



Annual Report 2015/16

Management Unit: French-Severn Forest – 360
FMP Plan Period: 01-Apr-2009 to 31-Mar-2019
Annual Report: 01-Apr-2015 to 31-Mar-2016

Prepared by Westwind Staff and Board of Directors
January 31, 2017

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A Message from the Chair

This past year marks another year of success for Westwind Forest Stewardship Inc. Since we created our current strategic plan in 2012, we continue to focus on our strategic direction and have reached many of the milestones we established.

Since the economic downturn in 2008, our harvest levels have steadily increased year-over-year, and we are pleased to have achieved the highest volume of harvest in this plan to date. This year's overall harvest volume reached 185,000 cubic metres; a 22% increase from harvest levels last year, and a 25 % increase from the 2008 level of 141,000 cubic metres. Markets continue to be widespread for operators working in this forest. Overall, due to an increase in harvest volumes, utilization of sawlogs was slightly higher than average. We continue to support the movement of wood through the sharing of blocks, negotiated sales, business-to-business arrangements among our Operators and we facilitated two new entrants into the forest. Harvested wood was delivered to a variety of mills and facilities, with 91% of the harvest being delivered to local facilities.

Sustainable forest management is our business and we are proud of our operators who implement careful logging practices, which result in few compliance issues. Westwind forest operators continue to develop and improve on their health and safety practices in logging operations.

Westwind has a multi-faceted approach to monitoring the effectiveness of silvicultural treatments that includes tree plant survival assessments, free-to-grow surveys, silvicultural needs surveys and mid-rotation hardwood cruising. We remain very concerned about the impacts of invasive species and the devastation caused by beech bark disease. Westwind has taken a lead role in the province in exploring strategies to deal with beech bark disease and the abundant beech regeneration that threatens recruitment of other species into our hardwood canopies.

As a community-based forest, we work hard to build strong partnerships with like groups within the community and to manage our social licence in the forest. In 2015, we worked collaboratively with Forests Ontario to jointly hire a forest intern, who increased our Forests Ontario planting to over 20,000 trees on private land. We supported ongoing research on the impacts of calcium on lakes and forests with the Muskoka Watershed Council. Every year Westwind Forest Stewardship meets with local cottage associations, snowmobile clubs and other forest users to ensure that the public is kept informed of activities and to proactively avoid any potential conflicts of interest. We provide advice and support to local private landowners in their pursuit of sustainable forest management.

We are particularly proud of our efforts to engage indigenous communities in the forest. Westwind participated in workshops with First Nation youth and hosted a First Nation Forestry Steering Committee meeting.

I am proud of the collaborative approach that our board takes to ensure the success of Westwind. Our Board operates in the spirit of continuous improvement and strives to ensure we

practice good governance. Our success is always due to the efforts of our very dedicated staff and together, the board and staff have achieved another successful year.

Louise Montague - Chair, Board of Directors

FSC Annual Surveillance Audit

Westwind's FSC Annual Surveillance Audit for 2015 was held January 11-15, 2016. No issues were identified.

Forest Compliance

Westwind and Overlapping Licensee inspectors submitted 54 compliance reports, including 43 Harvest, 5 Access, 5 Renewal and 1 Maintenance Report. The MNRF submitted 1 compliance report.

There was one instance of non-compliance reported by FOIP (Forest Operations Information Program) in 2015 related to Wood Measurement and Movement and the Unauthorized Movement of Wood. The mill receiving crown wood was not specified on the Authority to Haul Form. A written warning was issued for this.

Six additional warning letters were issued in 2015 by the MNRF. These address outstanding compliance issues from previous years and are not attributed to 2015 operations. These can be summarized by year of instance of non-compliance activity:

2012 - Cutting without a license in Ridout Township (Cutting Non-compliance)

2013 - Residual stand damage in a harvest area in Joly Township (Cutting Non-compliance)

2014 - Three letters for i) Excessive Trail Coverage, ii) Harvesting Unmarked Trees (Cutting Non-compliance) and iii) High Stumps (Utilization Non-compliance). Note that subsequent operations for this operator improved.

2015 - Installation of water crossing prior to approval.

Overall, compliance of operations was very good in 2015/16. During winter, the incidence of non-compliance is often reduced, particularly in AOC areas where timing restrictions apply. However, ground conditions last fall/ winter remained wet and some issues associated with rutting did arise.

In the spring, Westwind typically holds operators meetings to discuss issues with shareholders. MNRF attends Westwind's spring operators meeting when possible to further reiterate the importance of following the conditions of the Authority to Haul, proper procedures for Bills of Lading and provide any other information items to licensees. MNRF and Westwind usually hold an annual compliance meeting to discuss issues concerning Overlapping License Holders operating in the management unit, situations of non-compliance and determine any training needs. Meetings may include key field personnel from Overlapping License Holders if issues arise.

Harvest

Overall harvest volume (185,0415 m³) is the highest in this plan to date, exceeding our previous record set in 2013/14 (182,6683 m³) and increasing 22% from harvest levels in last year.

Markets continue to be widespread for the operators working on this forest. In addition to wood being shipped well outside the boundaries of the management unit, a large volume is utilized within the forest by local mills including Tembec (Huntsville and Temiscaming), Domtar (Espanola), Muskoka Timber Mills and Goulard Lumber Limited.

Overall, due to the increase in harvest volumes, utilization of sawlogs was slightly higher than average. Furthermore, it is important to note the significant increase in pulp utilization. In the first 5 years of the plan, Tembec Temiscaming pulp mill was utilizing approximately 31,000m³ per annum, however in 2014/15 that amount dropped dramatically to 16,000m³. This year, 40,000m³ of pulp was utilized, which is the highest volume utilized to date in this 10-year FMP. Also, Domtar-Espanola mill also set a utilization record, processing almost 17,000m³ of French-Severn pulp compared to their 7-year average of 12,500m³. Correspondingly, commercial fuelwood utilization level is at the second lowest level of this FMP period as much of the low quality material would have been sent to pulp mills. Annual fluctuations of these markets are common. There have already been indicators that pulp may be more difficult to market in 2016/17, which will enhance fuelwood markets. A summary of mill utilization by wood type can be found in tables 1, 2 and 3.

Stand improvement continued to occur with support from Forestry Future projects. This work allows for unsuitable and unmerchantable trees to be removed to meet silvicultural objectives of improving quality and light conditions in partial cut stands.

Table 1: Annual Report of Wood Utilization by Mills processing Hardwood

Hardwood		
Mill	Product	Volume (m3)
Commercial Fuelwood	Fuelwood	25826
Commonwealth Plywood Co. Ltd.	Veneer/Plywood	2137
Personal Use Fuelwood	Fuelwood	530
Thomas J. Neuman Ltd. (Palmer Rapids)	Sawmill	225
Columbia Forest Products Ltd.	Veneer/Plywood	258
Others	All	332

Table 2: Annual Report of Wood Utilization by Mills processing Conifer

Conifer		
Mill	Product	Volume (m3)
Goulard Lumber Ltd. (Sturgeon Falls)	Sawmill (Pr, Pw)	12198
Portelance Lumber Ltd. (Capreol)	Sawmill	5346
Lavern Heideman & Sons Ltd. (Eganville, Scragg Mill)	Sawmill	2572
Herb Shaw & Sons Ltd. (Pembroke)	Sawmill (Pr)	1800

Nadrofsky Lumber (Huntsville)	Sawmill (He)	1540
Ben Hokum & Son Ltd. (Killaloe, Boltwood)	Sawmill (Pr)	1216
Others	All	4351

Table 3: Annual Report of Wood Utilization by Mills processing Hardwood and Conifer

Mill	Product	Conifer (m3)	Hardwood (m3)
Tembec Industries Inc. (Temiskaming)	Pulp Mill	138	40248
Tembec (Huntsville)	Sawmill	325	32681
1409822 Ontario Inc. (South River)	Sawmill	121	9784
Domtar Inc. (Espanola)	Pulp Mill	11155	5675
Muskoka Timber Mills Ltd. (Bracebridge)	Sawmill	7528	5526
Southern Region Commercial Fuelwood	Fuelwood	17	4036
Bauman Sawmill Inc. (Wallenstein)	Sawmill	35	2067
Lahaie Lumber Ltd. (Alban)	Sawmill	5688	10
Ben Hokum & Son Ltd. (Killaloe)	Sawmill	569	8
Southern Region	Sawmill	90	5

The increased level of harvest was somewhat surprising, given an extremely wet fall and mild winter, which curtails harvesting on many sites. However, low tolerant hardwood prices this year caused the largest licensee in the forest, Tembec, to direct harvesting operations closer to their Huntsville mill. This kept Tom Fisher Logging working in this forest all year, instead of moving winter operations to Algonquin Park, which aided in offsetting any reduction in overall harvest volumes. There has yet to be a noticeable improvement in pine markets, causing pine harvest volumes to remain comparable to previous years. Goulard Lumber accomplished the majority of harvesting efforts in pine this year. A complete list of Harvest and Salvage volumes harvested by licensee can be found in table 4 below.

Table 4: Annual Report of Harvest and Salvage Volumes by Licensee

Licensee or Grouping	Total Volume (m3)	Area (ha)	Percentage of Annual Cut
HARVEST			
Tom Fisher Logging Inc.	65596	1736	36.2%
1865717 Ontario Limited	27873	738	15.4%
Goulard Lumber (1971) Limited	12994	190	7.2%
Raphael Tardif Logging Inc.	12759	418	7.0%
Roy's Lumber and Mining Timber Limited	12120	132	6.7%
G/G Logging/Construction	9840	373	5.4%
Muskoka Timber Mills Ltd.	9171	259	5.1%
Risto Logging Ltd.	8574	345	4.7%
Tracy Nesbitt Logging	6657	310	3.7%

Lahaie Lumber Ltd.	5791	57	3.2%
Lavern Heideman & Sons Limited	3325	59	1.8%
Arnold Lumber Mills Inc.	2132	33	1.2%
Gerald Cook & Son Logging	1245	25	0.7%
Lucien Dupuis Trucking and Bulldozing	792	16	0.4%
Daniel Gervais Forest Products	778	17	0.4%
Personal Use Fuelwood	530	N/A	0.3%
1669949 Ontario Inc.	504	15	0.3%
Dave Emerson	153	3	0.1%
Bruce Crozier	90	34	0.0%
Myles MacLeod	84	2	0.0%
M & F Logging	83	57	0.0%
Total	181,091	4,819	
SALVAGE (American Beech)			
1865717 Ontario Limited	10		
G/G Logging/Construction	426		
Risto Logging Ltd.	313		
Tom Fisher Logging Inc.	1786		
Tracy Nesbitt Logging	1789		
Total Volume	4,324		

Overall, harvest volumes by forest type are as follows:

- Tolerant hardwoods - 68%
- White and red pine harvest - 23%
- Spruce-pine-fir - 4.6%
- Other conifer (mainly hemlock) and intolerant hardwoods (mainly poplar) - 2.2% for each species grouping.

Higher tolerant hardwood harvest volume and area is a characteristic trend in the French Severn Forest. However, it is important to note the increase in clearcutting, shown in table 5 below. INT (intolerant hardwoods) and MWCC (mixedwood) are forest units managed under the clearcut system. While the harvesting effort is much less than hardwood or even pine, the values to represent a significant accomplishment. For many years the level of clearcutting is almost non-existent in this forest. These cuts allows for the creation of young forest, which is lacking, as well as complimenting a variety of social, economic and environmental objectives as identified in the forest management plan.

Table 5: Summary of harvested area by forest unit and management stage

Forest Unit	Area (ha)
HDSEL - Tolerant Hardwood Selection	1971
HDUS - Tolerant Hardwood Shelterwood	2017

HE1 - Hemlock Shelterwood (3-cut)	29
INT - Intolerant Hardwood Clearcut	71
MWCC - Mixedwood Clearcut	78
MWUS - Mixedwood Spruce Shelterwood	77
PWST - White Pine Seed Tree	14
PWUS - White Pine Shelterwood (3-cut)	317
PWUS2 - White Pine Shelterwood (2-cut)	219
Total	4794

Roads

No new primary roads were planned for this management plan. Five new Branch Roads were planned for in this FMP.

The majority of maintenance carried out on primary and branch roads for forest management purposes. Some capital dollars were made available through MNRF sourced projects, while some monies were provided to industry from MNRF. The most significant level of work was carried out on primary roads including Mowat, Niger Lake, Ril, Tower, Grouse Lake, BalPor, Wet Lake, North Pickerel, Kent's Mill, Camp 7 and Ferrie roads with along with Wolf Lake, Fisher Lake, Black Lake Road, Kent's Mill Branch roads. Maintenance included sight line clearing, gravelling and several culvert/ bridge replacements carried out using Provincial roads funding. A 70 foot bridge was installed on the Pine Springs Road in conjunction with MNRF engineering.

The majority of monitoring occurs by the Overlapping Licensee during road construction and maintenance activities. In many cases operational roads are left to degrade naturally and the need for inspections is minimal. Compliance inspections and associated reporting of road construction and maintenance activities does occur on current operations. Westwind has begun using Apple iPads equipped with an application developed by Mitig Forestry, for road inspections and water crossing inventory as part of the road-monitoring program starting 2016.

Silviculture

Westwind successfully carried out a substantial silvicultural program this year, comprising tree marking, tree planting, site preparation and tending operations.

Tree marking has long been considered the flagship silvicultural activity that occurs in the French/Severn Forest. Westwind continues to employ certified tree markers to execute Forest Operations Prescriptions - block specific plans developed and approved by a Registered Professional Forester - as well as carry out tree marking audits to ensure the marking was consistent with the prescription and directions prescribed in the Forest Management Plan. It should be noted that field testing of a new tree marking audit program is underway, which significantly enhances an auditor's ability to communicate results to tree markers in real time.

The FileMaker Go application was developed by Westwind, in conjunction with Mitig Forestry, and can be used on Apple ipads.

In the French Severn forest, most regeneration is secured through natural methods, especially in tolerant hardwoods. In recent years, most harvesting in pine shelterwood stands has been removal cuts, where regeneration is already established. However, supplemental planting can be required. The combination of a successful site preparation programs in 2014 and 2015, facilitated a 485 ha tree-planting program in 2015 with a total of 478,392 seedlings (predominantly White Pine, Red Pine and White Spruce).

Due to the fine texture of soils in white pine managed areas, vegetative competition is problematic to seedling growth. A robust spray program, necessary to increase the survival of planted trees, employed controlled use of regulated and approved herbicides to complete both site preparation and tending activities. In total, 946.3 ha were successfully treated without incident. Chemical treatments took place in Blair, Brown, Mowat, Ballantyne, Laurier, Strong and Walbridge townships in white pine shelterwood seeding cut stands or as part of a Forestry Futures Project to convert mixedwood stands to conifer. Mechanical site preparation can also contribute to vegetation management strategies, as well as create microsites for artificial regeneration. Please refer to table 6 for a summary of site preparation and tending treatments.

Table 6: Summary of Site Preparation and Tending treatments

Treatment Type	Area (ha)
ABS Tending	41.1
ABS Site Prep	45.9
Aerial Tending	657.9
Aerial Site Prep	201.4
Mechanical Site Prep	427.3
Total	1373.6

All silvicultural operations occur in accordance with timing and disturbance restrictions related to species at risk – particularly Blanding’s turtle habitat.

Beech Bark Disease

Beech bark disease was first identified in this forest in 2010. It is caused by a combination of an introduced insect and a native fungus. The beech scale insect (*Cryptococcus fagisuga*) was transported to North America from Europe, and feeds on American Beech sap, creating wounds in the bark. These wounds make the trees vulnerable to nectria fungus (*Neonectria faginata*), which will colonize the bark, cambial layer and sapwood of its host, weakening and eventually killing the tree. While literature suggests trees affected by the disease will die 2-8 years after beech scale is identified, Westwind is observing high levels of mortality after only 2 - 4 years. Beech bark disease is a major forest health concern, a wood supply issue, a risk for worker safety, a threat to past silvicultural treatments and a serious detriment to the abundance of hard mast (beechnuts) to wildlife.

Westwind is taking a very proactive approach to decrease intensity of beech bark disease impacts in the French Severn Forest, through adaptive harvesting methods and regeneration control strategies. An aggressive tree-marking program was implemented to salvage mature beech now and preserve other mast tree species like Oak. The disease's spread and intensity continues to be observed using monitoring plots throughout the forest. Barry Davidson is working with several organizations to explore treatment options that may be effective in controlling prolific sprouting of beech regeneration and promote other species like maple and birch. Thanks to Westwind's initiative, an Ontario-Quebec workshop was held in Huntsville in September 2015, with participation from researchers and managers in various northeast states.

Silvicultural Effectiveness Monitoring

Westwind has a multi-faceted approach to monitoring the effectiveness of silvicultural treatments. Assessment of planting survival plots, free-to-grow surveys, tree marking audits and compliance inspections are the main activities undertaken. Westwind actively participates in enhancing growth and yield information through the establishment and re-measurement of permanent sample plots. Plots established in 2010, 2013, 2015 and 2016 were re-measured this year. In total, 2447 ha were identified as meeting regeneration standards in the 2015/16 annual report.

Community Relations

Indigenous Communities

There are several First Nation communities within and around the forest that have inherent rights and interests in the local forest. Westwind has participated in workshops with First Nation youth and hosted a First Nation Forestry Steering Committee meeting.



Westwind is affiliated with the following First Nation Communities: Moose Deer Point First Nation, Wahta First Nation, Wasauksing First Nation, Shawanaga First Nation, Magnetawan First Nation, Henvey First Nation, and Dokis First Nation

Muskoka Watershed Council

<http://www.muskokawatershed.org/>

Westwind is a member of the Muskoka Watershed Council, and provides forestry advice to the members of the council. The Council's mission is to champion watershed health and its goal is to sustain and enhance the air, water and terrestrial ecosystems of the watersheds of Muskoka for the environmental, health, economic, spiritual and intrinsic values they provide. Westwind was an exhibitor at the Annual Summit series held in May 2014.

Forests Ontario

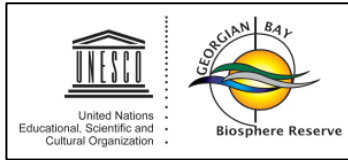
<http://www.forestsontario.ca/>



Forests Ontario's vision is a future of healthy forests sustaining healthy people, a flourishing environment and a robust economy for



generations and its mission is to be recognized as the voice for Ontario's forests through the support and promotion of forest restoration, stewardship, education and awareness. Westwind is an active member of Forests Ontario, who is responsible for the 50 Million Tree plant, Envirothon, Tree Bee and Forestry Connects. Westwind committed to hiring a forest intern for 12 months to learn about forestry programs, deliver the Tree Ontario tree plant program and to become an active tree marker and forest cruiser.



Georgian Bay Biosphere Reserve (GBBR)

<http://www.gbbr.ca/about-us/gbbr/>

Their mission to be an international model of sustainability for eastern Georgian Bay, while protecting the ecological values of the region, by facilitating cooperative action in support of the conservation of biodiversity and sustainable development through education and public outreach, that will foster a shared responsibility for the Georgian Bay Biosphere Reserve for the next seven generations.

Westwind was instrumental in the GBBR gaining its UNESCO designation, and continues to be actively supporting their organization. Westwind has participated in field tours, forest health reports and is a member of the GBBR Board.



Forest Gene Conservation Association (FGCA)

<http://www.fgca.net/home/default.aspx>

The Forest Gene Conservation Association (FGCA) formed in 1994 and since 1997 has been a non-profit, genetic resource management corporation, with individual and group members who are involved in south-central Ontario forest conservation and management.

Westwind actively manages the local white pine seed orchard and monitors forest health and seed collection within the forest.

FINANCIAL STATEMENTS
MARCH 31, 2016



Charles A. Durocher
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REVIEW ENGAGEMENT REPORT

To the Members of Charles A.
Durocher, CPA, CA

I have reviewed the balance sheet of Charles A. Durocher, CPA, CA as at March 31, 2016 and the statements of revenue, expenditures and surplus, changes in net assets and cash flows, for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to me by the company.

A review does not constitute an audit and consequently, I do not express an audit opinion on these financial statements.

Based on my review nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Parry Sound, Ontario
October 26, 2016

CHARLES A. DUROCHER CPA, CA
LICENSED PUBLIC ACCOUNTANT

WESTWIND FOREST STEWARDSHIP INC.

BALANCE SHEET AS AT MARCH 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS Cash		
Accounts receivable (Note 3)	\$ 103,851	\$ 131,885
	114,057	84,668
	217,908	216,553
TERM DEPOSITS (Note 4)	85,145	82,650
CAPITAL ASSETS (Note 5)	8,685	11,808
	\$ 311,738	\$ 311,011
LIABILITIES		
CURRENT LIABILITIES Accounts payable and accrued liabilities	\$ 125,944	\$ 103,900
	125,944	103,900
NET ASSETS		
Net assets invested in capital assets	8,685	11,808
Net assets internally restricted (Note 6)	70,000	70,000
Unrestricted net assets	107,109	125,303
	185,794	207,111
	\$ 311,738	\$ 311,011

PREPARED WITHOUT AUDIT

WESTWIND FOREST STEWARDSHIP INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31,2016

	Invested in Capital Assets	Unrestricted	Internally Restricted	2016 Total	2015 Total
Balance beginning of year	\$ 11,808	\$ 125,303	\$ 70,000	\$ 207,111	\$ 212,467
Excess (shortfall) of revenue over expenses	(3,123)	(18,194)		(21,317)	(5,356)
	\$ 8,685	\$ 107,109	\$ 70,000	\$ 185,794	\$ 207,111

PREPARED WITHOUT AUDIT

**STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS
FOR THE YEAR ENDED MARCH 31,2016**

	2016	2015
OPERATING REVENUE		
Funding		
Renewal trust	\$ 233,496	\$ 195,630
Forestry futures	506,509	340,669
Ivey Funding	-	13,710
NOHFC	12,800	14,400
Other		
Levies	446,852	432,127
Timber & share sales	69,262	80,323
Services	64,389	47,604
MNR partnership	-	1,071
Roads funding	672,112	442,448
Roads funding - Westwind share	34,465	21,369
Interest income	2,495	2,415
Other income	5,000	-
	2,047,380	1,591,766
OPERATING EXPENSES		
Staff	557,932	527,846
Vehicle	69,788	57,958
Office and administration	46,929	55,015
FSC standards	21,994	18,887
Annual planning	92,500	81,000
Other operational	711,305	473,514
Forestry futures	509,130	342,567
Silviculture expenses	55,996	37,676
Depreciation	3,123	2,659
	2,068,697	1,597,122
SURPLUS FOR THE YEAR	\$ (21,317)	\$ (5,356)

PREPARED WITHOUT AUDIT

WESTWIND FOREST STEWARDSHIP INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
OPERATING ACTIVITIES Cash from operations		
Surplus (deficiency)	\$ (21,317)	\$ (5,356)
Non cash items:		
Depreciation	<u>3,123</u>	<u>2,659</u>
	(18,194)	(2,697)
Net change in non-cash working capital balances from operations:		
Decrease (increase) in accounts receivable	(29,390)	3,814
Increase (decrease) in accounts payable and accrued liabilities	<u>22,045</u>	<u>8,102</u>
	<u>(25,045)</u>	<u>9,219</u>
INVESTING ACTIVITIES		
Additions to capital assets	/	(7,927)
Net increase in term deposits	<u>(2,495)</u>	<u>(2,415)</u>
	<u>(2,495)</u>	<u>(10,342)</u>
INCREASE (DECREASE) IN CASH	(28,034)	(1,123)
CASH, beginning of year	<u>131,885</u>	<u>133,008</u>
CASH, end of year	<u>\$ 103,851</u>	<u>\$ 131,885</u>

PREPARED WITHOUT AUDIT

WESTWIND FOREST STEWARDSHIP INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

1. NATURE OF ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations; accordingly, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect revenues and expenses during the reporting periods, in addition to the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are required in determining future cash flows when assessing assets for impairment, the useful lives of capital assets for amortization purposes, the allowance for uncollectible accounts, and contingencies.

(c) Capital Assets

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

Computer	- 30% or 55% declining balance
Equipment	- 20% declining balance
Vehicles	- 30% declining balance

(d) 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.

Revenue from levies and timber sales is recognised in accordance with applicable contracts.

(e) Financial instruments

Fair values:

Cash and cash equivalents and accounts receivable are financial assets with carrying values that approximate fair value. Accounts payable and accrued liabilities are financial liabilities with carrying values that approximate fair value.

Risks arising from financial instruments:

The company's cash and short term investments are all held at major financial institutions. The company maintains temporary investments with its financial institutions in excess of the federally insured limits and is therefore exposed to credit risk. The company's investments are subject to interest rate risk. The company's accounts receivable balance is comprised of a large number of customers, some have large balances and are subject to credit risk. The Company reviews a new customers' credit history before extending credit and conducts regular reviews of its existing customers' credit performance. As a result the Company's allowance for doubtful accounts was not material to these financial statements.

The Company is not exposed to significant market risk, other price risk, or any significant concentrations of risk. The financial risk assessment has remained unchanged from the prior year.

PREPARED WITHOUT AUDIT

WESTWIND FOREST STEWARDSHIP INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2016	2015
RBC	\$ 38,839	\$ 24,26
Norman Forestry	-	-
Muskoka Timber Mills Ltd.	8,836	16,23
Others	36,993	48,34
Total	\$ 84,668	\$ 88,842

4. TERM DEPOSITS

Term deposits mature January 3, 2019 and earn interest at 3.01% per annum.

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	Net 2016	Net 2015
Computer	\$ 57,613	\$ 57,274	\$ 339	\$ 530
Equipment	61,773	58,165	3,608	4,510
Vehicles	17,107	12,369	4,738	6,768
<hr/>				
	\$ 136,493	\$ 127,808	\$ 8,685	\$ 11,808

6. INTERNALLY RESTRICTED FUNDS

The organization has restricted \$50,000 related to anticipated future shortfalls in timber sales.

7. COMMITMENT

The organization has entered into an office lease agreement for 1 year at an annual rental of \$14,730.

PREPARED WITHOUT AUDIT