

Westwind

WESTWIND FOREST STEWARDSHIP INC.

ANNUAL REPORT 2003



MESSAGE FROM THE CHAIR

We are pleased to present herewith the Annual Report of Westwind Forest Stewardship Inc. for our fiscal year ending March 31, 2004.

This year has seen the completion of our first Forest Management Plan which will guide operations in the French-Severn Forest for the next five years. Our staff are to be congratulated for their efforts in bringing this lengthy and complicated process to a successful completion.

We also continued our forest certification efforts and our encouragement of others to become aware of the advantages of this important program. It is encouraging for us, as leaders in forest certification, to see it becoming widely used across Canada and Ontario in particular as the way to conduct healthy forest operations.

We greatly appreciate the financial and moral support of the Richard Ivey Foundation in our certification program.

We remain committed to working with our forest partners; the Ministry of Natural Resources, the Parry Sound-Muskoka Stewardship Network for private land forestry, our First Nations neighbours and our Forest Operators. A number of meetings have been held to further develop communications with our First Nations representatives and we will continue with this important effort.

Our first commitment above all is to our Forest Operators. It is of prime importance to this Board that we do all we can to assure them continued economically viable operations while keeping them apprised regularly in changes in markets, government legislation and regulations. An important part of this communication is the "Your Forest-Your Choice" conferences which we hold annually in cooperation with a number of partners.

We extend our sincere appreciation to our Westwind staff for their cooperation and dedication to our operations in the day to day contact with our Forest Operators. It is indeed our most important function.

Sincerely,
Kenneth C Veitch

Board of Directors 2003

Westwind Board of Directors

First Nation

Community Directors

James Williams

Ken Veitch, Chair, Bracebridge

Forest Industry

John Bolus, Secretary/ Treasurer, Port Carling

Marc Bouthillier Tembec Inc.

Wilf Cosby, Port Loring

Claude Goulard, Goulard Lumber

Frank May, South River

Art Shannon, Independent Forest operators

Westwind Staff

Steve Munro, General Manager

Barry Davidson, R.P.F, Management Forester Marty Martelle, R.P.F GIS Forester, MITIG

Mike Henry, R.P.F., Operations Forester Silviculture Staff

Ken Webb, Senior Forest Technician Gary Radey

Tom Bryson, Senior Forest technician Jeff Rhiness

Larry Jardine, Senior Forest Technician Denis Nadon

Gloria Marshall, Office Administrator Peter Wassermann

Earl Holley Certification Coordinator Krista Livsey

Introduction:

"2003/2004" was busy for Westwind Forest Stewardship Inc. staff because the 2004-2009 FMP was being produced. Significant level of staff resources typically used for operational implementation of the current FMP were shifted towards developing the new plan.

Weather and markets are the primary factors that affect harvesting in this forest with weather being a particularly important factor due to the fact that the vast majority of harvesting is conducted with partial cutting systems wherein stand and site damage are of great concern.

Renewal and Tending

Tree marking is expressed in hectares (ha). Note: 2.47 acres = one hectare!

| Red Pine Thinning | Tolerant Hardwood Girdling | Clearcut | Shelterwood | Selection | Total |
|-------------------|----------------------------|----------|-------------|-----------|-------|
| 0 | 0 | 97 | 1333 | 2185 | 3615 |

This information clearly shows the reliance of this management unit on partial cutting systems.

Natural Regeneration

All selection stands are renewed by natural means as natural maple seedlings are plentiful. Some group openings are planted to other species such a red oak but the stands as a whole are regenerated naturally. Similarly most shelterwood hardwood stands are regenerated naturally. A portion of pine shelterwood stands, particularly those on shallow sites are regenerated naturally.

Site preparation

Most site preparation work occurs in the Pwus (white pine shelterwood) forest unit. Harvest levels of Pwus are only surpassed by the selection forest unit SelBB (hardwood selection stands) that requires very little follow-up activity.

The second highest level of site preparation occurred in the Hdus (hardwood shelterwood stands) forest unit, where mechanical site preparation was the dominant treatment. 25 hectares of mechanical site preparation took place, mainly for the regeneration of yellow birch.

Herbicide Application

Westwind continues to implement its vegetation management strategy that includes the judicious use of herbicides, particularly in its white pine management efforts. Although shallow, the soils of the pine dominated areas in the management unit have a component of fine silty sands that allows competition to be vigorous. Herbicides are used in component of site preparation for white pine and in the majority of white pine tending activities. Much of the application is directed at “backlog” areas (areas that were harvested/regeneration more than 8 or so years ago and still have not met adequate stocking targets of free growing trees.



Summary

The level and types of activities undertaken in 2003 in renewal and tending continues to be promising, including:

1. Aerial herbicide treatments in pine stands and the use of skidder mounted Air Blast Sprayer in conifer mixedwood and white pine shelterwood stands;
2. Continued use of stem specific chemical treatments such as the brushsaw/sproutless applicator and increased level of basal bark treatments which limit and reduce herbicide use on the forest landscape and has provided employment opportunities for members of local First Nations,
3. Supplemental planting of backlog white pine shelterwood areas with assistance from Forestry Futures,
4. Site specific prescriptions that have resulted in stand level achievements of site preparation for the regeneration of yellow birch and the use of group openings to release mid-tolerant species such as black cherry, white ash and yellow birch,
5. Stand improvement on all selection and shelterwood stands, largely due to assistance from Forestry Futures to ensure tree marking objectives are realized with the subsequent harvest to create proper spacing and light conditions,
6. Increased levels of site preparation in white pine stands to increase the success of artificial regeneration efforts as well as increasing the amount of natural regeneration,
7. Planting and tending efforts in off-site hardwood stands that are part of an ecological restoration effort to bring these sites back to a much higher conifer component, and Planting of red spruce, considered provincially rare and the planting of some hemlock which has significant wildlife benefits and whose natural regeneration has been proven ineffectual

Forest Operators / French-Severn Forest

| OPERATOR NAME | % OF Traditional Harvest | Contact | Phone |
|--|--------------------------|------------------|--------------|
| Tembec Industries Inc. | 39.27% | John McNutt | 705-752-1211 |
| R. Fryer Forest Products Limited | 13.66% | Roger Fryer | 705-898-2286 |
| Goulard Lumber (1971) Limited | 10.00% | Claude Goulard | 705-753-2220 |
| Roy's Lumber and Mining Timber Limited | 8.77% | Rick Singor | 705-645-7757 |
| Domtar Inc. | 6.38% | Paul Kallioinen | 705 869-4020 |
| 821815 Ontario Ltd., c/o George Cottrell | 4.00% | George Cottrell | 705-384-7272 |
| Portelance Lumber (Capreol) Limited | 3.73% | Roland Breton | 705-969-2121 |
| Muskoka Timber Mills Ltd. | 3.37% | Rick Singor | 705-645-7757 |
| S & H Brooks Logging & Construction Ltd. | 2.37% | Halliett Brooks | 705-757-2053 |
| Monette Forest Products | 0.87% | Robert Monette | 705-853-4983 |
| 1063332 Ontario Ltd. (J R Logging Ltd.) | 0.86% | Jim Moffat | 705-385-8786 |
| Ralston Forestry Operations Inc. | 0.82% | Rob Ralston | 519-357-3439 |
| S W Madill Forestry Ltd. | 0.75% | Scott Madill | 705-788-3783 |
| Gerald Cook & Son Logging | 0.66% | Gerald Cook | 705-645-8360 |
| Lahaie Lumber Ltd | 0.59% | Mike Lahaie | 705-857-2085 |
| Eric Johnson | 0.50% | Eric Johnson | 705-389-3180 |
| Lucien Groulx & Son Planing/Sawmill Ltd. | 0.33% | Richard Groulx | 705-752-4413 |
| Bruce Crozier | 0.23% | Bruce Crozier | 705-387-3769 |
| Wolfgang Thoennes | 0.23% | Wolfgang Thonnes | 705-746-7923 |
| Robert H. Kaminski Lumber Ltd. | 0.21% | Robert Kaminski | 705-746-0873 |
| Daniel Hebert | 0.19% | Dan Herbert | 705-898-2541 |
| Adanac Forest Products | 0.16% | Ric Sisson | 705 793-3442 |
| Art Shannon | 0.14% | Art Shannon | 905 642-8612 |
| Scott Sahanatien | 0.10% | Scott Sahanatien | 705-762-5346 |
| Charles Besner | 0.10% | Charles Besner | 705-383-2376 |



agement



unit.

Revenues and Expenditures 2003

The following table details by species group how much revenue was generated for the Crown (through minimum crown stumpage plus residual values), for the Forest Renewal Trust Fund (from which Westwind pays its Silvicultural expenses) and the Forestry Futures Trust Fund (which is managed by a committee for a number of purposes including enhanced silviculture project).

| Species | Harvest Volume Cubic metres | Crown Revenues | Forest Renewal Trust | Forestry Futures |
|-----------------------------|--------------------------------|-------------------|-------------------------|---------------------|
| White/Red Pine | 46,014 | \$ 127,096 | \$ 352,920 | \$ 22,005 |
| Conifer (spruce, pine, fir) | 2,996 | \$ 13,661 | \$ 17,912 | \$ 1,433 |
| Hemlock/Cedar | 1,757 | \$ 8,090 | \$ 3,492 | \$ 838 |
| Poplar/ Birch | 11,106 | \$ 65,262 | \$ 5,750 | \$ 4,983 |
| Hardwood | 95,668 | \$ 714,030 | \$ 240,331 | \$ 42,652 |
| Totals | 157,541 | \$ 928,139 | \$ 620,405 | \$ 71,911 |



AUDITOR'S REPORT

To the Members of
WESTWIND FOREST STEWARDSHIP INC.

I have audited the balance sheet of WESTWIND FOREST STEWARDSHIP INC. as at March 31, 2004, and the statements of revenue, expenditures and surplus, changes in net assets and changes in financial position, for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2004 and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles.



Parry Sound, Ontario
June 30, 2004

CHARLES A. DUROCHER
CHARTERED ACCOUNTANT

BALANCE SHEET

AS AT MARCH 31, 2004

| | 2004 | 2003 |
|---|------------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$444,576 | \$ 382,786 |
| Accounts receivable (Note 3) | 262,671 | 256,708 |
| GST receivable | 20,713 | 21,558 |
| | 727,960 | 661,052 |
| CAPITAL ASSETS (Note 4) | 42,912 | 44,573 |
| | \$770,872 | \$ 705,625 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$258,991 | \$ 178,838 |
| Stewardship funds (Note 5) | 17,407 | 6,243 |
| Deferred contributions: | | |
| MNR Partnership Projects (Note 6) | 264,414 | 249,418 |
| Ontario tree marking committee account (Note 7) | 111,643 | 104,291 |
| | 652,455 | 538,790 |
| NET ASSETS | | |
| Net assets invested in capital assets | 42,912 | 44,573 |
| Net assets internally restricted (Note 8) | 12,922 | 53,502 |
| Unrestricted net assets | 62,583 | 68,760 |
| | 118,417 | 166,835 |
| | \$770,872 | \$ 705,625 |

APPROVED ON BEHALF OF THE MEMBERS:

 Director

Director

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2004

| | Invested in Capital Assets | Unrestricted | Internally Restricted | 2004 Total | 2003 <u>Total</u> |
|--|-------------------------------|--------------|--------------------------|-----------------|----------------------|
| Balance beginning of year | 44,573 | 68,760 | 53,502 | 166,835 | 233,617 |
| Excess (shortfall) of revenue over expenses | (12,422) | (35,996) | | (48,418) | (66,782) |
| Invested in capital assets | 10,761 | (10,761) | - | - | - |
| Internally restricted Note 8 | - | 40,580 | (40,580) | - | - |
| \$ | 42,912 | 62,583 | 12,922 | 118,417 | 166,835 |

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

FOR THE YEAR ENDED MARCH 31, 2004

| | 2004 | 2003 |
|--|--------------------|--------------------|
| OPERATING REVENUE | | |
| Funding | | |
| Renewal trust | \$1,253,477 | \$1,145,427 |
| Forestry futures | 514,573 | 450,876 |
| Ivey foundation | 108,526 | 89,100 |
| Other | | |
| Levies | 354,744 | 378,699 |
| Services | 59,976 | 6,167 |
| Conferences | 1,786 | 34,044 |
| Living legacy | 25,530 | 104,565 |
| Other | 12,226 | 31,701 |
| | 2,330,838 | 2,240,579 |
| OPERATING EXPENSES | | |
| Staff | 441,282 | 468,713 |
| Vehicle | 68,883 | 68,072 |
| Supplies & Services | 132,158 | 80,130 |
| FSC standards | 105,107 | 66,998 |
| Annual planning | 55,804 | 68,282 |
| Compliance | | -4,022 |
| Ivey expenses | | -7,898 |
| Other operational | 279,410 | 473,949 |
| Forestry futures | 514,573 | 446,031 |
| Silviculture expenses | 769,617 | 610,864 |
| Depreciation | 12,422 | 12,402 |
| | 2,379,256 | 2,307,361 |
| SURPLUS (DEFICIENCY) FOR THE YEAR | \$ (48,418) | \$ (66,782) |

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2004

| | 2004 | 2003 |
|---|-------------------|------------|
| OPERATING ACTIVITIES | | |
| Working capital from operations | | |
| Surplus (deficiency) | \$(48,418) | \$(66,782) |
| Add : non working capital charges (credits) | | |
| Depreciation | 12,422 | 12,402 |
| | (35,996) | (54,380) |
| Net change in non-cash working capital balances from operations* | 108,547 | (59,291) |
| | 72,551 | (113,671) |
| FINANCING ACTIVITIES | | |
| | - | - |
| INVESTING ACTIVITIES | | |
| Additions to capital assets | (10,761) | (16,161) |
| | (10,761) | (16,161) |
| INCREASE (DECREASE) IN CASH | 61,790 | (129,832) |
| CASH, beginning of year | 382,786 | 512,618 |
| CASH, end of year | \$444,576 | \$382,786 |

*Consisting of changes in accounts receivable, GST receivable, accounts payable and accrued liabilities and stewardship funds payable.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2004

1. NATURE OF ORGANIZATION

The organization is a non-profit corporation that provides for the ecologically sustainable management of the French/Severn Forest. For income tax purposes the organization is classed as a non-profit organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Capital Assets

Capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computer - 30% declining balance
 Equipment - 20% declining balance
 Vehicles - 30% declining balance

(b) Revenue Recognition - Contributions

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognised as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognised as revenue when received or receivable.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

| | 2004 | 2003 |
|--|-------------------|------------|
| Royal Trust - forestry futures and renewal | \$232,210 | \$ 244,498 |
| Others | 30,461 | 12,210 |
| Total | \$ 262,671 | \$ 256,708 |

4. CAPITAL ASSETS

| | <u>Cost</u> | <u>Accumulated Amortization</u> | Net 2004 | Net 2003 |
|-------------|-------------|-------------------------------------|---------------------|-------------|
| Computer \$ | 53,100 | \$ 37,127 | \$ 15,973 | \$21,608 |
| Equipment | 48,862 | 23,466 | 25,396 | 20,761 |
| Vehicles | 9,180 | 7,637 | 1,543 | 2,204 |
| \$ | 111,142 | \$ 68,230 | \$ 42,912 | \$44,573 |

5. STEWARDSHIP FUNDS

The organization is holding funds in trust for the Parry Sound - Muskoka Stewardship Network.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2004

6. MNR PARTNERSHIP PROJECTS

Westwind has entered into an agreement with the Minister of Natural Resources for the Province of Ontario ("MNR") whereby Westwind has agreed to perform work for the MNR. At March 31, 2004 funds in the amount of \$264,414 were on hand relating to projects to be completed in the future.

Westwind, in Partnership with the Ontario Lumberman's Association, the Ontario Forest Industries Association and the Ministry of Natural Resources, have created the Forest Practises Competency Partnership to provide for training in a variety of forestry related issues. Training has been provided for the forest industry and Ministry employees in Erosion & sediment Control, Site Protection, and Compliance Inspector certification.

7. ONTARIO TREE MARKING COMMITTEE ACCOUNT

Westwind has entered into an agreement with the Ontario Tree Marking Committee ("OTMC") whereby Westwind has agreed to perform tree marking courses for the OTMC.

At March 31, 2004 funds in the amount of \$111,643 were on hand relating to tree marking courses to be delivered in the future.

8. INTERNALLY RESTRICTED FUNDS

Funds amounting to \$40,580 were expended during the year relating to the forest management plan ("FMP") and the forest regeneration survey. The reserve balance at the end of the year, \$12,922, relates to the FMP.

9. COMMITMENT

The organization has entered into an office lease agreement for 1 year at an annual rental of \$26,667.



