



2014

Annual Report

Prepared by Board and Staff
Westwind Forest Stewardship Inc
March 31 2015

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A message from the Chair- Louise Montague

2014 marks another year of success for Westwind Forest Stewardship Inc. In 2012, we embarked on implementing a new strategic plan. At that time, we established seven main strategic objectives:

- Increase harvest levels; Improve our knowledge of the forest
- Improve our understanding of delivered wood costs
- Expand our scope of business by leveraging our core skills
- Maintain our social licence
- Increase Aboriginal engagement in our forest
- Develop new marketing collaboration opportunities

We are happy to report continued and good progress towards those objectives in 2014. Our harvest level increased 10 % from 2013 for a total of 3,600 hectares. We continue to support the movement of wood through the sharing of blocks, negotiated sales, business-to-business arrangements among our Operators and facilitating new entrants into the forest. Harvested wood was delivered to a variety of mills and facilities.

We remain very concerned about the impacts of invasive species and the devastation caused by beech bark disease. Westwind has a multi-faceted approach to monitoring the effectiveness of silvicultural treatments that includes free-to-grow surveys, silvicultural needs surveys and mid-rotation hardwood cruising. In addition, we actively participate in enhancing growth and yield information through the establishment and re-measurement of permanent sample plots. Some re-measurements occurred in 2014.

As a community-based forest, we work hard on building strong partnerships with like groups within the community and managing our social licence in the forest. In 2014, we worked collaboratively with Forests Ontario to jointly hire a forest intern. We supported ongoing research on the impacts of calcium on lakes and forests with the Muskoka Watershed Council. We partnered with the Muskoka Conservancy in presentations at three workshops, focussed on invasive species in the Muskoka area. Every year, Westwind Forest Stewardship meets with local cottage associations; snowmobile clubs and other forest users to ensure the public are kept informed of activities and 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 Aboriginal communities in the forest. We held several informal meetings to help improve understanding and discuss opportunities. Our success this year is thanks to the efforts of our very capable and dedicated staff. We are proud of our accomplishments through them and look forward to another successful year.

FSC Annual Surveillance Audit

Westwind manages the French Severn forest which comprises 421 683 ha of mixed conifer and hardwood forests, and our Annual Surveillance Audit was held on Sept 22-25 2014

No complaints were recorded to date and some minor Corrective Action Requests (CAR) were noted: Skid trail layout was observed on multiple site visits recorded for the recertification audit (Oct. 2011) were found to be conforming to standards and the CAR is closed.

Water crossings were observed on Block Sharal1 with the removal of a temporary bridge that went through an AOC (Blanding's Turtle), at BallPR3cc ((a culvert pulled out) and JolCot1 a temporary bridge over Magnetawan and found to be in conformance with the Operating Conditions established in the Annual Work Schedule 2011-2012. Minor CAR is closed. There is an ongoing audit of Health and Safety Concerns that will be reviewed prior to the next surveillance audit.

Forest Compliance

Westwind and Overlapping Licensee inspectors submitted 61 compliance reports including 50 Harvest, 5 Access and 1 renewal report. The MNRF did not submit any compliance reports.

There was one instance of a non compliance reported in FOIP in 2014 but in reality two compliance issues occurred in the forest. The noncompliance shown in FOIP was related to an operator installing a water crossing in advance of MNRF approval. The MNRF compliance committee determined that a written warning was the appropriate remedy. This instance of a non compliance is relatively easy to avoid with proper communication between parties regarding timeframes for approval.

The second instance of non compliance was related to stumps heights in excess of the standard on an operation in Ballantyne Township. The issue of stumps heights was part of several issues with the same operation including excessive trail coverage, the harvest of unmarked timber and damage to acceptable growing stock. Westwind compliance staff outlined these issues in a FOIP report shortly after discovery, conducted logging damage assessments to quantify the level of damage, as well as followed up with additional assessments to determine progress on improvements in subsequent cutting. MNR conducted joint field inspections with the SFL and verified these issues in the field.

Overall however, compliance of operations was very good for the 2014 fiscal year. Usually harvesting during winter results in fewer issues associated with rutting however ground conditions last fall/ winter remained wet and some issues as noted did arise. During winter there is also less likelihood of incidents of not in compliance particularly in the areas of AOC's where timing restrictions apply.

Harvest 2014

Harvesting activity in the French/Severn Forest was fairly consistent with the last 5 years although there was a reduction from 2013/15 which was the final year of the Phase I of the 2009-2019 Forest Management Plan. Also consistent was the domination of volume by tolerant hardwoods.

Volumes harvested from April 2014 to March 2015 (Source ITREES) were as follows:

- Total Volume was 151,974 cubic metres.
- Tolerant Hardwood represented 63 % of the harvest; white and red pine was 22 %
- Note that of the tolerant hardwood, 56,417 cubic metres of the 95,470 cubic metres total was Grade 2.

Species Group	Volume (m3)				% of cut
	Grade 1	Grade 2	Not graded	Totals	
White/Red Pine	21,519	12,334		33,853	22%
SPF			9,078	9,078	6%
He			4,312	4,312	3%
Bw_Po			9,252	9,252	6%
Tolerant Hwd	39,061	56,417		95,479	63%
Total				151,974	

The following table illustrates the volumes and associated percentage that each of Westwind's Forest Operators harvested in Fiscal 2014.

Operator	Volume (m3)	% of Annual cut
1865717 Ontario Limited	31,505	20.7%
Almaguin Forest Products	2,328	1.5%
Arnold Lumber Mills Inc.	482	0.3%
Breen's Lumber Inc.	1,725	1.1%
Bruce Crozier	353	0.2%
Bryan Forest Products Ltd.	2,563	1.7%
D. Kimble Timber & Firewood Supply	60	0.0%
Daniel Gervais Forest Products	894	0.6%
G/G Logging/Construction	3,866	2.5%
Gerald Cook & Son Logging	748	0.5%
Goulard Lumber (1971) Limited	14,554	9.6%
Lavern Heideman & Sons Limited	4,803	3.2%
Lucien Dupuis Trucking and Bulldozing	840	0.6%
M & F Logging	3,030	2.0%
Muskoka Timber Mills Ltd.	13,497	8.9%
Portelance Lumber (Capreol) Limited	1,174	0.8%
Raphael Tardif Logging Inc.	10,666	7.0%
Risto Logging Ltd.	5,533	3.6%
Roy's Lumber and Mining Timber Limited	9,576	6.3%
Tembec	4,871	3.2%
Tom Fisher Logging Inc.	34,583	22.8%
Tracy Nesbitt Logging	417	0.3%
Wolfgang Thoennes	213	0.1%

The harvested wood was delivered to a variety of mills and facilities. A large amount of material is supplied to mills which have cutting rights from this forest while a significant amount is also sold on the open market. A few points to note:

- 64 % of the volume went to our local mills
- 21 % to commercial fuelwood
- 5 % to red pine mills outside the forest
- 2 % was delivered outside the province of Ontario
- 1 % was veneer

FACILITY_NAME	SPECIES_NAME	Vol	%
1409822 Ontario Inc. (South River)	Maple - ALL	9,458	6%
B.Crozier	Yellow Birch	353	0%
Barco Material Handling Ltd (Cherry Forest Products Ltd.)	Yellow Birch	40	0%
Bauman Sawmill Inc. (Wallenstein)	Yellow Birch	469	0%
Ben Hokum & Son Ltd. (Killaloe-Sawmill)	White Pine	1,475	1%
Bois Daaquam Inc. (Ste. Just De Bretenieres)	Spruce - ALL	55	0%
Breens Lumber Inc. (Coldwater-Sawmill)	Red Pine	1,725	1%
Columbia Forest Products Ltd. (Mellen-Veneer)	Yellow Birch	226	0%
Commercial Fuelwood	Yellow Birch	30,051	20%
Commonwealth Plywood Co. Ltd. (Ste. Therese)	Yellow Birch	1,053	1%
Domtar Inc. (Espanola)	Maple - ALL	16,441	11%
EACOM Timber Corporation (Nairn Centre-Sawmill)	Spruce - ALL	2,968	2%
Freymond Wood Prod. Inc. (Bancroft-Paper)	Hemlock	368	0%
Global LVL Inc. (Ville Marie-Veneer)	Poplar - ALL	274	0%
Goulard Lumber Limited (Sturgeon Falls)	White Pine	9,655	6%
GP North Woods LP Comp	Poplar - ALL	936	1%
H. & R. Chartrand Lumber Ltd. (Noelville)	White Pine	1,006	1%
H.W.Teal	Ash - ALL	38	0%
Herb Shaw & Sons Ltd. (Pembroke)	Red Pine	649	0%

Lahaie Lumber Ltd. (Alban)	White Pine	3,534	2%
Lavern Heideman & Sons Ltd. (Eganville-Sawmill)	Spruce - ALL	3,923	3%
Masson Paper Ltd. (Buckingham)	Spruce - ALL	10	0%
Muskoka Timber Mills Ltd. (Bracebridge)	White Pine	13,211	9%
Nadrofsky Lumber (Huntsville)	Hemlock	1,569	1%
Portelance Lumber Ltd. (Capreol)	Spruce - ALL	4,319	3%
Scierie Lefebvre & Pharand Inc. (Mansfield)	White Pine	407	0%
Southern Region (Sawmill)	White Pine	186	0%
Southern Region Commercial Fuelwood	Yellow Birch	2,262	1%
Sturgeon Falls Brush & Manufacturing Inc. (Sturgeon Falls)	Hemlock	1,110	1%
Tembec (Huntsville)	Yellow Birch	28,816	19%
Tembec Industries Inc. (Temiskaming-Pulp)	Maple - ALL	15,880	10%
The Freeman Corporation	Yellow Birch	223	0%
Trebio Inc. (Litchfield-Biomass)	Mixedwood (Softwood)	303	0%
Wolfgang Thoennes (Dunchurch)	White Pine	73	0%

Local Sawmills		101,314	64%
Commercial Fuelwood		32,313	21%
Red Pine Mills		7,771	5%

The above harvest volumes have been realized from the harvest areas presented in the table below. Note that HDSEL and HDUS are tolerant hardwood forest units while PWUS and PWUS2 are white/red pine forest units. This illustrates the harvesting effort by area between the two different forest types. What is particularly significant from this table is the amount of clearcutting that occurred. INT (intolerant hardwoods), MWCC (mixedwood), SF1 (spruce-fir) are all 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 in achieving

clearcut management. This is largely due to one operator and, although even more clearcutting was done in 2013/14, in many years the level of clearcutting is almost non-existent in this forest. Achieving these cuts is significant as it allows for the creation of young forest which is lacking in this forest as well as complimenting a variety of social, economic and environmental objectives as identified in the forest management plan.

Forest Unit	Area (ha)
HDSEL	1,184
HDUS	1,663
HE1	8
INT	52
MWCC	40
PWUS	482
PWUS2	107
SF1	58
Total	3,595

Roads

No new primary roads or branch roads were constructed in 2014/15 although maintenance activities, ranging from routine maintenance to significant upgrading occurred on a variety of roads. The majority of maintenance was carried out on primary and branch roads in the management unit for forest management purposes as some capital dollars were made available through MNR 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, Smith Bay Ext, Grouse Lake, Rain, Brown, Wet lake North Pickeral, Kent's Mill, Camp 7 roads with along with Wolf Lake, MowRoy5, ArmUna1, Paxton Branch roads including sight line clearing, gravelling and several culvert/ bridge replacements carried out using Provincial roads funding. A 30 foot bridge installed at Smith Bay, and a 30 foot bridge was installed at Wet lake.

Silviculture

Tree marking has long been considered the flagship silvicultural activity that occurs in the French/Severn Forest. 4,280 ha of tree marking was invoiced through 2014/15. It must be recognized that prior to tree marking a Forest Operations Prescription is developed and then approved by a Registered Professional Forester and after tree marking, tree marking audits are carried out to ensure the marking was consistent with the prescription and the rules prescribed in the Forest Management Plan.

It is important to recognize that most regeneration is secured through natural methods, especially in tolerant hardwoods. As well, in recent years most harvesting in pine shelterwood stands have been in removal cuts where regeneration has generally already been established, although supplemental planting is often required post removal cut. No tree planting occurred in 2014/15 due to the lack of site prepared ground. Due to the fine texture of soils in the white pine managed areas, vegetative competition is problematic and controlled use of regulated and approved herbicides is needed to help ensure success of planted trees. Due to a major drought in 2012 and contractor issues in 2013, no spraying occurred so no planting occurred in 2014. However, 1,026 ha were successfully aerially sprayed without incident which satisfies tending requirements in some stands and site preparation needs in others to facilitate a 2014 tree plant.

One small ~30 ha mechanical site preparation project occurred in 2014. This treatment has been limited in pine stands due to timing and disturbance restrictions around species at risk – particularly Blanding's turtle habitat.

Beech Bark Disease

Beech Bark Disease was first identified in this forest in 2010. The spread across the management unit has been of concern. However, it has been the short timeframe between noticing trees having beech scale (an insect that must precede the disease) and then seeing signs of the disease and trees ultimately dying has been most alarming. Westwind has modified tree marking approaches to capture more beech volume now and has been trying to work with scientists to devise strategies to deal with not only the mature beech, but also the beech understories which are displacing maple and birch.

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, silvicultural needs surveys and mid-rotation hardwood cruising are the main activities undertaken in 2014. In addition, tree marking audits serve as the primary monitoring program for hardwood stands managed with single tree selection. Lastly, Westwind actively participates in enhancing growth and yield information through the establishment and re-measurement of permanent sample plots. Some re-measurements occurred in 2014.

Community Relations

First Nations

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

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.

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



Forests Ontario

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.



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

Georgian Bay Biosphere Reserve (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.



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

Forest Gene Conservation Association (FGCA)

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.



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

WESTWIND FOREST STEWARDSHIP INC.

FINANCIAL STATEMENTS

MARCH 31, 2015

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REVIEW ENGAGEMENT REPORT

To the Members of

Westwind Forest Stewardship Inc.

I have reviewed the balance sheet of Westwind Forest Stewardship Inc. as at March 31, 2015 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

September 30, 2015

CHARLES A. DUROCHER CPA, CA

LICENSED PUBLIC ACCOUNTANT

BALANCE SHEET AS AT MARCH 31, 2015

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 131,885	\$ 133,008
Accounts receivable (Note 3)	84,668	88,482
	216,553	221,490
TERM DEPOSITS (Note 4)	82,650	80,235
CAPITAL ASSETS (Note 5)	11,808	6,540
	\$ 311,011	\$ 308,265
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 103,900	\$ 95,798
	103,900	95,798
NET ASSETS		
Net assets invested in capital assets	11,808	6,540
Net assets internally restricted (Note 6)	70,000	50,000
Unrestricted net assets	125,303	155,927
	207,111	212,467
	\$ 311,011	\$ 308,265
APPROVED ON BEHALF OF THE MEMBERS:		
_____ Director		

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2015

	<u>Invested in</u>	<u>Unrestricted</u>	<u>Internally</u>	2015	2014
	<u>Capital Assets</u>		<u>Restricted</u>	<u>Total</u>	<u>Total</u>
Balance beginning					
of year	\$ 6,540	\$ 155,927	\$ 50,000	\$ 212,467	\$ 201,100
Excess (shortfall) of					
revenue over expenses	(2,659)	(2,697)	-	(5,356)	11,367
Invested in					
capital assets	7,927	(7,927)	-	-	-
Internally restricted					
Note 6	-	(20,000)	20,000	-	-
	\$ 11,808	\$ 125,303	\$ 70,000	\$ 207,111	\$ 212,467

STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
OPERATING REVENUE		
Funding		
Renewal trust	\$ 195,630	\$ 155,328
Forestry futures	340,669	387,147
Ivey Funding	13,710	-
NOHFC	14,400	-
Other		
Levies	432,127	432,086
Timber & share sales	80,323	116,634

Services	47,604	2,540
MNR inventory	-	16,000
MNR partnership	1,071	8,900
Roads funding	442,448	557,042
Roads funding - Westwind share	21,369	29,005
Interest income	2,415	1,220
	1,591,766	1,705,902
OPERATING EXPENSES		
Staff	527,846	494,518
Vehicle	57,958	51,233
Office and administration	55,015	49,760
FSC standards	18,887	21,416
Annual planning	81,000	91,403
Other operational	473,514	575,163
Forestry futures	342,567	387,147
Silviculture expenses	37,676	21,873
Depreciation	2,659	2,022
	1,597,122	1,694,535
SURPLUS (DEFICIENCY) FOR THE YEAR	\$ (5,356)	\$ 11,367

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Cash from operations		
Surplus (deficiency)	\$ (5,356)	\$ 11,367
Non cash items:		
Depreciation	2,659	2,022
	(2,697)	13,389
Net change in non-cash working capital balances from operations:		
Decrease (increase) in accounts receivable	3,814	6,790
Increase (decrease) in accounts payable and accrued liabilities	8,102	3,106
	9,219	23,285
INVESTING ACTIVITIES		
Additions to capital assets	(7,927)	-
Net increase in term deposits	(2,415)	(1,220)
	(10,342)	(1,220)
INCREASE (DECREASE) IN CASH	(1,123)	22,065
CASH, beginning of year	133,008	110,943
CASH, end of year	\$ 131,885	\$ 133,008

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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) 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 write-off 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.

(d) 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.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2015	2014
RBC	\$ 38,839	\$ 24,260
Norman Forestry	-	16,238
Muskoka Timber Mills Ltd.	8,836	2,149
Others	36,993	45,835
Total	\$ 84,668	\$ 88,482

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 2015	Net 2014
Computer	\$ 57,613	\$ 57,083	\$ 530	\$ 859

Equipment	61,773	57,263	4,510	5,638
Vehicles	17,107	10,339	6,768	43
	\$ 136,493	\$ 124,685	\$ 11,808	\$ 6,540

6. INTERNALLY RESTRICTED FUNDS

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

During the year the organization restricted \$20,000 related to future staff bonuses.

7. COMMITMENT

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

