

# Westwind

WESTWIND FOREST STEWARDSHIP INC.

## ANNUAL REPORT 2004



# 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, 2005.

The past year has been a trying one for the forest industry considering skyrocketing fuel prices, insurance costs, new regulations and international complications in wood flow. Hopefully, and recent indications are, the worst of these problems is behind us.

Our effort in forest certification and our encouragement of others to become aware of the advantage of this important program continues to be a priority. 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 as well as the leadership of the Richard Ivey Foundation in forest certification endeavours.

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. It is important in these difficult times to communicate and work together to resolve issues that are important to our French-Severn Forest.

Our first commitment above all continues to be 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. Many challenges face the forest industry and we all must do what we can to help while at the same time continue to build a healthy forest.

Our greatest asset is our Westwind staff and we thank them for their cooperation and dedication to our operations in the day to day contact with our Forest Operators. They recognize, as do the Board of Directors, that this is indeed our most important function.

Sincerely,

**Kenneth C Veitch**

# Board of Directors 2004

<b>Westwind Board of Directors</b>	<u>First Nation</u>
<u>Community Directors</u>	Dave Restoule, Dokis First Nations
Ken Veitch, Chair, Bracebridge	
	<u>Forest Industry</u>
Wilf Cosby, Secretary/ Treasurer Port Loring	John McNutt, Tembec Inc.
Tom Adair, Kearney	Claude Goulard, Goulard Lumber
Eric McHugh, Bracebridge	Art Shannon, Independent Forest operators

<b>Westwind Staff</b>	
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	<u>Silviculture Staff</u>
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	

## **Forest Management Report**

This is the first complete annual report prepared under the 2004 version of the Forest Management Planning Manual for Ontario's Crown forests. It is also the first annual report prepared for activities conducted under the 2004-2024 Forest Management Plan for the French/Severn Forest. Forest activities, although fewer than planned, were considered normal, and actually were greater for both harvest and silviculture than what has been experienced in recent years.

### **Harvest**

A little over 5,000 ha was harvested with 58% being harvested with the selection system and 42% with the shelterwood system. Only 3 ha were harvested under the clear-cut system

Tembec cuts the most out of any of the licensees and has a hardwood sawmill and flooring plant. As well, the Tembec pulp mill in Temiskaming is geographically suited for the flow of hardwood pulp to that mill from the eastern section of the management unit.

Many HDUS stands in the western portion of the management unit still have fiscal operational constraints with the low amount of sawlogs and many have significant access costs.

Although white pine markets have remained weak with the softwood lumber tariff, the harvest level was significant. Fryer Forest Products had the highest level of harvest and has focussed much of its harvesting efforts in the French/Severn forest instead of other management units in which it also holds licences pending business arrangements affecting those other management units. Goulard Lumber, which does not operate in this forest every year, did cut in 2004/05. Roy's Lumber, harvested at what can be described as its normal rate.

### **Volumes**

Obviously, the level of harvest volumes is reflective of the level of harvest area. Approximately 194,000 m<sup>3</sup> of invoiced volume, plus an additional 11,000 m<sup>3</sup> of undersized volume (undersized volume only shown in AR-11, not included in AR-4 and AR-5) was harvested. This represents a level that exceeds the management units average for the last several years.

Tembec utilization of maple was 18% which is very close to the "ideal" for year 1 of the plan. This is noteworthy given the large area Tembec harvests and the influence Tembec has on the hardwood forest in terms of harvest area/volume. Tembec had a concerted effort in harvesting this year with 2 feller buncher crews operating at some times in addition to some conventional cut and skid crews.

### **Wood Utilization**

This was a very poor year for poplar and white birch to flow to Grant Forest Products despite Westwind efforts of facilitating business relationships between Grants and the overlapping licence holders.

A strong heavy hardwood pulp market, and with FSC pulp in demand, there were better than normal prices that contributed to 21% or the expected amount of maple pulp flowing to Tembec Temiskaming..

### **Silviculture Activities**

The natural regeneration of selection stands is a direct reflection of the harvest levels as harvest and regeneration occur at the same time. Further, since Forestry Futures continues to enable managers to afford with some monies from the RTF the payment of stand improvement in selection stands.

The majority of planting occurred in the Pwus forest unit in Blair, Mowat and Brown Townships. Of significance is the fact that a large area of backlog was retreated by planting approximately 410,000 trees, mostly Pw (some Sw) covering 681 ha. This was largely attributable to the Forestry Futures (FFT) project FFT 488 that was intended for this purpose. Westwind has expended significant time, energy and monies on surveying activities in older white pine shelterwood stands.

There was also an FFT project planting to red oak (4470 trees) in McClintock along Hwy 35 north of Dorset.

Other Pwus planting of approximately 251,000 trees, mostly Pw and some Sw covering 234 ha occurred in the north west in current renewal areas located in S&H Brooks (Blair Twp), Goulard Lumber (Brown Twp) and Fryer Forest Products (Blair Twp) License areas. On the east side of the management unit, a small (8.7 ha) plant in the Pwus2 forest unit also occurred (8400 Pw) in Machar township, along with some group openings to Or (1000 trees).

A clear-cut in Mowat east of Hwy 69 within Hebert's license area was planted to Pw (residual Pw pockets found in clear-cut) and Sw (46490 trees total).

In Butt Twp, a retreatment took place in an MWUS forest unit stand within Tembec's operating area. The area was originally mechanically site prepared for the purposes of natural regeneration to Sw. Westwind assessed this area and determined it was a failure. Additional stocking to Pw (6000), Sw (5000), Sr (3000) and He (1000) was deemed necessary (approximately 15,000 trees total).

### **Renewal Support**

4.2 hectolitres (10 bushels) of white pine seed was collected from the Conger Seed Orchard. Overall however, it was not a particularly good seed year for oak, red pine or white pine. White pine and red pine seeds (seed zones 31) are required and Westwind will closely monitor upcoming seed crops for opportunities.

Site preparation mainly occurred in white pine stands and was mainly chemical site prep with aerial application.

The amount of mechanical site preparation in pine is being reduced intentionally. Mechanical site preparation is generally being used on the best sites and on sites where balsam fir is a significant concern as chemical site preparation has no impact on the balsam fir.

Some of the chemical site preparation was associated with the Forestry Futures project FFT-488 dealing with retreating backlog pine shelterwood stands.

The budget prevented significant achievement of targets in tending with some tending by ABS (young pine stand and a spruce plantation) and most aerial tending in backlog pine associated with a forestry futures project. The focus of the budget was in allowing a significant planting project.

### **Revenues and Expenditures**

Expenditures include several silvicultural activities including Westwind staff time associated with marking, marking audits, stand inspections, prescription writing, silvicultural effectiveness monitoring and overhead and support. These are included under *Other Eligible Expenses* and are the largest portion of the expenditures. Tree marking is the largest amount of the natural regeneration costs and this does not include the tree marking of Westwind staff. In total, 5183 hectares were marked in 2004/05 including 62 hectares of group selection, 2910 hectares of single tree selection, 50 hectares of group shelterwood, 2098 hectares of uniform shelterwood and 63 hectares of clear-cut.

The Forestry Futures made a significant and essential contribution to the silvicultural work carried out in retreating backlog white pine shelterwood areas with site preparation and planting (including renewal support of planting stock purchase), stand improvement in selection and shelterwood stands, planting of oak, and tending of white pine stands. Compared to revenues generated from volume harvested, Forestry Futures expenditures roughly equated to \$4 spent on silviculture for every \$1 collected from the harvest.

However, the disturbing summary shows that approximately \$260,000 more was spent on silviculture from the RTF than what was brought in from RTF fees. While this is accounted for in the budget, it is a disturbing reality and prevents more silviculture from occurring in terms of tending and regeneration of pine stands primarily. It also prevents more assessments from occurring.

A concern to the SFL is that the collection of RTF funds from all companies has been a challenge for MNR and difficult decisions on behalf of MNR have been made to provide every opportunity for forest companies to survive in these difficult times for the forest industry. However, the RTF funds are required to carry out the necessary silvicultural work. This was the first year that the RTF balance fell below the minimum at year end but if all owed monies were collected, this would not have been the case.

## **Compliance**

The SFL holder and industry submitted 129 reports to the (FOIP) Forest Operations Information Program. The overall reporting requirements were consistent with Westwind Forest Stewardship's annual compliance plan for all areas of forest operations.

The SFL and industry reported four incidents of non compliance:

None of these issues threatened sustainability or caused any significant environmental concerns.

MNR inspectors completed 27 inspections as well as the verification of the incidents of not in compliance reported by the SFL. MNR inspections were down from previous years due to staffing issue and the lack of certified inspectors.

The overall level of compliance for the unit was quite good. There does not appear to be any significant trends or consistent problems effecting compliance with the exception of issues concerning correctly filling out bills of lading and following condition of the (ATH) *Authority to Haul Unscaled Crown Forest Resources*.

MNR has and will continue to attend the operators meeting where possible to further reiterate the importance of following the conditions of the ATH and proper procedures for filling out and managing the *Bills of Lading*.

As part of a normal year, Westwind conducts a spring and fall operators meeting with all the overlapping license holders on the management unit. The objective of these meetings is to review FMP blocks and operating conditions with the licensees to prevent any issues of non-compliance.

## **Regeneration Assessments**

Few regeneration assessments were made to ascertain Free To Grow status.

Budget limitations prevented further achievements of regeneration assessments. However, many stands were assessed for silvicultural needs before being eligible to be assessed for Free To Grow Status.

## **Synopsis**

2004/05 was a better than typical year in terms of achieving harvest areas and volumes as well as artificial regeneration targets. More silviculture work is required to prevent recent shelterwood cutover areas from becoming backlog as well. Balancing the budget to treat stands harvested in the past, to allow for future removal cuts and maintain allowable harvest levels is critical at the same time.

Harvest targets for the main forest units of white pine and tolerant hardwoods are generally on target for this stage of the plan although hardwoods in the western part of the management unit and mixedwood stands, including clearcuts continue to be difficult to harvest in an economically viable manner given low stocking, low quality, access costs and distance to mills.

No major incidences such as large disturbances caused the plan to be set off track.

# Forest Operators / French-Severn Forest

OPERATOR NAME	% Traditional Harvest	Contact	Phone
<b>Tembec Industries Inc.</b>	<b>39.27%</b>	<b>John McNutt</b>	<b>705-752-1211</b>
<b>R. Fryer Forest Products Limited</b>	<b>13.66%</b>	<b>Roger Fryer</b>	<b>705-898-2286</b>
<b>Goulard Lumber (1971) Limited</b>	<b>10.00%</b>	<b>Claude Goulard</b>	<b>705-753-2220</b>
<b>Roy's Lumber and Mining Timber Limited</b>	<b>8.77%</b>	<b>Rick Singor</b>	<b>705-645-7757</b>
<b>Domtar Inc.</b>	<b>6.38%</b>	<b>Paul Kallioinen</b>	<b>705 869-4020</b>
<b>821815 Ontario Ltd., c/o George Cottrell</b>	<b>4.00%</b>	<b>George Cottrell</b>	<b>705-384-7272</b>
<b>Portelance Lumber (Capreol) Limited</b>	<b>3.73%</b>	<b>Roland Breton</b>	<b>705-969-2121</b>
<b>Muskoka Timber Mills Ltd.</b>	<b>3.37%</b>	<b>Rick Singor</b>	<b>705-645-7757</b>
<b>S &amp; H Brooks Logging &amp; Construction Ltd.</b>	<b>2.37%</b>	<b>Halliett Brooks</b>	<b>705-757-2053</b>
<b>Monette Forest Products</b>	<b>0.87%</b>	<b>Robert Monette</b>	<b>705-853-4983</b>
<b>1063332 Ontario Ltd. (J R Logging Ltd.)</b>	<b>0.86%</b>	<b>Jim Moffat</b>	<b>705-385-8786</b>
<b>Ralston Forestry Operations Inc.</b>	<b>0.82%</b>	<b>Rob Ralston</b>	<b>519-357-3439</b>
<b>2060589 Ont. Inc. Farquar &amp; Cunningham)</b>	<b>0.75%</b>	<b>Ryan Cunningham</b>	<b>705-792-9482</b>
<b>Gerald Cook &amp; Son Logging</b>	<b>0.66%</b>	<b>Gerald Cook</b>	<b>705-645-8360</b>
<b>Lahaie Lumber Ltd</b>	<b>0.59%</b>	<b>Mike Lahaie</b>	<b>705-857-2085</b>
<b>Eric Johnson</b>	<b>0.50%</b>	<b>Eric Johnson</b>	<b>705-389-3180</b>
<b>Lucien Groulx &amp; Son Planing/Sawmill Ltd.</b>	<b>0.33%</b>	<b>Richard Groulx</b>	<b>705-752-4413</b>
<b>Bruce Crozier</b>	<b>0.23%</b>	<b>Bruce Crozier</b>	<b>705-387-3769</b>
<b>Wolfgang Thoennes</b>	<b>0.23%</b>	<b>Wolfgang Thonnes</b>	<b>705-746-7923</b>
<b>Robert H. Kaminski Lumber Ltd.</b>	<b>0.21%</b>	<b>Robert Kaminski</b>	<b>705-746-0873</b>
<b>Daniel Hebert</b>	<b>0.19%</b>	<b>Dan Herbert</b>	<b>705-898-2541</b>
<b>Adanac Forest Products</b>	<b>0.16%</b>	<b>Ric Sisson</b>	<b>705 793-3442</b>
<b>Art Shannon</b>	<b>0.14%</b>	<b>Art Shannon</b>	<b>905 642-8612</b>
<b>Scott Sahanatien</b>	<b>0.10%</b>	<b>Scott Sahanatien</b>	<b>705-762-5346</b>
<b>Charles Besner</b>	<b>0.10%</b>	<b>Charles Besner</b>	<b>705-383-2376</b>



## Revenues and Expenditures 2004

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	80,548	\$ 659,285	\$ 632,840	\$ 47,155
Conifer (spruce, pine, fir)	3,055	\$ 13,531	\$ 18,314	\$ 1,465
Hemlock/Cedar	1,281	\$ 6,854	\$ 2,555	\$ 613
Poplar/ Birch	11,709	\$ 46,296	\$ 22,707	\$ 5,450
Hardwood	109,004	\$ 659,285	\$ 359,642	\$ 42,652
<b>Totals</b>	<b>205,597</b>	<b>\$ 939,955</b>	<b>\$ 1,013,351</b>	<b>\$ 93,235</b>





## 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, 2005, 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, 2005 and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles.

Parry Sound, Ontario  
June 30, 2005



CHARLES A. DUROCHER  
CHARTERED ACCOUNTANT

**BALANCE SHEET**  
**AS AT MARCH 31, 2005**

	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$267,824	\$ 444,576
Accounts receivable (Note 3)	162,040	262,671
GST receivable	10,516	20,713
Prepaid expenses	2,504	-
	<b>442,884</b>	<b>727,960</b>
<b>CAPITAL ASSETS (Note 4)</b>	<b>43,059</b>	<b>42,912</b>
	<b>\$485,943</b>	<b>\$ 770,872</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$137,968	\$ 258,991
Stewardship funds (Note 5)	12,505	17,407
Deferred contributions:		
MNR Partnership Projects (Note 6)	197,143	264,414
Ontario tree marking committee account (Note 7)	109,977	111,643
	<b>457,593</b>	<b>652,455</b>
<b>NET ASSETS</b>		
Net assets invested in capital assets	43,059	42,912
Net assets internally restricted (Note 9)	10,000	12,922
Unrestricted net assets	(24,709)	62,583
	<b>28,350</b>	<b>118,417</b>
	<b>\$485,943</b>	<b>\$ 770,872</b>

APPROVED ON BEHALF OF THE MEMBERS:

\_\_\_\_\_ Director

 \_\_\_\_\_ Director

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>2005 Total</u>	<u>2004 Total</u>
Balance beginning of year	\$ 42,912	\$ 62,583	\$12,922	<b>\$ 118,417</b>	\$ 166,835
Excess (shortfall) of revenue over expenses	(11,272)	(78,795)	-	<b>(90,067)</b>	(48,418)
Invested in capital assets	11,419	(11,419)	-	-	-
Internally restricted Note 9	-	2,922	(2,922)	-	-
	<b>\$ 43,059</b>	<b>\$ (24,709)</b>	<b>\$ 10,000</b>	<b>\$ 28,350</b>	<b>\$ 118,417</b>

**STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	2005	2004
<b>OPERATING REVENUE</b>		
Funding		
Renewal trust	\$1,267,418	\$1,253,477
Forestry futures	435,695	514,573
Ivey foundation	11,875	108,526
Other		
Levies	393,859	354,744
Services	15,069	59,976
Conferences	-	1,786
Living legacy	16,275	25,530
Other	7,752	12,226
	<b>2,147,943</b>	<b>2,330,838</b>
<b>OPERATING EXPENSES</b>		
Staff	736,922	441,282
Vehicle	104,422	68,883
Supplies & Services	139,023	132,158
FSC standards	93,631	105,107
Annual planning	4,723	55,804
Other operational	22,793	279,410
Forestry futures	435,695	514,573
Silviculture expenses	689,529	769,617
Depreciation	11,272	12,422
	<b>2,238,010</b>	<b>2,379,256</b>
<b>SURPLUS (DEFICIENCY) FOR THE YEAR</b>	<b>\$(90,067)</b>	<b>\$ (48,418)</b>

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED MARCH 31, 2005**

	2005	2004
<b>OPERATING ACTIVITIES</b>		
Working capital from operations		
Surplus (deficiency)	<b>\$(90,067)</b>	\$ (48,418)
Add : non working capital charges (credits)		
Depreciation	<b>11,272</b>	12,422
	<b>(78,795)</b>	(35,996)
Net change in non-cash working capital balances from operations*	<b>(86,538)</b>	108,547
	<b>(165,333)</b>	72,551
<b>FINANCING ACTIVITIES</b>		
	-	-
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets	<b>(11,419)</b>	(10,761)
	<b>(11,419)</b>	(10,761)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(176,752)</b>	61,790
CASH, beginning of year	<b>444,576</b>	382,786
CASH, end of year	<b>\$267,824</b>	\$ 444,576

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

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

### 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:

		2005	2004
Royal Trust - forestry futures and renewal	\$	137,887	\$ 232,210
Others		24,153	30,461
<hr/>			
Total	\$	162,040	\$ 262,671

### 4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2005</u>	<u>Net 2004</u>
Computer	\$ 56,744	\$ 42,466	\$14,278	\$15,973
Equipment	56,638	28,937	27,701	25,396
Vehicles	9,180	8,100	1,080	1,543
<hr/>				
	\$122,562	\$ 79,503	\$43,059	\$42,912

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

**5. STEWARDSHIP FUNDS**

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

**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, 2005 funds in the amount of \$197,143 were on hand relating to projects to be completed in the future.

**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, 2005 funds in the amount of \$109,977 were on hand relating to tree marking courses to be delivered in the future.

**8. FOREST PRACTICES COMPETENCY PARTNERSHIP**

Westwind has entered into an agreement with the Ontario Forest Industries Association, the Ontario Lumberman's Association and the Ontario Ministry of Natural Resources to provide for the training of forest workers and the forest industry. At December 31, 2004 funds in the amount of \$87,504 were on hand relating to forest training courses to be delivered in the future. At March 31, 2005 a balance of \$86,258 was on hand. This balance is included in the MNR Partnership Project balance as described in Note 6.

**9. INTERNALLY RESTRICTED FUNDS**

Funds amounting to \$2,922 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, \$10,000, relates to the FMP.

**10. COMMITMENT**

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

