



ALGONQUIN
FORESTRY AUTHORITY

Maintaining the Balance since 1975

Annual Report

2020 – 2021

Forty-Sixth Annual Report 2020 – 2021



TO HER HONOUR
The Lieutenant Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR

The undersigned begs respectfully to present to Your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2020 and ending March 31, 2021.

The Honourable Greg Rickford
Minister



THE HONOURABLE GREG RICKFORD
Minister of Northern Development, Mines, Natural Resources and Forestry

Honourable Sir:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2020 and ending March 31, 2021.

David Lemkay
Chair

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ROLE AND 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 Northern Development, Mines, Natural Resources and Forestry (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
- Monitoring and reporting on forestry operations

The Authority's mandate is also subject to Minister's direction that is contained in a letter dated October 1, 2020 and can be found at <https://algonquinforestry.on.ca/wp-content/uploads/Ministers-Letter-Oct-1-2020-1.pdf>

The mandate letter outlines specific focus areas for the Authority, including its legislated mandate and 6 main government-wide priorities: Competitiveness, Sustainability and Expenditure Management, Transparency and Accountability, Risk Management, Workforce Management, Data Collection, Digital Delivery and Customer Service.

Specific focus has been placed on reducing the number of Directors and modernization of meetings to reduce cost and reviewing and updating the AFA Strategic Plan and implementing key strategies to achieve objectives that include the main government-wide priorities. See Achievement of Strategic Objectives on page 15.

All forestry activities are carried out under the direction of a Ministry approved Forest Management Plan (FMP), subject to the Crown Forests Sustainability Act, 1994. These activities are subject to an Independent Forest Audit (IFA) every ten years and the audit results are tabled in the Ontario Legislature and made available to the public. The most recent IFA audit was conducted in 2017.

The Algonquin Park Forest is certified to Canada's national forest certification standard Canadian Standards Association (CSA) Z-809 2016. This certification demonstrates the Authority's commitment to sustainable forest management and provides the public access to results from annual independent audits to defined standards.

A key component of the CSA Z-809 standard is the AFA's environmental and sustainable forest management system (ESFMS). Key objectives of the ESFMS are prevention of pollution, sustainable forestry, continual improvement and compliance with applicable laws and guidelines. AFA receives management direction from several different plans and legislation, but its Sustainable Forest Management (SFM) Policy guides its day-to-day activities. AFA's commitment to SFM can be found in its Vision Statement:

To achieve the highest standards of sustainable forest management practices, in order to maintain Park values for future generations.

The Authority applies the principles of SFM to balance the public's concern for protecting Park values. Protection of Indigenous, recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while creating economic opportunities and maintaining a supply of forest products to mills dependent on Park timber.

Harvesting is carefully regulated to minimize impacts on other forest values while being a significant economic generator for the region. The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested regularly supports 12 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Killaloe and Eganville. Another ten to fifteen mills in the region receive periodic supplies.

CHAIR'S MESSAGE

By David Lemkay

We are pleased to present this Annual Report outlining Algonquin Forestry Authority (AFA) operations for the fiscal year 2020-2021. In its 46th 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.

In this operating year, the Board of Directors has begun to implement elements of the new, comprehensive strategic plan, that supports the oversight and cooperation with management and staff. As well there was considerable analysis and input to a new Memorandum of Understanding with the Ministry of Northern Development, Mines, Natural Resources and Forestry and updating of the Authority's Business Plan. The Board is most pleased with the coming to fruition of the new ten-year Forest Management Plan resulting from creative and diligent hard work led by Chief Forester Gord Cumming.

As with all other sectors, the AFA too was forced to manage its affairs and operations through this second year within the continued COVID-19 Provincial restrictions. Forestry and forest management were deftly orchestrated by General Manager Jeff Leavey and his able staff, although not without extensive and somewhat expensive adjustment. The Board recognizes the exemplary effort that was undertaken in the interest of the safety and welfare of staff members and contractors in their day-to-day routine.

Activities at the board level continued uninterrupted, although significantly adjusted. Virtual meetings of our subcommittees and of the board became the norm and were found to be effective and efficient. The Board enjoys the administrative support of staff in both the Pembroke and Huntsville offices. With certain upgrading in Pembroke and a complete move to new premises in Huntsville it is remarkable how seamless those transitions were.

The Board and management have made human resources, particularly compensation, and succession management very high priorities for the organization. Over this term, AFA engaged 41 staff, including part-time, seasonal, fixed-term contracts and full-time staff. Janice McClentic retired in February after 36 years of dedicated service as AFA's Bookkeeper/Financial Officer in Huntsville. Jessica Condon of Huntsville accepted the Financial Officer position in March. We congratulate Jan and Jess and wish them both continued success on their respective journeys. Bob Coleman also retired in 2020/21 after 32 years with AFA as Forest Technician, Operations, Roads and Woodlands Supervisors. AFA will miss Bob's expertise but rest assured that he mentored more than just a few to the tasks at hand.

It is my pleasure to offer these comments in support of the 46th Annual Report.

Sincerely,



David Lemkay, Chair,
AFA Board of Directors

DESCRIPTION OF ACTIVITIES

The next two sections; harvesting and forest management, describe forestry activities, operational performance, and target achievement for 2020-2021. Targets discussed herein were set out in the Authority's 2020 to 2023 Business Plan.

Typically, most of the harvesting and transportation of timber to market is conducted between September and March, while forest management activities begin in April and are generally concluded by December. This requires significant expenditures to occur early in the year that are eventually funded by revenue generated from the sale of timber later in the year.

Performance measures are established during the business planning process three to four months before the results of the previous year's operations are known. Factors that can negatively affect achievement of objectives are typically fluctuating market demand for forest products, extreme weather conditions, recreational and biological timing limitations on operating within Algonquin Provincial Park and the availability of human and physical resources.

The AFA plans all operations on a cost-recovery basis and as such sets volume and value targets to fund operations within the sustainability limits for forest operations in the approved FMP. Achievement of business targets is tracked and compared to the annual budget and quarterly performance from the previous year on an on-going basis.

The approved FMP and AFA's sustainable forest management plan set targets to which performance is also measured but reported in separate reporting documents as required by the Crown Forest Sustainability Act, 1994 (CFSA) and Canadian Standards Association (CSA) Z-809 2016 standard requirements, respectively.

Harvesting

The approved 2010-2020 Forest Management Plan for the Algonquin Park Forest (approved for extension for 2020-2021 operations) states that a sustainable annual harvest of 783,075 cubic metres (m³) is available from the forest. The Authority's operations have produced an average of 413,000 m³ over the previous five years. The 2020-2023 AFA Agency Business Plan set out a target of 500,000 m³ for 2020-2021 based on evidence of an improving economy and the desire to grow the business to better achieve objectives. Meeting the financial portion of the budget requires achieving over 85% of this volume target or securing better sales rates for our products.

The 2020-2021 harvest from the forest was 395,969 tonnes, or 417,207 m³ (source: AFA Sales System), which is well within the sustainable level that the Algonquin forest can provide but is less than last year. The previous year's harvest was 440,453 tonnes, or 443,210 m³.

Harvest levels are tracked in-year by the sales unit of measure, mostly green metric tonnes (gmt, tonnes), which is the unit of measure most used by clients for payments. This year, sales were also made in board-foot-measure (fbm), Ontario log rule and net cubic metres. Mathematical conversions from tonnes and fbm to net cubic metres (m³) are made at year-end for consistent reporting. This will

often differ from the volume harvested and reported in MNRF's iTREES wood measurement system that reports net cubic metres by the year in which it is cut.

Operational Performance

Quarterly Sales Volume

The 2020-2021 fiscal year began just after the beginning of the COVID-19 global pandemic, but it was business as usual for our contractors and receiving mills until early May after harvesting stopped and winter inventories had been delivered. Uncertainty prevailed for the next few months while AFA and the forest industry adapted to health and safety concerns and ensured business continuity as part of the essential supply chain of goods and raw materials. Timber volume inventoried in March of 2020 was 52,000 gmt and twice the amount planned. This much unsold volume at year-end enabled a very good start to fiscal year 2020-21.

Harvest activity and sales were slowed by the pandemic, but our capacity to produce and get started early in the year was also reduced. Contractor start-ups were delayed by uncertain markets and rising costs of labour, insurance, fuel and equipment. First quarter (Q1) deliveries were 128% of planned. Q1 (April, May, June) performance this year compares to 137% in the previous year, and largely a result of good inventories to start the year.

Some harvest areas were further afield and of lower sawlog content because areas available for harvest at the end of the forest management plan are generally lower quality. This is especially true for summer operating areas outside sound restrictions where operations were primarily in lower quality hardwood stands with more pulpwood available than sawlogs.

Summer weather and sawlog demand were amenable to steady harvest levels and sales, but by mid-summer pulpwood had accumulated causing concerns for sustaining the harvest. Business relationships that were developed with Quebec mills for summer cut white pine were helpful again this year and more options to sell pulpwood in Quebec was also investigated. TKL in Temiscaming was the only mill receiving pulpwood produced from our forest and their commitment was the only one that we could count on for most of the year. Options to sell additional conifer pulpwood developed near the end of 2020.

Q2 sales of 74%, compared to last year's 81% of planned. It was clear by this time in the year that our productive capacity was not likely to increase, and sales would fall behind last year's results. A review of programs and forecasts was provided to determine if program adjustments were needed. Sales volumes tracked just below budget through the next quarter.

Relatively good weather conditions prevailed into the Fall, and adaptations to shifting markets provided acceptable results in Q3 (October, November, December). With less productive capacity only 61% of the sales volume target was achieved, compared to 78% last year.

Snowfall accumulation was near normal and fewer freezing rain events occurred which allowed steady production and deliveries (sales) throughout the winter. Sales remained steady for all products except

poplar pulp. Demand for most products remained constant, but no new production came online to make up for lost production earlier in the year.

Most contractors worked right up until Spring break-up around the second week of March. With more trucks available to help with the highway haul, deliveries picked up until year-end and continued through April. Q4 performance of 87% of planned harvest sales volume compares to 91% in the previous year. Sales volume performance for the year was 83% of the 500,000 m³ planned sales volume and 94% of the sales volume target required to achieve budgeted financial targets.

Approximately 44,000 tonnes of timber were inventoried to be sold at market as soon as road conditions would allow in April and May of the next fiscal year.

Contractor (Productive) Capacity

AFA's objective to grow the business to better achieve its mandate requires implementation of key operational strategies to increase contractor capacity to produce volumes for sale. Strategies include lengthening the operating season (early-starts, building inventories for inclement weather and the spring break-up period), advanced planning, advanced road building, tree marking, merchandizing yards, and developing new/additional road building and logging contractors. These strategies represent significant investment of human and financial capital and are at various stages of development in any given year.

The Authority's contractor workforce represents significant employment and economic value to the area and totals just under 285 jobs over the course of a year (Feb 2021 AFA Employment Survey). This year's roster of logging contractors was nine compared to twelve last year. Only eight logging contractors returned from last year and one returned to work for us from two years ago. The four logging contractors that did not return to us worked on other forests. Three of these had no long-term ties to the Algonquin Park Forest, while the indefinite loss of one long time contractor was disappointing, but not unexpected.

The loss of productive capacity had a direct effect on the volume harvested in 2020-21. Traditional, or long-standing logging contractors engaged by the Authority produced 97% of the total volume harvested this year. The contribution of new contractors was significant last year at just over 50,000 tonnes or 14% of the harvest, but this year their contribution was only 3%.

The Authority retains a professional and responsible work force to achieve its objectives and as such actively promotes safe and effective work practices. W. F. Dombroski and Sons Logging Contractors Ltd of Barry's Bay, ON was awarded the annual Safety Award for the 2020/21 season amassing an impressive 59,136 person hours with no lost time accidents and only one medical aid. They also managed to produce 5% more volume than last year which was their highest production year so far.

In addition to the safety award, AFA and the contractors administer an "Environmental and Safety Award System" that recognizes positive work practices. Based on a monthly score card for logging contractor operations, including road building and hauling sectors, the top performing contractors and their workers are formally recognized. All operations show a trend of continual improvement.

Product Sales

Sales volume in 2020-2021 was less than planned (83%), and lower than in the previous year (88%). Sales revenue during the year was projected to be sufficient to sustain forecasted program costs, however in-year adjustments to diversify clients and renegotiate sales had the benefit of securing better pricing.

Timber volume commitment holders, in total, received less than their Ministerial directive or business commitment levels, however there was sufficient demand for sawlogs and tree length timber from other locations to keep our contractors fully engaged.

Pine sawlogs and poles generate more operating margin because they command a better price at market and approximately 80% of the tree generates sawlog and better material. A hardwood tree contains fewer sawlogs (20-30%) and generates narrower margins. A shift of markets and species mix, and product proportions can have a significant impact on achieving financial targets.

Species and product mixes are compared in the chart below to the previous year that concluded with a positive financial position on March 31, 2020. This year's species/product mix was lower in both conifer and hardwood sawlogs and higher to associated pulpwood compared to last year. With a lower overall total and fewer higher value products, it required more effort to produce a positive financial position at year end. The Financial Results section begins on page 12.

Comparison of Annual Sales Volume (gmt) by Broad Species Groupings and Product Categories

Species/Product	2019-2020	% of Cut	2020-2021	% of Cut
Conifer Sawlogs (pine, spruce, hemlock, cedar)	173,120	39%	145,951	35%
Hardwood Sawlogs (maple, beech, oak, poplar, birch)	104,890	23%	67,081	16%
Conifer Pulpwood	11,465	3%	24,744	6%
Hardwood Pulpwood	137,326	31%	161,965	39%
Red Pine Poles	13,079	3%	16,188	4%
Veneer	3,330	1%	1,280	0%
Total	443,210		417,208	

Forest Management

The approved 2010-2020 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives and strategies for the ten-year period and outlines specific operations for two 5-year terms. Operations in 2020-2021 were conducted under an approved FMP extension for year 11 of the ten-year FMP. Forest management activities in Algonquin Park must follow FMP prescriptions and within the FMP framework. Targets set out in the FMP are further refined in the Agency Business Plan (see the following table) as required to reflect operational realities. The AFA began the planning process for a 2021-2031 FMP in 2017 that has been delayed by circumstances beyond our control. In addition to plan

extension, a short-term contingency plan has been developed to bridge the time between plan extension and final FMP approval expected in Fall of 2021.

AFA's Sustainable Forest Management Plan (CSA SFM certified) was rewritten in 2017/18, underwent a re-registration audit in September 2018 and a surveillance audit in September of 2019. A second surveillance audit was conducted in October 2020. Many conformities were observed, and any issues discovered were promptly dealt with to maintain certification to the CSA Z809-16 standard.

Forest management activities such as prescription setting and tree marking occur in advance of harvesting and need to be of sufficient area to support logging activities for the year. Forest management activities are carefully implemented to rely on some of the previous year's "banked" areas and not invest too far in advance. Contractor capacity to carry out planned activities was less this year than last, especially in tree marking and site preparation. Costs increased as contractor availability decreased, and workplace requirements increased to protect workers from COVID-19. AFA experienced these new costs indirectly through contracting, as well as directly through management of its own worksites, staff, and field crews.

Forest management also includes forest renewal (silviculture) activities conducted on areas that have been harvested. The only exception is tree marking that is a pre-harvest treatment. Target setting and budgeting, therefore, are based on the forests needs or post-harvest stages of development. The following section briefly outlines forest management performance targets and achievements.

Operational Performance

AFA Harvest & Forest Management Programs – 2020-2021 Budget versus Actual

Program	2020-2021 Budget	2020-2021 Actual	% of Target
Harvest (m3)	500,000	417,208	83%
Silvicultural Activities			
Silvicultural Effectiveness Monitoring Surveys (ha)	4,000	3825	96%
Scarification (ha)	50	0	0%
Site preparation (ha)	700	440.1	63%
Stand Improvement (ha)	3,000	1,964	65%
Tending (ha)	1,500	1,756	117%
Tree marking (ha)	8,000	7,202	90%
Tree planting (# trees '000s)	420	427	102%
Tree planting stock ('000s)	330	330	100%
Tree seed collection (hl)	45	45*	100%

**still being processed at Ferguson Tree Centre, final number may vary*

Silvicultural Effectiveness Monitoring

Regeneration assessments were conducted on over 3,800 hectares to ensure that regeneration treatments are progressing as planned. Results of 'Free to Grow' assessments are reported in the Management Unit Annual Report to MNR in November each year and available to the public. All selection management areas receive tree marking and audits to ensure appropriate results to predetermined standards but are not included in the reported monitoring figures. Regardless of the prescribed harvest systems, the actual annual monitoring is reflective of harvest progress and scheduling of treatments and does not include surveys completed to determine plantation survival. Annual targets are usually a refinement of FMP targets based on additional information and a better understanding of actual harvest depletions, stage of management and survey timing. This year's achievement was 96% of planned.

Site Preparation, Tree Planting and Scarification

A total of 427,000 tree seedlings were planted on 307 hectares in 2020/21 representing target achievement of 100%. Average density for the 2020/21 tree plant was approximately 1,400 trees per hectare.

Forest management reporting conventions differentiate between site preparation for artificial regeneration (planting) and scarification for natural regeneration. Both treatments employ the same equipment to expose mineral soil for seeding or to create plantable spots. Site prepared areas may be deferred from planting if they demonstrate high potential to regenerate naturally during good seed years. Four hundred and forty hectares were site prepared for planting in future years, representing 63% of planned levels and zero hectares of scarification was completed. Area scheduled for site preparation is guided by post-cut needs and stock ordered for the upcoming season to ensure site prepared areas are planted expeditiously post treatment. Area site prepared in 2020/21 is below average levels and was adjusted for lower levels of planting stock ordered for planting in 2021/22.

Private nurseries are growing 330,000 seedlings under contract with AFA for planting in upcoming years. Trees planted in Algonquin Park are grown from seed sources appropriate for planting within the Park. Seed collection in 2020/21 is sufficient to meet future stock needs. Seed collected in 2020/21 is still being processed at the time of this report and final numbers may vary. A review of stored seed inventories reveals sufficient volume of seed for our near-term growing stock needs.

Tree Marking

To implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which ones are to be retained, while protecting other resource values. This is done by skilled tree markers who follow the prescriptions prepared by Registered Professional Foresters in the Forest Management Plan. Tree marking was carried out on approximately 7,202 hectares in 2020/21 representing 90% of business planned levels and was sufficient to provide for the actual area harvested and some marking for the next operating year.

Tending and Stand Improvement

Manual tending was performed on 332 hectares to release established white pine and red pine regeneration from competing vegetation. A further 1,343 hectares of even-aged understory

improvement work was completed to improve light conditions for regeneration establishment. This work is essential to protect the investments made to establish and sustain regeneration and receives special project funding from the Forestry Futures Trust Fund.

Thinning was completed on 57 hectares of red pine to provide a small commercial harvest as well as invest in high value red pine products in the future. Twenty-four hectares of jack pine was pre-commercially thinned to promote growth.

Stand improvement was completed on 1,964 hectares to assist growth of residual trees and natural regeneration in areas managed under the selection system. This is 65% of business planned levels and compares to 48% last year. Area available for stand improvement fluctuates with hardwood selection harvest areas. Stand improvement is also sometimes carried out concurrently with harvest operations, without the need for renewal account funding, such as when firewood and pulpwood markets are strong. Only funded stand improvement is budgeted and reported.

The Authority is satisfied with its operational and forest management performance relative to annual harvest levels. Development and revision of targets to ensure achievement of FMP and CSA SFM targets is completed annually within the business planning, work planning and budgetary processes.

FINANCIAL RESULTS

AFA Financial Performance – 2020-2021 Budget versus Actual

	2020/21 Budget General Fund \$ (000s)	2020/21 Budget Renewal Fund \$ (000s)	2020/21 Budget Total \$ (000s)	2020/21 Actual General Fund \$ (000s)	2020/21 Actual Renewal Fund \$ (000s)	2020/21 Actual Total \$ (000s)
Revenue	26,509	2,786	29,295	25,440	2,182	27,622
Expense	24,299	2,225	26,524	23,310	1,798	25,108
Operating Income	2,210	561	2,771	2,130	384	2,514
Administrative & Other	2,180	505	2,685	2,128	315	2,443
Net Income <Loss>	30	56	86	2	69	71

Harvesting and the Statement of Operations

The following commentary references financial information in the Audited Financial Statements and are summarized in the table above to compare with budgeted targets. The budget is based on achieving 85% of the business plans' target volume and with estimates based on values from the previous year's margins, species and product mixes. The year over year vagaries of markets and weather weigh on expectations of results achievable on March 31. The Authority manages year over year profit/losses while achieving the objective of financial self-sufficiency over the longer term. This year's income of \$71,206 combines with previous year's profits/losses resulting in a positive balance of \$969,829 over the past five years, or since coming out of the recession (AFA Annual Reports 2016-17 to 2020-2021).

Operating revenues for the year were \$27,621,991 which represents a decrease of \$4,708,285 or 15% compared to 2019/20 and about over \$1.7 million less than budgeted.

Demand for our contractor produced forest products decreased by about 15.9% during the year and slightly higher stumpage and selling prices were achieved resulting in a 14.26% decrease in product sales dollars. Standing timber sales volumes increased significantly in 2020/21 as required mill volumes (Huntsville Mill) were obtained by the parties from inside our forest management unit.

"Other revenue" of \$2,391,317 as compared to \$3,240,479 in 2019/20 has been itemized in Note 8. The majority of the decrease relates to the receipt in 2019/20 of one-time funding from the Ministry of Environment, Conservation and Parks related to emergency road maintenance funding as a result of damage caused by the spring of 2019's significant run-off of water during the spring freshet.

Costs for contracted production, direct labour and stumpage were higher than the previous year due to higher stumpage rates and contractor costs. Combined with slightly lower spending on public access road maintenance and increased cost of operations planning, the results show a decrease in operating income to \$2,513,666 as compared to \$3,646,247 in the previous year. Operations planning costs associated with our Environmental Management System, CSA certification and the FMP process were \$225,795 as compared to \$213,051 in the previous year.

Administration costs for the year were \$2,442,460 which represents a decrease of \$247,642 or 9.2% compared to 2019/20. The decrease is primarily related to the \$300,000 cost of providing an allowance for a doubtful account in 2019/20.

Forest Renewal Fund

The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and is to be used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of \$1,793,270 (\$1,873,403 in 2019/20) from stumpage represents amounts actually charged by the Ministry to customers during the year for renewal fund purposes. Lower sales volumes of about 5.9% did result in lower renewal revenue and as a result of changes in the species mix, in particular pine volumes that were up over the previous year, the overall renewal revenues were down by 4.28%.

Actual allowable forest renewal expenditures incurred during the year amounted to \$2,112,635 as compared to \$1,979,006 in 2020. This increase was related to the increased direct program costs.

Total revenue in the renewal fund of \$1,793,270 (\$1,873,403 in 2019/20) has been sufficient to cover the costs of renewal operations and administration in this period. A surplus of \$69,130 is lower than the surplus of \$216,518 in 2020.

Financial Position- Balance Sheet

The Statement of Financial Position disclosure reflects disclosure requirements affecting government not-for-profit organizations, such as the Authority, recommended by the Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. Funds received in advance of the planned expenditure are presented as "Deferred Contributions" and amounts once referred to, in a single disclosure component, as "Retained Income" have been presented as three

separate components of 'Net Assets'. This presentation clarifies the restricted/unrestricted nature of our net asset position.

At March 31, 2021, our cash was \$2,858,333 higher and our accounts receivable balance was \$2,144,471 lower than the previous year balances. This change resulted from greatly improved customer payment patterns and a slightly earlier end of year operating season that resulted in higher cash and lower accounts receivable. Covid-19 concerns in March 2020 resulted in some of our customers retaining their cash positions, negatively impacting our cash position at that time.

March 31 payables and accruals were higher by \$259,320 compared to 2019/20 over half of which relates to amounts due to contractors for inventories held for resale.

The Renewal Account balance of \$3,551,295 (\$3,482,165 in 2020) remains well 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 2020-21 fiscal year can be found at www.algonquinforestry.on.ca

ACHIEVEMENT OF STRATEGIC OBJECTIVES

Implementation of the Algonquin Forestry Authority's 2020-2030 Strategic Plan began in fiscal year 2020-2021. This Annual Report, therefore, is the first to record a summary of achievements and follows through on the commitment to report progress toward achieving the Strategic Plan's five key measures.

The AFA Board and senior management maintain and update the Strategic Plan's Implementation Plan and Risk Management Plan. These tools ensure the Authority stays on track and informs quarterly risk reviews and reporting.

Operational Excellence

- **Forest Management Results** – achieve FMP/business plan targets with rationale.
 - Reached 83% of planned harvest level. The pandemic, markets and productive capacity were factors limiting progress.
 - Reasonable levels for silviculture targets were achieved. A shortage of skilled contractors affected delivery of projects. These will be carried forward to next year.

- **Positive Financial Results** – demonstrate Agency financial self-sufficiency
 - Achieved 94% of financial budget with a positive bottom line.
 - Improved receivables account and cash on hand.
 - Pursued opportunities for revenue generation (biomass, alternate destinations for pulpwood) and maintained Ontario Parks Roads assistance program to support shared access routes.

- **Environmental and Sustainable Forest Management System** performance including results of audits.
 - Internal audit performed and findings entered for action. A revised format was utilized to expand scope and involve more people for training purposes. The Surveillance Audit by SAI Global had one (1) finding of minor non-conformance has been actioned appropriately. Acknowledgement of continued certification has been received.
 - At year-end there were no unresolved forest compliance issues. Operational issues and remedies were fewer. Continual improvement is demonstrated.

Advancing Innovative Practice

- **Savings or gains through investment** – research and innovation.
 - Supported field program (admin, procurement, logistics) to collect data to support LiDAR acquisition on French-Severn and Algonquin Park Forests. Supports use of new tech for forest inventories.
 - Introduced VPN and other support for people working from home. Meetings held virtually. Savings of travel and accommodation costs.
 - Utilized 3D workstations acquired in 2019 for FMP allocation exercises – reduced expensive field time.
 - Utilized GPS trackers for graders. Realized gain in productivity.
- **Partnerships developed to support research and innovation.**
 - Met with FP Innovations to discuss business training for an Indigenous contractor. COVID-19 pre-empted the AFA/FP/Madadjiwan business meeting in May.
 - Participated in LIM geomatics workshops to learn more about ESRI compatible tools.
 - Participated with MNRF and OFIA to support eFRI program and acquisition of LiDAR ground data.
 - Contributed to FMPM streamlining project and FMP Advisory Group, Scaling Manual Advisory Group and the Provincial Forest Inventory Advisory Committee.
- **Research and innovation projects initiated.**
 - 2021 Employment Survey initiated to be benchmarked against 2018 survey.
 - Letter of support for KTTD (tech development and transfer projects) provided to initiate project to build forest structure models from ground sourced and LiDAR data and accelerated deliver of new eFRI.
 - Use of UAV for low level aerial reconnaissance is being investigated.
 - Digital modernization strategies being developed in conjunction with digital security. Implementation is guided by the AFA IT development plan.
 - Data usage improved by adoption of new AFA Sales system modules. Development of additional modules continues.

Developing and Supporting Our People

- **Worker engagement.**

- New ways to communicate with staff and contractors were developed during the pandemic: newsletters, bi-weekly teleconferences, video conferencing, outdoor-distanced meetings.
- Incentive awards for contractors were maintained during the pandemic. The results were shared by email letter.
- Streamlined processes from the revision of the FMPM have facilitated FMP and annual work schedule development and continuity of operations.
- AFA contract administration streamlining project is underway. Use of electronic signatures implemented in this term.
- **Worker attraction and retention.**
 - Contract staff positions were maintained, communicated upcoming recruitment initiatives.
 - Supported staff working from home – work/life balance, accommodation.
 - Active succession planning and management in progress. Several development strategies have been implemented in preparation for potential near-term vacancies.
- **Job security and competitive compensation.**
 - 2021 salary grid adjustment is being reviewed. Grid is current to 2020.
 - Longer term contract and seasonal contract positions are maintained for career development, fluctuating workloads, and protection of the core organizational structure.
- **Participation in training and recognition.**
 - Alternative methods for annual training have been used.
 - More online training has been conducted than in previous years: MHFP&RC modules, FOIP modules, Accessibility, FMPM training.

Indigenous Partnership

Strategic initiatives contained in this section help to achieve the objectives contained in Chapter 7 of the Agreement-In-Principle as well as the October 1, 2020 mandate letter.

- **Indigenous Community Engagement.**
 - Notices of job opportunities and tenders for work are provided by automatic email feed to the Algonquins of Ontario consultation office.
 - Algonquin First Nation community representatives met with AFA to share information for the safe conduct of the annual moose hunt.
 - AWS, FMP and FMP Planning Team engagement have been conducted and/or underway with good Algonquin First Nation and William’s Treaty First Nation representation. Pandemic related community engagement has required more virtual meetings.
- **Indigenous people attending training facilitated by AFA.**
 - Nothing specific has been developed to date.
- **Staff and Board members receiving Indigenous cultural awareness training,**
 - Work is underway to determine availability and scheduling of training.

- **Projects involving Indigenous communities in the local forestry sector.**
 - Preliminary business development discussions have occurred with the Algonquins of Pikwakanagan First Nation resulting in an application for federal funding to conduct a forestry business opportunity project that AFA would help design and implement.
 - A similar business opportunity request from the Bonnechere Algonquin First Nation was responded to with a detailed list of active contracts with AFA.
 - Supported start-up of two Indigenous tending contractors. Both indicate they will return for another season.
 - Currently developing one logging contractor new to AFA in 2018. One left in early 2020 for work closer to home.

Supporting Local Industry:

- **Wood using mills, logging operators, silviculture and other contractors engaged.**
 - The full roster of wood using mills developed last year has been engaged again this year. Two mills in Quebec were added.
 - Logging operators engaged are fewer than last year, but some have grown to produce more volume. New entries and expansion opportunities are being examined.
- **Annual utilization of prescribed sustainable annual harvest level.**
 - Year over year improvement is the goal.
 - 417,207 m³ is less than last year's 443,210 m³. The pandemic, markets and productive capacity were factors.
- **New jobs in wood mills and logging operations as a result of business with AFA.**
 - A jobs survey was completed in February 2021. According to the survey, there are 285 people employed in Algonquin wood's activities and over 4,000 people employed in the mills receiving wood from the Algonquin Park Forest and tree nurseries that provide seedlings for renewal.
 - This represents a loss of jobs in the woods of about 15, likely a result of mechanization.
 - The increase in people at mills and nurseries of about 700 jobs is the effect of adding more facilities to our sales program.

PUBLIC APPOINTMENTS – BOARD of DIRECTORS

	<u>DATE OF FIRST APPOINTMENT</u>	<u>CURRENT TERM'S EXPIRATION</u>
<u>CHAIR:</u> David Lemkay Douglas, ON	September 12, 2012	October 16, 2022
Sarah Bros North Bay, ON	February 1, 2013	February 3, 2024
Gordon Clark – Vice Chair Coldwater, ON	June 30, 2016	July 8, 2023
Carl Corbett Huntsville, ON	June 22, 2016	June 5, 2022
Robert Howe Barry’s Bay, ON	October 25, 2019	October 24, 2022
Damion Ketchum Toronto, ON	August 4, 2016	September 25, 2022
Charles Lauer Peterborough, ON	January 5, 2015	February 4, 2024
Rodney Smith Arnprior, ON	August 4, 2016	August 15, 2022

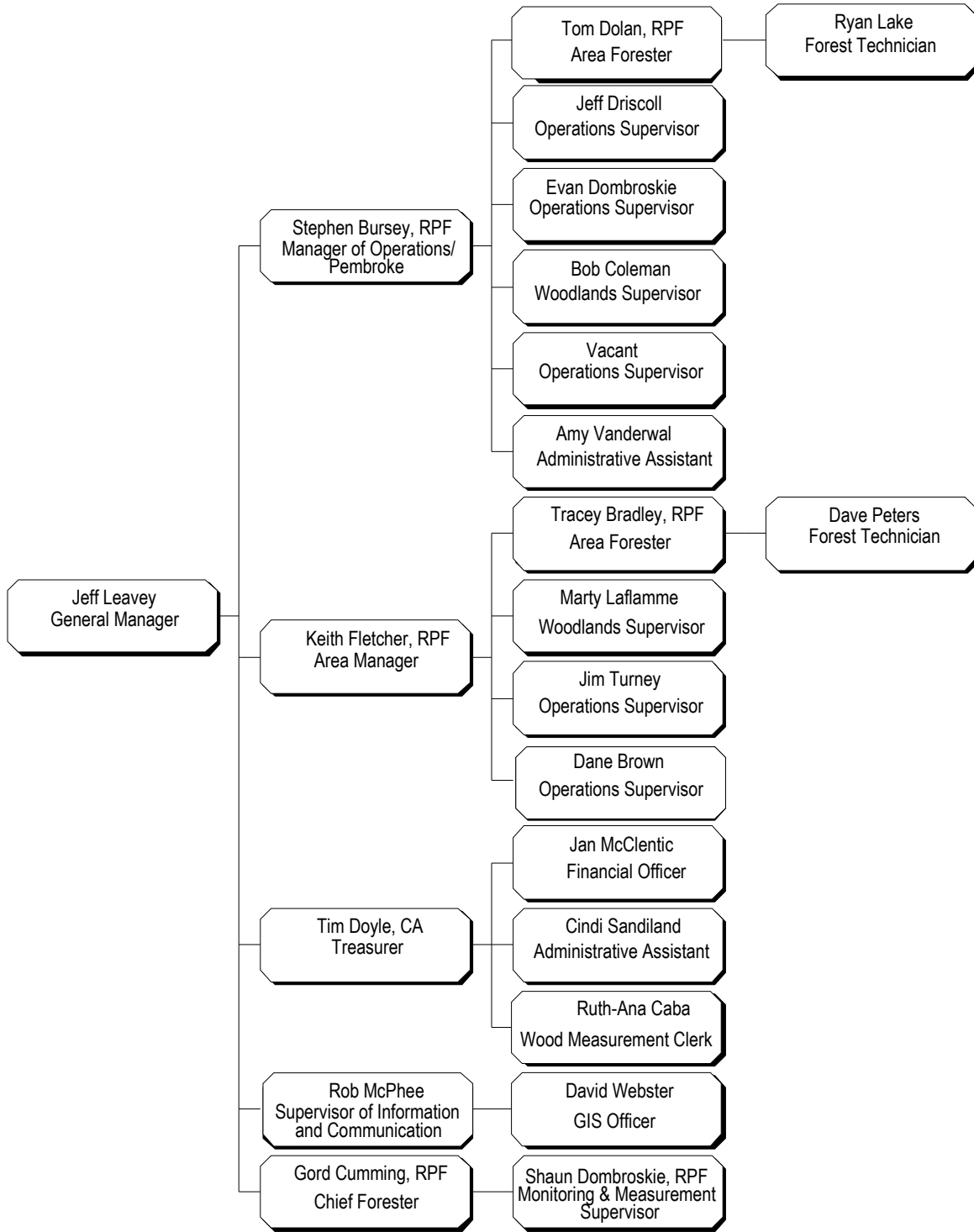
The total remuneration paid to Directors for this fiscal period is \$18,149.

OFFICERS: *Jeffrey W. Leavey* *Timothy K. Doyle, CPA, CA*
 General Manager *Secretary-Treasurer*

2020-2021 GENERAL MEETINGS:

May 1, 2020 Video Conference	June 19, 2020 Video Conference	July 17, 2020 Video Conference
September 11, 2020 Huntsville, ON	October 30, 2020 Video Conference	December 4, 2021 Video Conference
February 5, 2021 Video Conference	February 12, 2021 Video Conference	March 26, 2021 Video Conference

ORGANIZATION CHART (Full-Time, Regular Staff)



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Supporting CSA Z809 – Canada's SFM Standard

*This publication is available in French upon request.
Sur demande, vous pouvez obtenir la version française de ce rapport annuel.*