



2 0 1 1 R E P O R T

PROGRESS & OUTLOOK 2011-2012





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OUR ACHIEVEMENTS

In seven years, we have set the stage for an internationally coordinated effort to sustain Lake of the Woods' water quality for generations to come. We have succeeded in elevating Lake of the Woods onto provincial, state, national and international policy stages. We have also initiated and coordinated partnerships to complete baseline research necessary to address the water quality problems of our lake. Today, we have:

- The State of the Basin Report for the Lake of the Woods and Rainy River Basin—A comprehensive assessment of the lake water quality and ecology that provides the baseline for assessing future progress.
- The Phosphorus Budget Study—Information about the sources of phosphorus pollution that provides the basis for targeting management actions to reduce or prevent harmful algal blooms.
- The International Lake of the Woods Water Quality Forum—Eight annual international conferences that continue to focus science and policy attention on our lake.
- The International Multi-Agency Arrangement (IMA)—An international arrangement for cooperation on research and management actions focused on reducing nutrient pollution and algae blooms, signed by seven government agencies, the Foundation and one American Tribe.

- An International Joint Commission (IJC) Reference from Canada and the United States of America for the Lake of the Woods and Rainy River Basin—Bi-national attention is now focused on Lake of the Woods and we are close to achieving a permanent, international framework for managing pollution and water quality through the IJC.
- A sound reputation as a trusted voice and champion for Lake of the Woods and water quality issues—We have developed the trust of the science community and governments as a respected and essential partner.
- A communications program engaging stakeholders—We communicate directly with our following of over 1300 supporters and more broadly to over 4000 property owners on the lake through a regular feature in the Lake of the Woods Area News Magazine, the official publication of our close partner, the Lake of the Woods District Property Owners' Association.





CURRENT STATUS

- We have an active Board of six members with representation from both sides of the international border.
- We have a full time Executive Director, who has been with the Foundation for six years.
- The International Joint Commission (IJC) will make recommendations to Canada and the United States in December 2011 about what institutional structures are needed on Lake of the Woods for water management, the role of the IJC, and priority issues and how they should be addressed. The IJC recommendations will be based on the report of its International Lake of the Woods and Rainy River Watershed Task Force and input from public hearings on the Task Force's report held in six locations in Minnesota and Ontario.
- We anticipate that the IJC will recommend establishing an International Watershed Board

for the Lake of the Woods and Rainy River watershed that merges some of the existing IJC Boards in the basin and extends the existing pollution authorities of the International Rainy River Water Pollution Board to include Lake of the Woods. IJC International Watershed Boards operate with the participation of the local jurisdictional agencies. The commitment and resources of governments and their responsible agencies will be central to the success of such a watershed board.

- We are at a critical point with the IJC initiative. Getting the IJC Reference for Lake of the Woods was a significant achievement. However this was the beginning of a process that will require long-term commitment of governments to implement and resource the IJC's recommended structure for bi-national water management. The Foundation is continuing to work closely with governments to make sure that this is a priority.

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- The IJC's recommendations for bi-national management of Lake of the Woods' water quality will be received by governments in the current climate of fiscal restraint. In recent years, Minnesota has committed significant resources to Lake of the Woods, bolstered by the State's listing of the US portion of the lake as an "Impaired Water" and by a dedicated Clean Water Fund, created when the voters of Minnesota passed the State's Clean Water, Land and Legacy Amendment in 2008. Ontario, Manitoba and Environment Canada have made substantial investments as well. However, all these jurisdictions are faced with significant cutbacks that will challenge their ability to continue their commitments to Lake of the Woods. The challenge will be to maintain the momentum built in recent years and commit to the long-term efforts required to sustain our lake for generations to come.

- The International Multi-Agency Arrangement (IMA) has developed an essential, technical role in information sharing and coordinating monitoring efforts, field work and scientific expertise among agencies. We are proud of helping to form this international collaboration and to continue to participate in its growth and evolution. Nevertheless, the IMA in its current structure cannot assure the long-term commitment of its partners nor does it have the political capacity or funding required to take on a broader watershed governance role. Originally envisioned as an interim measure until an IJC Watershed Board was established, the IMA will likely have a continuing benefit as an integral part of a future IJC Watershed Board. We are working to support its development and growth into an effective committee or working group of the IJC Watershed Board.



PRIORITY DIRECTIONS

Our priority directions and activities break down into three broad categories:

1. Policy / Advocacy
2. Research
3. Communications

POLICY / ADVOCACY

Completing the International Joint Commission Reference Initiative

- This will be a major thrust of our work in the coming year. In December, we expect the International Joint Commission (IJC) to recommend to governments, the establishment of an IJC International Watershed Board with comprehensive pollution authorities for Lake of the Woods.
- Our focus shifts now from convincing the IJC of the need, to convincing our governments and their agencies to commit to implement and resource the IJC's recommendations for our lake. Advocacy at agency and political levels in Ottawa, Washington, Toronto and St. Paul will be a major priority over the coming months and years to make sure that the IJC's recommendations do not get shelved and that all levels of governments commit to Lake of the Woods for the long term.
- The objective is the establishment of an IJC International Watershed Board with commitment and participation by the governments, development of international water quality objectives for the lake or perhaps creation of an international water quality agreement analogous to the Great Lakes Water Quality Agreement, and development of

management plans spanning all jurisdictions.

- Long term commitment by each government is required to ensure institutional stability and management actions over the long haul. This may require enabling legislation, for example legislation analogous to the Lake Simcoe Protection Act in Ontario, bilateral agreements such as the Canada-Ontario Agreement Respecting the Great Lakes Basin Ecosystem or multi-lateral agreements such as the Lake Champlain Basin Agreement.
- Once this is completed, our focus then can morph into watershed board participant and stakeholder-partner roles.

Building the International Multi-Agency Working Arrangement (IMA)

- The Foundation helped form and keep this collaborative group progressing in its first two years, by co-leading the Executive Committee and secretariat in partnership with the Ontario Ministry of Environment and the Minnesota Pollution Control Agency. Without this commitment, the IMA may well have faltered in the face of the diverse and changeable agency priorities.
- The Foundation, with its singular focus on the lake, is positioned to help keep the lake a priority with the participants in the IMA, amongst their many other agency priorities. The Foundation will continue to foster and support the development of the IMA while working towards making it an effective and integral part of a future IJC International Watershed Board.

RESEARCH

Continuing the International Lake of the Woods Water Quality Forum

- Hosting the Forum annually is a key vehicle to ensure continued scientific and policy attention to our lake. The Forum also has been an incubator for collaborative work and partnerships among government agencies, universities and citizen groups.
- An important contribution of the Foundation is to bring high-level agency and policy makers to the Forum as guest speakers to complement the technical work of the scientists and to engage policy makers with the scientists and with our lake. Previous speakers have included the Chair of the United Nations "Water for Life Decade", Chair of the International Joint Commission, Commissioner of the Minnesota Pollution Control Agency, Director General of Environment Canada, and the Environment Commissioner of Ontario.

Establishment of a Science Advisory Board

- The Foundation has relied for many years on the advice of and close working relationships with scientists engaged on Lake of the Woods work, from the Minnesota Pollution Control Agency, Ontario Ministry of Environment and several universities. Their advice and assistance has been invaluable. However, continuance of this is not assured for the long term, given changeable agency priorities, potential job reassignments and retirements.
- With our initial research projects completed and the International Joint Commission (IJC) Reference and International Multi-Agency Arrangement (IMA) initiatives moving forward integrally, the Foundation will be establishing

its own Science Advisory Board, to provide the Board of LOWWSF with professional, impartial scientific guidance on the design and results of its science programs. This independent advisory panel will further build and solidify our position as a credible champion and advocate for the lake.

Supporting Research Partnerships

Partnerships are essential given the vast scale and multi-jurisdictional nature of research on Lake of the Woods. Partnerships with government and university researchers were the cornerstones of our initial research projects, the State of the Basin Report and the Phosphorus Budget Study. Building and supporting research partnerships will continue to be an important role for the Foundation in the years to come. Planned for the next two years are:

- An update to the State of the Basin Report to reflect information learned since this report was researched in 2007-2008. We are assembling a partnership with participant agencies of the IMA to start this work in 2012. We anticipate including the IJC as a strategic partner as well.
- A study of historical nutrient loading from the Rainy River and its effects on current water quality on Lake of the Woods. This research will determine the effect of decades of uncontrolled pollution from the Rainy River that has built up in the sediments of the Big Traverse basin of Lake of the Woods and potential remedial measures. This research is led by a partnership of researchers at the Minnesota Pollution Control Agency, Ontario Ministry of Environment, Minnesota St. Croix River Watershed Research Station and the University of Minnesota at Duluth. Of the \$300k budget for this research, the Foundation contributed an initial \$10k to kick start initial work this fall and Minnesota



has committed \$150k for 2012, to complete the first of two years work. As part of our work with the IMA, the Foundation will lead the development a funding partnership to syndicate the second half of the funding required to complete the project.

- The Lake of the Wood County Soil and Water Conservation District in Minnesota will be conducting a study of soil and shoreline erosion to assess its contribution to nutrient loading to the lake — this is an unanswered question raised by our original Phosphorus Budget Study. The US EPA is providing \$150k to the Conservation District to support this work. The Foundation supported the proposal of the Conservation District to the US EPA. The results of this research will refine the overall Phosphorus Budget for the lake completed last year.

COMMUNICATIONS

We are working on a communications strategy that leverages:

- Our historical success of working quietly in the “background” with governments and their agencies to build internal champions and support for our initiatives
- Continuing to develop our base of followers and supporters more broadly with the general public of lake users and marshalling the resources and push that they can bring to bear on both sides of the border.

FINANCIAL PLANNING

Cash Status

As at August 31, 2011 we have approximately \$242k cash in the bank, with a net working capital of \$226k as at August 31. Of this, \$40k is designated for development of the Science Advisory Board for a net undesignated working capital balance of \$184k. Projected estimates to the fiscal year end put us at approximately \$216k working capital for a net undesignated working capital balance of \$176k.

A financial summary is presented below for recent years, with estimates for the 2011 fiscal year end and for 2012. Historically, fundraising (e.g., donations and contributions from governments) has been largely project-driven and thus has varied from year to year. In the future, we intend to approach fundraising more broadly, based on sustaining our priority directions and activities as well as seeking project-specific funding as required.

Baseline operations

The annual cost to keep the Foundation operating is approximately \$130k per year. This includes administration and operation of existing strategic programs to which the Foundation is committed for the foreseeable future in our policy/advocacy, research, and communications programs.

Additional Programs — Research Partnerships

The Foundation is currently putting together a consortium of agencies to produce an update to the State of the Basin Report with work starting in 2012, and is involved with a partnership of researchers in Ontario and Minnesota to conduct a Historical Nutrient Loading Study of the Big Traverse. The Foundation committed \$10k to kick start this project in August 2011. Minnesota is funding the 2012 year of this work; however additional partner funding may be required in 2013 to complete the project.

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Financial Summary

| | 2009 | 2010 | 2011 (est.) | 2012 (proj.) |
|---|----------------|----------------|----------------|----------------|
| Revenues | | | | |
| Donations | 279,465 | 48,372 | 31,927 | 150,000 |
| Contributions from governments | 75,000 | 117,229 | 29,682 | ? |
| Other revenue | 8,825 | 4,575 | 3,290 | 4,000 |
| Total Revenues | <u>363,290</u> | <u>170,176</u> | <u>64,899</u> | <u>154,000</u> |
| Expenditures | | | | |
| Administration | 18,463 | 33,937 | 25,233 | 25,680 |
| Policy / Advocacy | 20,867 | 24,244 | 40,177 | 40,300 |
| Research | 64,600 | 125,119 | 62,473 | 89,325 |
| Communications / Education | 27,316 | 24,335 | 17,500 | 19,000 |
| Total Expenses | <u>131,246</u> | <u>207,635</u> | <u>145,383</u> | <u>174,305</u> |
| Excess of Revenues over Expenditures | 232,044 | (37,459) | (80,485) | (20,305) |
| Net Assets Beginning of Year | <u>101,994</u> | <u>334,038</u> | <u>296,579</u> | <u>216,094</u> |
| Net Assets End of Year | <u>334,038</u> | <u>296,579</u> | <u>216,094</u> | <u>195,789</u> |

Notes to Financial Summary

1. Donations and contributions from governments have varied from year to year because fundraising, historically, has been largely driven by specific projects. Projections for 2012 are based on initiating fundraising more broadly to sustaining our priority directions and activities, with additional new project-specific funds raised as required.
2. 2011 Revenues estimates are actual to August 31 plus projections for donations to December fiscal year end. Expenditures are actual to August 31 plus projections for committed expenditures to December fiscal year end.
3. 2012 Revenues projections assume initiating a \$300k fundraising campaign of which our goal is to generate \$150k in the 2012 fiscal year.

2012 Expenditures are projections based on current baseline commitments and assume additional expenditure of approximately \$29k on development of the Science Advisory Board and approximately \$27k on an update to the State of the Basin Report.
4. This financial overview is summarized from our audited statements for 2009 and 2010 and contains estimates for the 2011 fiscal year end and for 2012.

OUR BOARD & STAFF

BOARD OF DIRECTORS

Tony Stephens, President

Toronto, Ontario

Bulman Island — Kenora, Ontario

Richard Sjoberg

Thief River Falls, Minnesota

Lake of the Woods — Morson, Ontario

Joan Richardson

Winnipeg, Manitoba

Lake of the Woods — Kenora, Ontario

Bruce Ormiston

Kenora, Ontario

Coney Island — Kenora, Ontario

Don Konantz

Vancouver, British Columbia

Spirit Island — Kenora, Ontario

Art McKenzie

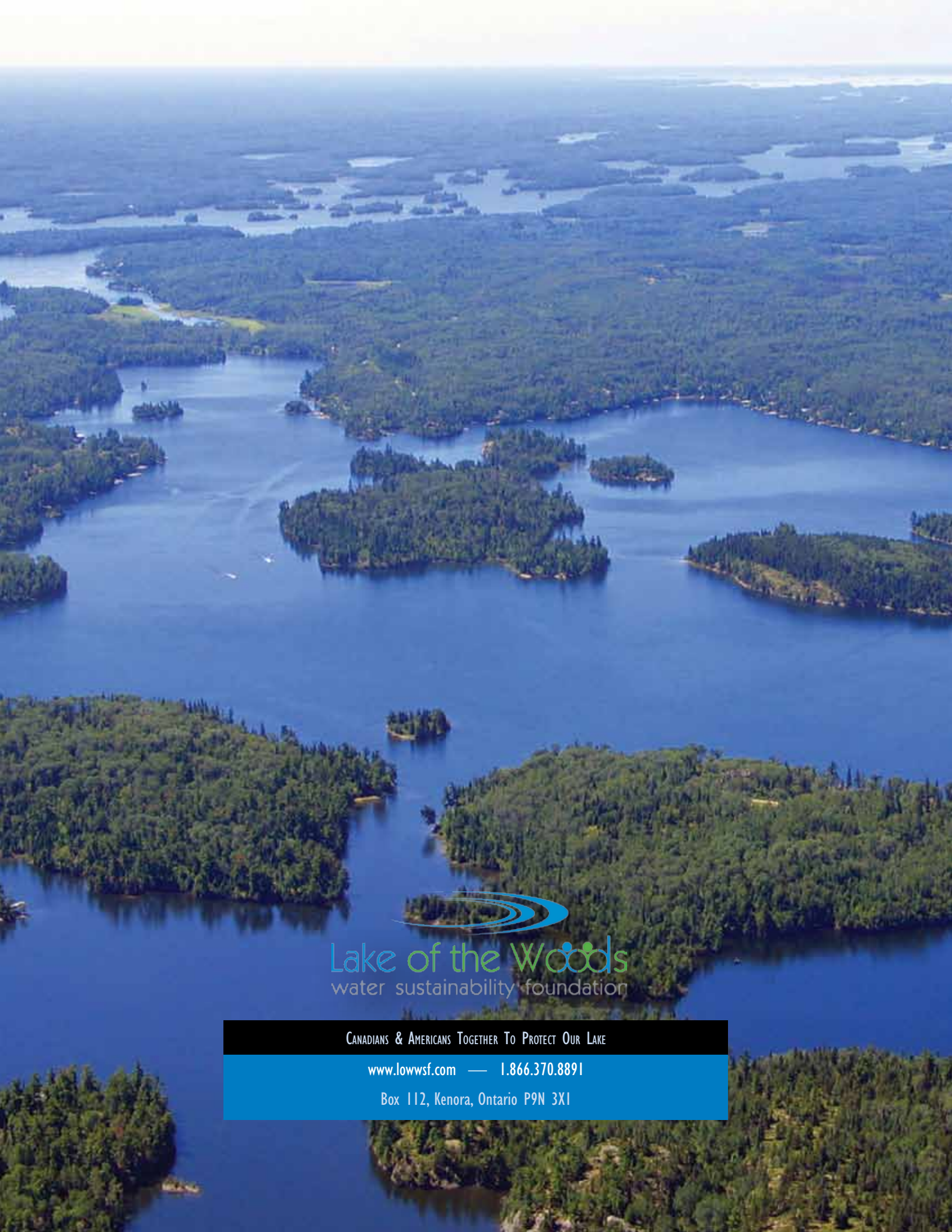
Sioux Narrows, Ontario

EXECUTIVE DIRECTOR

Todd Sellers

Winnipeg, Manitoba

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Lake of the Woods
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CANADIANS & AMERICANS TOGETHER TO PROTECT OUR LAKE

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