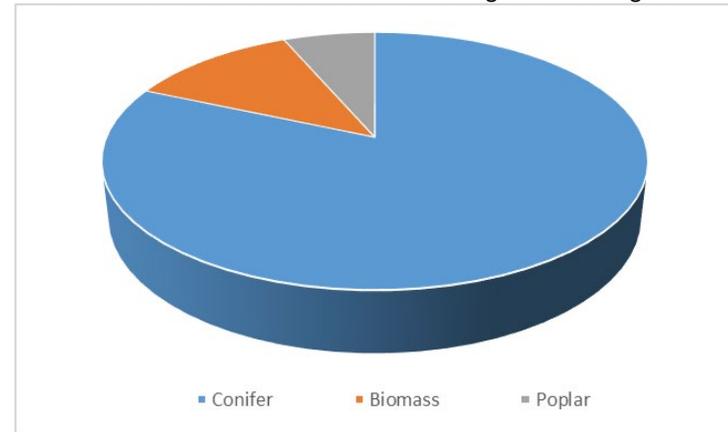
The NMFC will continue to develop operational performance measures and targets to ensure the achievement of its goals and objectives as well as achievement of the objectives for the Agency (as described in the OFTMA). The NFMC's performance measures and achievements are outlined below.

1. World class forest management company
  - Third party FSC Certification on the Big Pic Forest and the Pic River Forest.
  - Implementing plan to address historic silviculture obligation.
  - Began work on the amalgamated FMP for the Big Pic and Pic River Forests.
2. Becoming financially self sufficient
  - Cash on hand at Mar 31/2017 of \$1.6 million.
  - Funds held by FFT in trust for NFMC over \$8 million.
3. Extending scope of usage
  - Commitment volumes made available but not fully utilized due to operational factors and conditions facing certain customers.
  - Supported wood requirements of new/re-opened mills in and around the NFMC management area
4. Meeting governance requirements
  - Timely submission of Annual Report, SFL Business Plan, and Agency Business Plan to MNRF.
  - Posted reports to website; including travel, meal and hospitality expenses to website for public disclosure.
  - Established the NFMC Governance Committee and Human Resources Committee.
5. Building new local forest related industry
  - Continuing to develop policies for implementation in 2017-2018, including open market wood sales, unforeseen events, and harvest contractors.
6. Establishing a new baseline for First Nation engagement
  - Board approved NFMC strategic initiative policy to support other possible strategic initiatives for 2016-2017 and beyond

- Moved forward on strategic initiatives related to road maintenance and harvesting capacity with a local First Nation.
7. Engaging the community in forestry
    - Board includes representatives of Pic Mobert and Pic River First Nations
    - Staff attended community events and tradeshow across the region.
    - Various articles related to NFMC in the Marathon Mercury, Working Forest, and Northern Ontario Business.

### 3.2 Operational Performance

During the 2016-2017 fiscal year, the volume harvested on the management area was approximately 507,000 m<sup>3</sup> which represents 98 percent of its forecasted harvest volume of 516,500 m<sup>3</sup> for the year. Additional volumes were harvested but due to adverse weather conditions they could not be delivered before year end. 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.

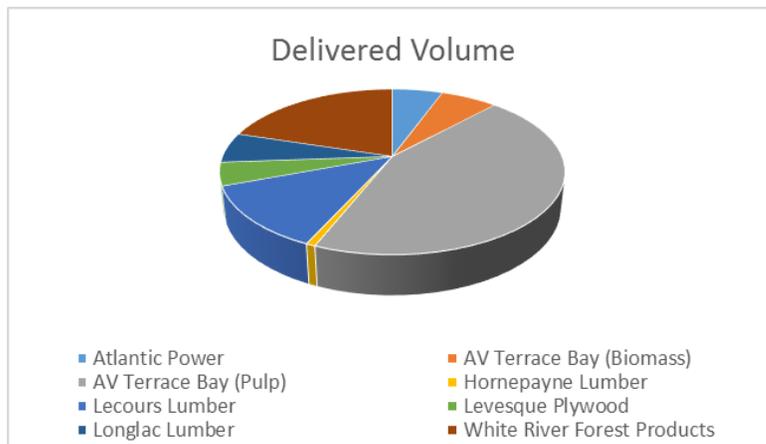


**Figure 5. Distribution of volume by product 2016-2017**

The majority of the volume is softwood, which accounted for over 80 percent of the deliveries. The NFMC was able to exceed its biomass delivery targets but the market for merchantable hardwood is still a challenge. 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
Hornepayne Lumber LP	Hornepayne	SPF Lumber
White River Forest Products	White River	SPF Lumber

As in previous years the primary customer for the NFMC was AV Terrace Bay which accounted for approximately 50 percent of delivered volume. In 2016-2017, the three largest customers, which includes White River Forest Products and Lecours Lumber, account for 80 percent of the delivered volume.



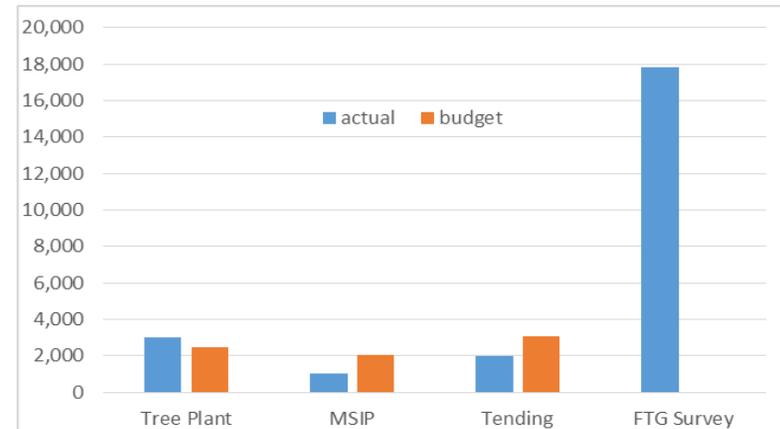
**Figure 6. Volume distribution by destination 2016-2017**

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. 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 Ministry of Transport Ontario (MTO). The

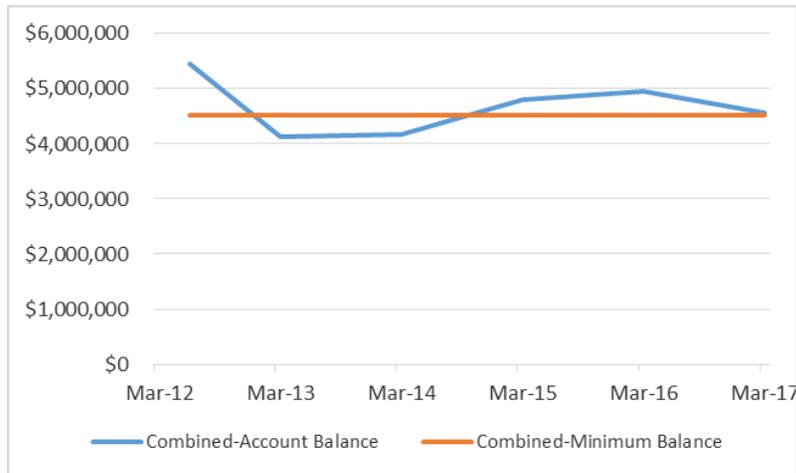
NFMC utilizes a local First Nation contractor to perform road maintenance and provide an economic opportunity to the First Nation's community.

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 7. Compare Actual Silvicultural Area Treated (ha) versus Budget for 2016-2017**

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

The program included the following activities in 2016-2017:

Mechanical Site Prep	1,025 ha
Aerial Tending	2,003 ha
Stock Production	4,000,000 trees
Planting	4,273,196 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 Agency appointed an independent auditor to review the accounts and financial transactions of the Agency for 2016-2017 (see Section 5.0). The NFMC is a Crown Agency and operates on a cost recovery basis and is exempt from income taxes under the federal Income Tax Act.

The NFMC generated revenue through the sale of timber to local mills that is directed to a trust fund administered by Forest Futures Trust (FFT) until the sustainable forest licenses are received by the NFMC. In 2016-17 the amount of money contributed to the trust from the Big Pic and Pic River Forests was over \$1.5 million. The NFMC may access this money from time to time through a funding application to the FFT to cover approved expenses. The NFMC recorded

an operating deficit for 2016-2017 of \$164,312 compared to an operating deficit for 2015-16 of \$632,373. The difference is primarily due to the \$545,983 received in 2016-2017 from the LFMC conversion fund versus \$0 in 2015-16. The operating deficits are the result of funds that should be going to the NFMC instead ending up in the FFT account. The NFMC recognizes the former CRF funds as revenue once they are received from FFT. The FFT trust account balance from all four SFLs had reached nearly \$10 million by the end of 2017.

### Balance Sheet

The NFMC maintained its cash position at approximately \$1.6 million during the 2016-17 audit period. The balance of accounts receivable at the end of the audit period was \$2.2 million composed of funding from the MNRF's Roads Program fund, stumpage fees, MTO Northwest Region, Forest Renewal Trust Fund and trade receivables. Trade receivables include administration and permit fees receivable from various mill customers and overlapping licensees.

The NFMC acquired additional computer and software valued at \$12,000 during the audit period. Equipment is recorded at cost less accumulated amortization.

Liabilities at year end were almost \$2.8 million and are primarily related to the accrued Crown dues including deliveries in January-March 2017 but not billed until after the year end, Forest Access Roads funds receivable by NFMC and repayable to the industry.

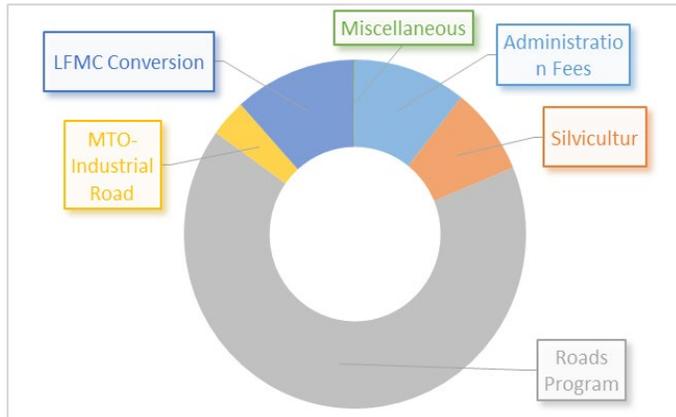
### Revenues

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 \$4.8 million. Operating revenues from administration and similar fees for the audit period were \$521,000. Roads funding for the audit period was \$3.4 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 LFMC conversion funding during the 2016-2017 fiscal year of almost \$546,000. The NFMC applied for funds to apply to the operating reserve, however, based on the delay in the funding agreement the funds were required

to support operations. In July 2017, the NFMC received the balance of funds in the trust account for the Big Pic and Pic River SFL's which was transferred to the operating reserve.



**Figure 9. Revenue by Source 2016-2017**

**Expenditures**

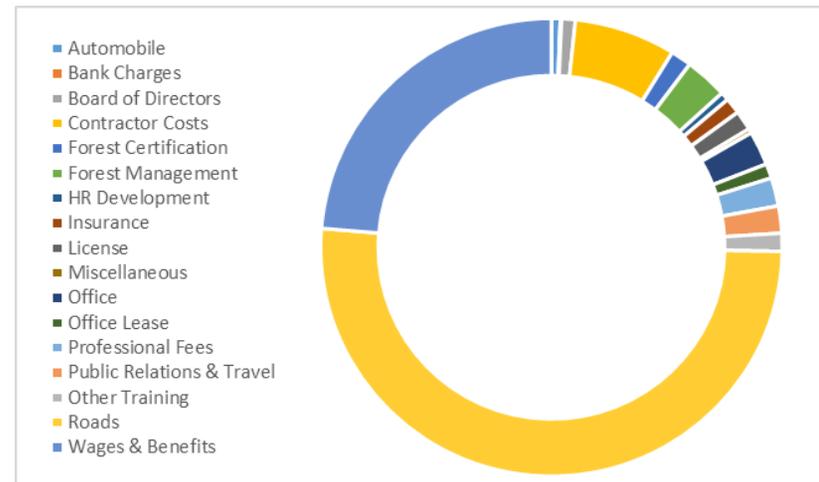
Wages and benefit costs incurred during the audit period totalled \$715,000 an increase from 2015-16 due to the addition of technical and operating staff during the year. The Board of Director expenses totalled \$32,000, a reduction from the previous year as many of the board members utilized teleconference services and Board meetings were held at the NFMC office in Marathon. The NFMC also incurred contractor services expenses to support management activities of \$235,000.

The largest expenditure during the period was road construction and maintenance costs totalling \$3.4 million, which were recovered during the year. In 2017, the NFMC was able to access \$1 million more in surplus roads funding compared to prior years. Forest management costs, including silvicultural wages and renewal treatments (ie seed bank withdrawals) not charged to the Forest Renewal Trust (FRT) amounted to \$163,000 (the majority of renewal activities were funded by direct contractor reimbursement by the FRT).

The NFMC incurred professional fees of \$68,000 for the preparation of audited financial statements and legal and accounting advice to support various

agreements and corporate decisions. As a Crown Agency the NFMC is subject to a number of rules and regulations not applicable to other SFL types and as a result a number of what otherwise may be routine management decisions are subject to thorough review by its lawyers and auditors. The NFMC incurred office related expenses of \$70,000, including rent. Additional expenditures included forest certification costs of \$44,000 for the Pic River and Big Pic units. Bank and finance charges decreased during the year as the NFMC did not incur interest charges related to Crown Dues as it did in 2015-16 and costs associated with payroll services were reclassified to another account.

Per its mandate, the NFMC invested \$20,000 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 management area during the year.



**Figure 10. Distribution of Expenses by Type for 2016-2017**

## 4.0 The Path Ahead

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.

Priorities for 2017-2018 will be to have the Big Pic and Pic River SFLs issued and White River transferred. NFMC will then be in a position to start implementing the core of its mandate. 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 2016-2017, 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.

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 biomass mill in Wawa and believes that there are opportunities for future growth in the forest products sector.

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.

Finally, one of the NFMC's priority areas for 2017-2018 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.

## **5.0 Audited Financial Statements**

**Nawiinginokiima Forest  
Management Corporation  
Financial Statements**  
For the year ended March 31, 2017

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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, 2017, 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, 2017 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 12, 2017

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

March 31	2017	2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,604,617	\$ 1,487,511
Accounts receivable (Note 3)	2,243,859	2,143,705
Prepaid expenses	-	4,100
	<u>3,848,476</u>	<u>3,635,316</u>
Roadside inventory advances (Note 4)	900,000	900,000
Property, plant and equipment (Note 5)	59,040	84,487
	<u>\$ 4,807,516</u>	<u>\$ 4,619,803</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 2,806,152	\$ 2,454,126
<b>Net assets</b>		
Unrestricted	1,701,364	1,865,677
Operating reserve (Note 7)	300,000	300,000
	<u>2,001,364</u>	<u>2,165,677</u>
	<u>\$ 4,807,516</u>	<u>\$ 4,619,803</u>

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

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

For the year ended March 31	2017	2016
<b>Revenue</b>		
Administrative fees	\$ 521,663	\$ 541,597
Forestry Futures Trust funding	545,983	-
Forest renewal activity	435,881	339,884
Forest access roads	3,342,448	2,296,702
	<u>4,845,975</u>	<u>3,178,183</u>
<b>Expenses</b>		
Amortization	37,822	40,909
Automotive	52,198	60,370
Bank charges	41	17,727
Bad debt (recovery)	(8,307)	140,386
Board of Directors activities	32,435	39,630
Community/First Nation training and development	18,841	121,219
Contract services	234,855	217,322
Forest certification	43,717	40,056
Forestry equipment & supplies	34,165	31,060
Forest management services	148,699	62,194
Human resources development	45,816	31,790
Insurance	33,850	29,986
Licenses and subscriptions	40,847	32,613
Miscellaneous	8,825	5,936
Office	70,364	74,130
Professional fees	67,951	35,708
Public access road maintenance	3,444,273	2,246,324
Public relations	22,642	5,034
Wages and benefits	681,254	578,162
	<u>5,010,288</u>	<u>3,810,556</u>
<b>Deficiency of revenue over expenses for the year</b>	<b>(164,313)</b>	<b>(632,373)</b>
<b>Net assets, beginning of the year</b>	<b>1,865,677</b>	<b>2,498,050</b>
<b>Net assets, end of the year</b>	<b>\$ 1,701,364</b>	<b>\$ 1,865,677</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	2017	2016
<b>Cash flows from operating activities</b>		
Deficiency of revenue over expenses	\$ (164,313)	\$ (632,373)
Item not involving cash:		
Amortization	37,822	40,909
	<u>(126,491)</u>	<u>(591,464)</u>
Change in non-cash working capital items:		
Accounts receivable	(100,154)	1,676,703
Prepaid expenses	4,100	(4,100)
Accounts payable and accrued liabilities	352,026	(418,196)
	<u>129,481</u>	<u>662,943</u>
<b>Cash used in investing activities</b>		
Roadside inventory advances	-	(500,000)
<b>Cash used in capital activities</b>		
Purchase of property, plant and equipment	(12,375)	(4,049)
<b>Increase in cash during the year</b>	<b>117,106</b>	<b>158,894</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,487,511</b>	<b>1,328,617</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,604,617</b>	<b>\$ 1,487,511</b>

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

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2017

### 1. Significant Accounting Policies

**Basis of Accounting** These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

**Financial instruments** The Corporation's financial assets and financial liabilities are accounted for as follows:

Cash and cash equivalents consist of cash on hand and bank balances with maturities of three months or less.

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.

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.

Accounts payable and accrued liabilities are recorded at cost.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost less accumulated amortization.

Road costs are expensed when incurred.

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 that are directly attributable to the acquisition or construction of the asset.

Amortization is provided for on a straight-line basis as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold Improvements	10 years
Computer software	3 years

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## Nawiinginiima Forest Management Corporation Notes to Financial Statements

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March 31, 2017

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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 Corporation'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.

## Nawiinginiima Forest Management Corporation Notes to Financial Statements

March 31, 2017

### 2. Nature of Business

The Nawiinginiima 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 Nawiinginiima 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.

### 3. Accounts Receivables

	2017	2016
Roads program	\$ 1,059,794	\$ 1,384,871
Stumpage fees	717,303	329,769
Trade	521,163	483,466
	2,298,260	2,198,106
Less: allowance for doubtful accounts	(54,401)	(54,401)
	\$ 2,243,859	\$ 2,143,705

## Nawiinginiima Forest Management Corporation Notes to Financial Statements

March 31, 2017

### 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, 2017 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	\$ 40,300	\$ 67,167	\$ 26,866
Leasehold improvements	20,000	6,000	20,000	4,000
Computer software	49,215	39,615	36,840	27,505
Computer equipment	39,588	31,015	39,588	20,737
	<u>\$ 175,970</u>	<u>\$ 116,930</u>	<u>\$ 163,595</u>	<u>\$ 79,108</u>
Net book value		<u>\$ 59,040</u>		<u>\$ 84,487</u>

### 6. Accounts Payable

	2017	2016
Trade	\$ 2,129	\$ 12,685
HST payable	50,780	36,159
Roads	2,131,477	2,236,859
Stumpage fees	586,480	137,583
Wages	35,286	30,840
	<u>\$ 2,806,152</u>	<u>\$ 2,454,126</u>

## Nawiinginokiima Forest Management Corporation Notes to Financial Statements

March 31, 2017

### 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.

	2017	2016
Balance, beginning and end of year	\$ 300,000	\$ 300,000

### 8. Remuneration

Total remuneration of the Board members of the Corporation was approximately \$16,925 (\$18,775 - 2016) 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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## Nawiinginkiiima Forest Management Corporation Notes to Financial Statements

March 31, 2017

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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. NPMC is exposed to credit risk from its accounts receivable and roadside inventory advances. NPMC 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, NPMC's accounts receivable are as follows; current \$1,490,943 (\$1,641,569 - 2016), 31 to 60 days \$593,533 (\$329,214 - 2016), 61 to 90 days \$76,973 (\$nil - 2016), and over 90 days \$136,811 (\$172,922 - 2016).

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### 10. Subsequent Events

In June, 2017 the Sustainable Forest Licenses (SFL) for the Big Pic and Pic River were issued to the Corporation and the licenses signed by the Minister of Natural Resources and Forestry (MNR). The Corporation is now responsible for the management of the forests including the collection of stumpage per the Ontario Forest Tenure Modernization Act (OFTMA). The Corporation received the money held in trust by the Forestry Futures Trust from the Big Pic and Pic River in July, 2017 for approximately \$2.5 million.

In August, 2017 the MNR approved the SFL business for the transfer of the White River Forest to the Corporation. The MNR has begun the native consultation process with the goal of transferring the SFL to the Corporation in the third quarter of 2017.

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### 11. Comparative Figures

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