ALGONQUIN
FORESTRY AUTHORITY
Maintaining the Balance since 1975

An agency of the Province of Ontario

Ontario

ANNUAL REPORT

2024-2025

CHAIR'S MESSAGE

The AFA Board of Directors is pleased to present this Annual Report outlining the Algonquin Forestry Authority (AFA) operations for the fiscal year 2024-2025. In its 50th year of operation the AFA has continued its mandate of sustainable forest management in Algonquin Provincial Park. The Authority is committed to this mandate on behalf of Ontarians with the economic, social, and environmental benefits that the Algonquin Park Forest provides.

The AFA and clients have faced financial challenges over the past fiscal year related to the lack of markets for low grade hardwood material and bolt wood primarily brought about through the closure of pulp mills in Eastern, Northeastern and Central Ontario. This is compounded by the inability to market wood products plus the potential impact of recent changes in U.S. Trade Policy. This not only reduces revenue to fund operations and provide jobs but importantly the harvesting in areas to achieve our silvicultural objectives. We continue to explore new sales opportunities and develop harvesting and silviculture contractors to better achieve sustainable forest management objectives.

Meeting activity at the board level and the Governance, Finance and Human Resources Committees on strategic initiatives has been managed in face-to-face and hybrid format. The Board is pleased to report successful compliance with Auditor General and Independent Forest Audits and public reporting requirements for this year. Changes to the Board this fiscal included the appointment of Eleanor Reed to the Board. Incumbent AFA Director appointments and terms are listed in Table 3 of this report.

Sincerely,

Gord Clark,
Chair of the AFA Board of Directors

MANDATE

The Algonquin Forestry Authority (the Authority, AFA) operates under the Algonquin Forestry Authority Act, R.S.O. 1990. The Authority is a self-financing, operational enterprise, Ontario Crown agency. The Minister of Natural Resources (Minister, Ministry) is responsible for the administration of the Algonquin Forestry Authority Act. This legislation sets out the management, objectives, and powers of the AFA within Algonquin Provincial Park.

- Ensuring the sustainable management of Algonquin's forests
- Planning of all forestry operations; harvest, access, renewal and tending
- Harvesting and distribution of wood products to mills consistent with Ministerial Commitments
- Monitoring and reporting on forestry operations.

GOVERNMENT PRIORITIES

The Ministry of Natural Resources issued a letter of direction on October 10, 2024 with the following government wide priorities:

Innovative

Priority	AFA Response
Simplify client/customer interactions	AFA does not have critical tasks that fall within time-bound processes. AFA has made the signing of contracts and agreements available digitally to all parties, however, uptake on this has been minimal. Forms and documents required for clients and customers are largely mandated through the Crown Forest Sustainability Act (CFSA) and Ministry of Labour, Training and Skills Development. Reduction in this burden will come through legislative changes and channels.
Expand and optimize digital service offerings	AFA does not provide a service that is offered online, or a digital service app. AFA does provide access to key documentation such as mapping and the Environmental and

	Sustainable Forest Management System digitally to all contractors. Uptake on these digital services are limited due to lack of connectivity on work sites.
Improve client/customer satisfaction	Agency met or exceeded Ontario Public Service service standards as outlined in AFA's Policies & Procedures In person meetings with larger wood buying group continued on a bi-annual basis.
Share data with Supply Ontario, when requested, regarding procurement spending and planning, contract arrangements and vendor relations to support data-driven decision-making.	Data shared as required

Sustainable

Priority	AFA Response
Strengthen public service delivery by optimizing organizational capacity and directing existing resources to priority areas.	AFA managed vacant positions through 2024-25 and allocated existing resources to priority projects.
Use public resources efficiently and **a) Operate within agency's financial allocations** **b) Prudently and responsibility manage workforce size**	a) AFA is not publicly funded with its main source of revenue generated from wood sales. Difficult economic conditions and external pressures have resulted in a financial loss as described in 'Financial Results'. b) AFA has maintained vacant positions through 2024-25 and has managed their workforce size appropriately.

Accountable

Priority	AFA Response
Develop and report on outcome-focused performance measures to effectively monitor and measure performance	These performance measures are covered at a high level in the Strategic Plan and at a more detailed level in AFA's Implementation Plan that was reviewed in spring 2025. The implementation plan is managed by the Board of Directors.
Protect individual, business or organization data by actively managing data and	AFA has comprehensive information technology governance, management processes, and technical systems in place to

cybersecurity and reporting Artificial Intelligence uses	ensure confidentiality, integrity, and availability of data. Additionally, AFA participates actively in the Cyber Security Ontario- Community of Practice. Currently, AFA is using artificial intelligence (AI) selectively for administrative purposes by scribing and summarizing information with staff review and oversight before AI outputs are adopted for use.
Report all high risks including effective mitigation plans	Complete through quarterly risk reporting submitted to MNR.
Align hybrid work policies with the OPS and identify and assess office optimization opportunities	Policies are aligned and office space meets realty directives.
Develop and encourage diversity and inclusion initiatives by promoting an equitable, inclusive, accessible, anti-racist and diverse workplace	AFA has embedded equity, inclusion, accessibility, and anti-racism into our organizational culture, policies, and leadership practices. Through inclusive hiring, training, and transparent accountability, we continue to build a workplace where all individuals feel valued, represented, and empowered.
For Revenue Generating Agencies: Increase non-government, non-fare, non-fee revenue	AFA is a commercially oriented operational agency with a self-financing directive. AFA generates non-fee revenue through product sales. Strategies for increasing non-fee revenue include an increase in product pricing, or an increase in the volume produced and sold. As discussed below, economic conditions and market demand make both these options difficult, if not impossible, to implement at a large scale. Efforts continue to be made to maximize product recovery and volume produced within the volatile and diminished markets currently persisting in Central Ontario.

In addition to these priorities, the Minister has directed AFA to focus on the following priorities:

Priority	AFA Response
Continued implementation of the recommendations as stated in the AFA Mandate Review report, March 2023	Current governance structure maintained

Maintaining current governance structure, accountability mechanisms, and goals **Supporting Ministry efforts to achieve greater equity, inclusivity, and diversity across the board of directors when recruiting and updating AFA's succession planning with a focus on staff retention and onboarding**	AFA remains committed to equity, inclusivity and diversity on the Board of Directors and within AFA staff. This is considered a priority during all hiring initiatives.
Exploring opportunities to further engage Indigenous communities in the governance of the AFA as well as in any economic development initiatives available	Indigenous communities engaged regularly through Annual Work Schedule and Forest Management Planning directives. Additional efforts include in person meets and field visits to review values and mitigate potential impacts. Sponsorship of activities such as the Algonquins of Whitney Pow Wow continues.
Implementing mitigation strategies to alleviate the agency's cashflow pressure	Strategies to alleviate cashflow pressures have been implemented. The cyclical nature of expenses and revenues due to the seasonality of forest operations will continue to place pressure on the Authority's cash flow while poor market conditions persist. To reduce the pressures from overdue Accounts Receivable the AFA implemented an increase in interest charges on overdue accounts.
Implementing and updating the strategic plan and ensuring alignment with the forest sector strategy	The Strategic Plan was reviewed in 2024 and a motion approving the Board's recommendations was completed in September 2024. The plan was confirmed to align with the forest sector strategy and address the current vision of the Agency
Continuing the focus on the purposes for which the corporation was established as outlined in the Algonquin Forestry Authority Act (see Mandate)	AFA continues to focus on and meet the elements of their mandate as described above.

PERFORMANCE MEASURES

Algonquin Forestry Authority has three key performance measures:

Performance Measure	Achievement
Financial Performance • Self-sustaining/cost recovery	Not achieved Financial Loss of $1.38M AFA continues to review their cost structure and work within the difficult market conditions persisting in Central Ontario. Work in on-going to reduce costs while diversifying markets and achieving highest possible pricing for products delivered.
Volume Harvested • Target - 390,000 m^3	93% achieved Actual – 362,249 m^3
Forest Management Targets	Silviculture (Renewal) targets are on track with levels forecast in the Forest Management Plan. Harvest levels remain below allowable levels due to market conditions and mill demand. Further detail on the achievement of Forest Management targets are outlined in the Algonquin Park Forest Annual Report submittted as per the requirements of the Crown Forest Sustainability Act, 1994 (CFSA) Annual Reports are publicly available at: https://nrip.mnr.gov.on.ca/s/fmp-online
Maintain Third Party Certification	AFA maintained SFI certification of Algonquin Park Forest with positive audit results in fall of 2024.

Achievement of financial performance objectives and volume targets are interlinked, however, market conditions through 2024-25 deteriorated in Central Ontario. AFA was able to increase the volume harvested in 2024-25 by 33,000 m^3 over 2023-24, but the same gains were not realized in financial performance.

Several factors contributed to the overall financial loss. These include:

- Disappearance of a market in Central Ontario for poplar sawlogs and low-end material.

- Hardwood markets remain at a 30 year low (adjusted for inflation), with low end product, such as material for pallets and truck decking is stagnant with large inventories growing through the sector.
- Pine markets continue to fluctuate, hampered by the lack of market for species associated with the harvest of pine forest and minimal price increases while the cost of production has increased over 20% in the last five years.
- Reduction in outlets for low end material province wide with the closure of Domtar in Espanola and reduced volume for the Rayonier mill in Temiskaming
- Idling of McRae Lumber Company for approximately six weeks resulting in a significant reduction in volume
- Heavy snowfall through February increasing costs to clear roads to deliver wood volume
- Issues surrounding approval of Annual Work Schedule revisions preventing continuity of operations and adding significant additional cost

AFA is working diligently to address these issues by continuing to explore new markets for low-grade material and adjusting operational plans to improve financial resilience in the coming year.

FINANCIAL RESULTS

AFA Financial Performance – 2024-2025 Budget versus Actual

	2024/25 Budget General Fund $ (000s)	2024/25 Budget Renewal Fund $ (000s)	2024/25 Budget Total $ (000s)	2024/25 Actual General Fund $ (000s)	2024/25 Actual Renewal Fund $ (000s)	2024/25 Actual Total $ (000s)
Revenue	20,402	2,685	23,087	22,201	2,535	24,736
Expense	18,792	2,125	20,917	21,267	2,596	23,863
Excess of Revenues Over Expenses Before Items Below	1,610	560	2,170	934	(61)	873
Administrative & Other	1,597	636	2,233	1,937	320	2,257
Net Income <Loss>	13	(76)	(63)	(1,003)	(381)	(1,384)

Table 1. AFA Financial Performance - 2024-2025 Budget versus Actual

Harvesting and the Statement of Operations

The following commentary references financial information in the Authority's Audited Financial Statements summarized in the table above to compare with budgeted financial targets. This year's financial objective was based on a harvest level of 390,000 m^3, and using estimations derived from previous years margins, species and product mixes. Results varied significantly from planned due to a reduction in planned harvest level, upward pressure on harvesting and delivery costs, unforeseen operational and market challenges, and higher than average winter road-maintenance costs.

The Authority manages year over year profit/losses while achieving the objective of financial self-sufficiency over the longer term. This year's loss of $1,384,000 combines with previous year's profits/losses resulting in a negative balance of $389,000 over the past ten years (AFA Annual Reports 2015-2016 to 2023-2024).

General Fund revenues for the year were $22,200,690 which represents an increase of $2,273,121 ($22,200,690 - $19,927,569) or 11.4% compared to 2023-24 and $1.799 million more than budgeted.

The Authority's contractor capacity has seen improvement over the 22-23 and 23-24 seasons with the addition and growth of new and existing logging contractors. However, harvest volume continues to be hampered by other operational and market constraints including a lack of available markets for low grade product, as well as the unexpected temporary shut-down of one of the Authority's largest client mills. Thus, the resulting harvest of 362,000 m^3 was 7.2% less than budgeted but 10% more than 23-24 (329,000 m^3). Revenue from the 24-25 season, includes $19,651,781 in Product Sales, and $469,289 in

Standing Timber Sales. This is an increase to product sales of $2,329,559 and a decrease to standing timber sales of $163,014 over 2023-24.

"Other revenue" of $2,079,620 as compared to $1,973,044 in 2023-24 has been itemized in Note 8 of the Audited Financial Statements. This increase of $106,576 is due to additional revenue from the Ministry of Natural Resources for maintenance of roads, as well as increases in the rate of interest charged on overdue accounts and earned on funds on bank deposit, as well as gain on the sale of assets.

Total expenses for 2024-25 were up $3,416,572 over 2023-24, representing an 19.1% increase. Costs for labour and contracted production have increased by $2,697,545, over 2022-23. This is related to the increase in harvest volume of 32,861 m^3 over 2022-23. As well decreases in supply of skilled labour, increasing fuel costs, and general inflation continue to put upward pressure on input costs. Increases in road maintenance due in part to poor winter weather contribute an additional $609,075 to the expenditures for 2024-25. Crown timber stumpage charges have increased due to additional harvest volume to the effect of $114,457. The resulting excess of revenues over expenses before administrative and other expenses in 2024-25 was $933,414 a decrease of $1,101,505 over 2023-24.

Administrative and other costs were $2,257,143 which represents an increase of $179,989 or 8.7% compared to 2023-24, and an increase of $24,143 or 1.1% over budgeted. Salaries and wages remained steady over 2022-23, at $1,632,036, a decrease of $5,376. The increase in administrative costs is largely attributable to bad debt of $72,652.

Forest Renewal Fund

The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act (CFSA). The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and must be used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of $1,943,193 ($1,661,207 in 2023-24) from stumpage represents amounts charged by the Ministry to customers during the year exclusively for forest renewal purposes. The increased harvest volume in 2024-25 has led to an increase in associated forest renewal fees. Other forest renewal revenue includes amounts received through the Forestry Futures Trust for eligible silviculture work. This program generated $537,754 for 2024-25, an increase of $7,159 over 2023-24.

Forest renewal expenses incurred during the year amounted to $2,595,875 as compared to $2,114,565 in 2023-24. Unlike forest renewal revenues, forest renewal (silviculture) expenses are not tied to harvest levels in the current fiscal year. Instead, they reflect the needed cost to renew the forest from previous seasons.

Total revenue in the renewal fund of $2,534,922 was not sufficient to cover the costs of renewal operations and administration in this period. However, the resulting loss was intentional to utilize available restricted funds and minimize rate increases. A loss of $380,998 was incurred and was met by drawing down the Forest Renewal Fund.

Financial Position- Balance Sheet

The Statement of Financial Position reflects disclosure requirements affecting government not-for-profit enterprises, such as the Authority, recommended by the Canadian Public Sector Accounting Standards, including the 4200 standards. Amounts once referred to in a single disclosure component as "Retained Income" have been divided into three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

As of March 31, 2025, cash on deposit was $2,839,438, an increase of $184,846 over 2023-24. The increase in cash levels is attributable to improvement in accounts receivable balances but was offset by the operating loss of $1,384,682. Accounts Receivable on March 31, 2025, were $5,765,901, representing a decrease of $1,757,106 or 23.36% over 2023-24 ($7,523,007).

March 31, 2025, payables and accruals show a decrease of $140,669 compared to 2023-24 ($1,671,627 -$1,812,296). Amounts due to Province of Ontario reflects amounts owing for Crown stumpage. The decrease over 2023-24 of $134,313 is attributable to a decrease in stumpage rates for products sold towards the end of the year. Funds received for public access road maintenance in advance of the planned expenditure are reported as "Deferred Contributions". Spending on public access roads was down over 2023-24, resulting in an increase in Deferred Contributions of $82,160.

The Forest Renewal Fund balance of $2,416,637 ($2,797,635 in 2024) as of March 31, 2025, remains above the minimum required balance of $1,500,000.

Audited Financial Statements

The Auditor General of Ontario is the auditor of record for the Authority. The auditor's report and accompanying financial statements for the 2024-25 fiscal year can be found at Annual Reports | Algonquin Forestry Authority.

SIGNIFICANT EVENTS

Economic Conditions

Achievement of the Authority's objectives is directly linked to timber volumes produced and sold. The lack of markets for low-end materials challenges the entire forest industry in Eastern Ontario and directly impacts AFA's fiscal results. With few economical markets for low-quality timber, the intermixed higher value products become economically inaccessible.

Traditional markets for hardwood species remain at a 30-year low (adjusted for inflation) and are creating additional challenges in product sales.

Costs for freight, equipment, labour and energy continue to rise and contribute to the rising costs of harvesting and delivering wood products.

Indigenous Concerns

AFA works closely with the Algonquins of Ontario (AOO) representatives participating in the forest management planning process and meets to discuss annual operating plans and to update forest values that may be affected by AFA operations. Separation of the Algonquins of Pikwakanagan from the AOO has had AFA engaging separately and directly with Algonquins of Pikwakanagan. The high-level concerns of this community are unable to be addressed through the Forest Management Planning Manual process for Annual Work Schedules and FMPs. AFA has undertaken significant effort to address concerns and protect values within this community, however, the delays in review and approval of AWS revisions through 2024-25 greatly impacted AFA operations. These delays resulted in reduced harvesting and compromised operational efficiency.

Financial impact of the delays and lack of approval for three individual AWS revisions was analyzed and amounts to over $400,000 for 2024-25. The loss of product sales and FRT revenue due to Revision #3 delays amounts to an estimated $186,000 that could not be recovered over the remainder of the Winter. Revision #5 was similar in nature and resulted in an estimated $103,000 loss in direct product sales and FRT revenue.

AFA also bore the additional costs of having to rapidly pivot and adjust operational plans when Revision #4 was not approved in a timely manner. The additional unexpected costs associated with lost productive equipment and labour time, coupled with additional float moves, re-opening and re-building of roads and additional Winter maintenance amounts to approximately $115,000.

This analysis does not include the additional AFA staff time associated with revision delays and the additional field staff time required to implement the necessary changes. There are further costs that are difficult to assess in monetary terms including unnecessary AFA stress on employees and the undermining of relationships AFA has built with contractors and clients through the years as they also experienced the negative effects of these revision delays and certainly bore additional costs and stress as well.

HUMAN RESOURCES

AFA has 23 permanent positions on the organizational chart and staffing levels have been consistent. AFA has not increased the number of full-time equivalents (22), or executives

(1) over the past three years. AFA hires staff on short-term contracts (seasonal staff) during critical periods to support operations (e.g. tree markers, silviculture surveyors). Table 2 provides human resource statistics for the prior three fiscal years at March 31.

YEAR	EXECUTIVES	EMPLOYEES (FULL TIME EQUIVALENTS)	TOTAL
2024-25	1	21	22
2023-24	1	20	21
2022-23	1	21	22

Table 2. Employment as of March 31 for the last three fiscal years.

BOARD OF DIRECTORS

Table 3 lists 2024-25 members of AFA's Board of Directors including date appointed, term expiry, attendance and renumeration (not including expenses).

NAME	POSITION	ORIGINAL APPOINTMENT	APPOINTMENT EXPIRY	ATTENDANCE (# OF MEETINGS)	RENUMERATION (NOT INCLUDING EXPENSES)
GORDON CLARK	Chair	2016-06-30	2026-03-30	9	$14,325
SARAH BROS	Vice-Chair	2013-02-01	2026-04-26	7	$4,400
ROBERT CRAFTCHICK	Director	2022-02-17	2028-04-01	7	
LEO HALL	Director	2022-03-10	2028-04-30	9	$1,838
ROBERT HOWE	Director	2019-10-25	2025-11-02	9	$2,538
DAMION KETCHUM	Director	2022-11-03	2025-11-02	8	$2,800
TIMOTHY WITHEY	Director	2025-06-05	2027-06-14	8	$1,225
BRIAN SARGINSON	Director	2023-11-09	2026-11-08	6	$2,406
ELEANOR REED	Director	2024-08-29	2027-08-28	5	$1,663

Table 3. AFA Board of Directors appointments, attendance and renumeration (not including expenses)