



*Nechako-Kitamaat
Development Fund Society*

**2006 – 2007
Annual Report**

March 31, 2007

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NKDF Annual Report



2006-2007 ANNUAL REPORT

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1. Report From The Chair

The Nechako Kitamaat Development Fund Society celebrated its 8th year during the 2006-2007 fiscal by approving \$600,000 for 17 projects throughout the investment area, which includes Kitamaat Village, Burns Lake, the Southside, Fraser Lake, Fort Fraser and Vanderhoof.

It has been another interesting year for the NKDF Society as many diverse and innovative projects were supported, including the library expansion in Burns Lake, high-speed Internet service for Fraser Lake and Fort Fraser, rehabilitation of the Vanderhoof Airport, the first phase of the port development in Kitamaat, the first step toward upgrading the Fraser Lake Arena, and improvements to services provided by the Southside Wellness Centre. We continue to support investments in economic development, community infrastructure/recreation facilities, research projects and community events, all of which contribute to the betterment of our communities and help strengthen the positive economic climate that exists today. At years end, there were 25 active projects, some of which were on-going from the previous year.

During the fiscal year, the Board met seven times, two of which were regular face-to-face meetings in the investment area (one in Burns Lake and one in Vanderhoof), and five of which were conference calls. I acknowledge the work and dedication of the Directors and the sacrifice they make traveling to and from meetings and visiting many of the projects. At years end, we have 8 Directors including Gloria Catherall, Ray Gerow, Colleen Nyce, Mike Robertson (Chair), Crystal Ross, Kevin Stewart, Paul Stewart, and Linda Woodruff (Secretary/Treasurer).

We are pleased to report that all operations and grants were well within the budget targets established in last year's business plan. The Nechako Kitamaat Development Fund book value stands at just over \$16.8 million with a grant budget for 2007/2008 of \$700,000. Since 1999, the Nechako Kitamaat Development Fund Society has approved just over \$4.1 million for economic development projects throughout the service area.

And finally, it is important to recognize Manager Dan Boudreau and thank him for his hard work managing the fund and his exhaustive efforts working with communities and proponents as well as promoting the NKDF Fund.

Original Signed by:

Mike Robertson, Chair

2. Society Overview

2.1 Mandate

The Nechako-Kitamaat Development Fund (NKDF) Society's funding programs are designed to support sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. The NKDF Society spends the income from its long-term investments on programs and projects that meet each community's goals for economic development and community stability.

2.2 Background of the Fund

In 1997, the Government of British Columbia and Alcan Inc. each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. This BC-Alcan Agreement settled the legal issues between Alcan and the BC Government that arose from cancellation of the Kemano Completion Project. In January 1998 an advisory Board for the Northern Development Fund was formed. Its job was to advise the government on how the Fund should be run to stimulate economic growth. In April 1998, the legislature passed Bill 5, the "BC-Alcan Northern Development Fund Act."

Enabled by this Act, and by the recommendations of the advisory Board, the NKDF Society was incorporated on August 18, 1999. The Minister of Small Business and Economic Development appoints Board members to represent the communities of the Nechako-Kitamaat area.

2.3 Investment Area

The investment area for the NKDF is normally limited to those communities with evidence of impacts from Alcan's Nechako Reservoir and Kemano power project. We encourage applications from local governments and legally incorporated non-profit organizations serving the following communities:

| | | |
|------------------------|-------------------------|--------------------------|
| District of Vanderhoof | Nadleh Whut'en Band | Burns Lake Band |
| Fort Fraser | Kitamaat Village | Nee Tahi Buhn Band |
| Village of Fraser Lake | Stellat'en First Nation | Skin Tyee Band |
| Village of Burns Lake | Saik'uz First Nation | Cheslatta Carrier Nation |
| Ootsa Lake | | |

Applications may be accepted from other areas of Northwestern BC, provided the listed communities receive direct economic benefits from the project and demonstrate their support for the project.

2.4 Guiding Principles of the Fund

| | |
|--------------------------------|--|
| COMMUNITY ECONOMIC DEVELOPMENT | The NKDF will invest in community economic development projects and/or programs that are supported by the community, as long as they do not subsidize private business. |
| JOB CREATION & ENHANCEMENT | Creating new jobs and enhancing existing jobs are priorities of the NKDF. |
| SUSTAINABLE EMPLOYMENT | A priority of the Fund will be to support long term employment - both full time and seasonal. |
| COMMUNITY INTERRELATIONSHIPS | The Fund recognizes the value of interrelationships between communities. Consideration will be given to proposals from outside the Nechako Region and Kitamaat Village if they demonstrate a benefit to those areas. |
| CLEAR AND ACCESSIBLE | The Fund will have policies and programs that are accessible with clearly defined evaluation criteria. |
| FIRST NATIONS' PARTICIPATION | First Nations' participation in the Fund will not prejudice the First Nation land claim process. |
| LOCAL CONTROL | The majority of NKDF Directors will reside in the investment area. The Board will determine the ongoing management of the Fund consistent with provincial government policy. |
| BENEFITTING FUND | The Fund is intended to create benefits through sustainable community economic development. It is not intended to be compensation for those who believe themselves to have been negatively affected by the Kitimat-Kemano Project, the creation of the Nechako Reservoir or the cancellation of the Kemano Completion Project. |
| COOPERATIVE VENTURES | The Fund can be utilized in cooperative ventures along with other funding sources. |
| NO DUPLICATION | The Fund will not duplicate but may augment existing economic development programs. |
| WORKING FUND | \$5 million from the original \$15 million Fund is in a working fund to invest in current grant programs. |
| LEGACY FUND | \$10 million from the original \$15 million Fund is in a legacy fund, which is invested to finance activities into the future in perpetuity. |

* Fund investments are managed by the British Columbia Investment Management Corporation. Monies of the Northern Development Fund – to be used in support of the programs of the NKDF Society – are in investment vehicles that are generally conservative but that also provide some opportunities for growth.

2.5 Society Management

The NKDF Society is governed by a northern-based Board of government appointees who live in the investment area and represent a range of interests. Board seats during the past year were held by:

- Gloria Catherall, Burns Lake
- Ray Gerow, Prince George
- Kirk Handrahan, BC Government
- Bill McLeod, Vanderhoof
- Colleen Nyce, Alcan Primary Metal British Columbia
- Mike Robertson, Southside (Chair)
- Crystal Ross, Kitamaat Village
- Kevin Stewart, Kitamaat Village
- Paul Stewart, Vanderhoof
- Linda Woodruff, Vanderhoof (Secretary/Treasurer)

Two Director's terms ended during the past fiscal, including Kirk Handrahan and Bill McLeod.

Management services are provided through a contract with Dan Boudreau, who is based in Prince George.

2.6 Government Relations

Since the Society's incorporation in 1999, the provincial government has transferred \$5.3 million from the Northern Development Fund to the NKDF Society for its operations and programs. The balance of the original \$15 million remains under the control of the BC Investment Management Corporation. (See financial statements for detailed balances of the Society's accounts.)

The Directors and Manager report to the Minister of Economic Development. The Minister is responsible for approving the Society's annual business plan and for appointing all Society Directors. This reporting relationship is intended to ensure that the Society's actions continue to adapt to changes in provincial government priorities and direction.

In addition to the Society's relationship with the province, the Society also has relationships with federal government ministries and agencies such as Service Canada, Western Economic Diversification and Indian and Northern Affairs in order to coordinate work on projects of mutual interest.

3. Goals and Achievements

This section is informed by the formal evaluation form completed by Society Directors at the end of each fiscal year, where criteria are judged on a score of 1 to 4, with 1 being poor, 2 being fair, 3 being good and 4 being excellent. The goal is to achieve scores of 3 or 4, and to develop strategies to improve in areas that are scored only 1 or 2.

3.1 Operations

Board Operations

There were two regular Board meetings this year and five conference calls. The meetings were located in Burns Lake and Vanderhoof. One additional face to face meeting was planned in Kitamaat Village, but inclement weather necessitated switching to a conference call instead.

In the annual evaluation, Directors rated most aspects of operations as good and some as excellent. With a higher number of conference calls this year, some Directors expressed the importance of continuing to meet face to face as well. With this in mind, meeting effectiveness was rated a little higher than conference call effectiveness.

Directors generally were satisfied with the frequency of Board meetings and with the decision making process. Directors agree that the Board meetings provide an effective forum for healthy, open-minded discussion and that the consensus method is working well for decision making. Overall, the Society enjoys a good mix of Directors who share a common interest are willing to work together for the benefit of all communities in the investment area.

During the upcoming year, Directors plan to revisit the strategic plan and vision for the organization, as well as continuing to attend grand opening and publicity events where possible.

Management Services

In the annual evaluation, Directors rated the Management Services at good to excellent. Directors were generally very pleased with the flow of information and communication at all levels, including Directors, clients and applicants.

The Manager is doing a good job of providing agendas well in advance of meetings. Applicants are well informed by the Manager, which means they understand NKDF requirements and protocol and are able to provide the right information to enable Directors to make informed decisions.

The Manager will focus on three main areas for the upcoming year: effectively screening project applications, working with proponents to clarify deliverables for each project, and continuing to increase the NKDF profile in the communities. Directors expressed an appreciation for the quality of the Management Services and in particular, the Managers communication with Board members, clients and applicants.

3.2 Programs

Community Grant Program

The Society received a total of 24 new applications this year and approved 17, totalling \$600,000 for the entire investment area.

This year the majority of Directors rated the Community Grant Program as good to excellent. Although it is generally felt that our grant program is effective, a number of Directors feel it is now time to revisit and review the NKDF vision. Funds are being allocated effectively to each of the areas and the grants are for worthwhile projects that benefit the communities and the investment area. Directors are pleased that we have successfully leveraged Society funds with investment funds from other agencies.

For the upcoming year Directors and the Manager will continue to promote the programs and work to increase the uptake in the smaller communities. Directors agree that NKDF Society is benefiting from the increased recognition in the local media across the investment area.

Throughout the year the Manager and Directors welcome feedback on how to make the guidelines more suitable for community needs. At the same time, the Directors focus on ensuring the fund is safeguarded by making cautious decisions that are acceptable to government, business people and communities outside the investment area, all of whom may raise legitimate issues about unfair subsidies or competition.

Detailed descriptions of the projects approved this year are in section 4.

Community Legacy Fund Program

In order to perpetuate NKDF programs into the future, only \$5 million of the \$15 million fund is to be used for a “working fund” to fund the grant program. The “Legacy Fund” is for the balance of Society funds, which were invested since inception to grow to a value of \$15 million. Now that the principal has reached that value, the amount of the fund exceeding inflation may be spent annually on operations and grants.

The Community Legacy Fund is currently held at the BC Investment Management Corporation and the value as of March 31, 2007 is \$15,306,740.

Business Loan Program

This was a short-lived program, cancelled as a result of the government-led performance review in 2003. The review ruled that the program creates a business subsidy, and is therefore contrary to current government policy. Only one loan is currently outstanding, valued at \$28,803. The Society receives quarterly payments, with interest, from the Community Futures Development Corporation that manages the loan.

4. Grants Program Details

The Society approved \$600,000 in new grants this year, bringing the total approved funding to \$4,130,556 since inception. The following table shows grant proposal statistics in this year and all prior years since the inception of the fund.

| Year | Proposals received | Proposals approved | Proposals not approved | Total \$ committed | Total \$ Paid |
|--------------|--------------------|--------------------|------------------------|--------------------|--------------------|
| 2006-2007 | 24 | 17 | 7 | \$600,000 | \$1,173,343 |
| 2005-2006 | 24 | 19 | 5 | \$623,169 | \$605,151 |
| 2004-2005 | 24 | 20 | 4 | \$986,959 | \$518,050 |
| 2003-2004 | 45 | 31 | 14 | \$1,172,097 | \$484,778 |
| 2002-2003 | 8 | 7 | 1 | \$44,195 | \$234,684 |
| 2001-2002 | 20 | 11 | 9 | \$518,581 | \$245,636 |
| 2000-2001 | 13 | 6 | 7 | \$137,534 | \$149,004 |
| 1999-2000 | 8 | 5 | 3 | \$48,021 | \$25,000 |
| Total | 166 | 116 | 50 | \$4,130,556 | \$3,435,646 |

The following table summarizes proposals not approved during this fiscal year:

| Project | Date Rejected | Amount Requested | Reason for Rejection |
|---------------------------------------|---------------|------------------|---|
| Land and Resource Diabetes Initiative | 25-May-06 | \$23,367 | Provides a subsidy to business |
| Playground Equipment | 25-May-06 | \$36,800 | Project not a NKDF priority |
| Healing Camp | 25-May-06 | \$20,000 | Outside the investment area |
| Supportive Housing Complex | 22-Nov-06 | \$140,000 | Weak link to economic development |
| Science Celebration | 27-Mar-07 | \$75,330 | Weak link to economic development |
| Measuring Up The North | 27-Mar-07 | \$28,000 | Weak link to economic development and no direct benefit to communities in the investment area |
| Amenity Migration Study | 27-Mar-07 | \$10,000 | Project excludes most of the communities in the investment area |

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This table summarizes the grant projects approved or under contract during in the 2006-2007 fiscal year. Details about all projects under contract are on the following pages.

| RECIPIENT | PROJECT | APPROVED | STATUS |
|--|----------------------|-----------------|---------------|
| Casey Lake Cross-Country Ski Association | Feasibility Study | 4,000 | In progress |
| District of Vanderhoof | Airport Rehab | 200,000 | Complete |
| Kitamaat Village Council | Port Development | 50,000 | Complete |
| North Pacific Music Festival Society | Music & Friends 2006 | 19,500 | Complete |
| Village of Fraser Lake | Arena Upgrade | 50,000 | In progress |
| Fraser Lk & Dist Rebroadcasting Society | Last Mile Internet | 25,000 | In progress |
| Community Futures of Fraser Fort George | Northern Econ. Forum | 1,500 | Complete |
| Burns Lake Public Library Association | Expansion | 55,000 | In progress |
| Reel Alternatives | Film Festival | 4,130 | In progress |
| Regional District of Bulkley Nechako | Asset Mapping | 11,900 | In progress |
| Southside Health & Wellness Centre | Medical Equipment | 5,000 | In progress |
| Aboriginal Business Development Centre | Container Study | 10,000 | In progress |
| Vanderhoof Public Library | Mary John Collection | 18,650 | In progress |
| Community Futures of Nadina | Resort Gap Analysis | 7,500 | In progress |
| Corporation of the Village of Burns Lake | Noarse Park | 22,600 | In progress |
| District of Vanderhoof | Spirit Square | 45,983 | In progress |
| Kitamaat Village Council | Haisla Construction | 69,237 | In progress |

5. Project Descriptions Sorted by Location (East to West)

5.1 Vanderhoof Projects

Airport Rehab \$200,000

District of Vanderhoof

The Society partnered with the District of Vanderhoof and the Province of British Columbia to rehabilitate Vanderhoof airport runway 07-25. Preceding this project, NKDF partnered with the District of Vanderhoof to complete an Airport Development Plan, which presented the proponent with a number of options to upgrade the airport. The project was and is fully supported by a number of business members and residents in the community. The airport is used by a broad range of user groups and is fundamental to economic opportunities in the Nechako region.

Mary John Collection \$18,650

Vanderhoof Public Library

The purpose of this project is to create a lasting legacy to honour the memory of Mary John and to advance the goals she stood for. The proponent is creating *The Mary John Collection*, comprised of books, audiovisuals, and a map and photo archive. The project will add to the economic base over the long term, both through the local educational and cultural component and through visits by non-local visitors to the area.

Spirit Square \$45,983

District of Vanderhoof

The District of Vanderhoof will build the Vanderhoof Spirit Square with a park-like theme on Highway 16 West. Spirit Square will feature a number of displays, including: First Nations, bird and wildlife, walk of fame, agricultural and forestry. The project is co-funded by the NKDF, the District of Vanderhoof and the Province of British Columbia. It is intended to be an attraction, both for locals and for visitors to the area, providing short-term jobs during the construction phase, and long term economic benefits through expenditures by visitors.

Sterling Sturgeon Film Festival \$4,130

Nechako Community Arts Council

The purpose of this project is to host a film festival during what is typically the non-tourist season for Vanderhoof, while showcasing the Nechako Valley recreational opportunities. After successfully showcasing films from the Toronto International Film Festival over a three-year period, The Sterling Sturgeon Film Festival was held over three days in February 2007. The economic benefits will arise mainly from expenditures

by visitors to the area and over the long term, and through the increased awareness of what Vanderhoof has to offer.

5.2 Fraser Lake/Fort Fraser Projects

Feasibility Study \$4,000

Casey Lake Cross-Country Ski Association

The goal of this project is to develop a comprehensive analysis of the cross-country ski opportunities in the Fraser Lake area. The feasibility study is created for the proponent, other trail user groups, various stakeholders, and potential partners in the Fraser Lake area. The Association members will do a thorough analysis to identify options prior to proceeding with development of a property. It is believed that a cross-country ski facility would help to make the community more attractive to residents and visitors to the area. This project is funded by the NKDF and Casey Lake Cross-Country Ski Association.

Arena Upgrade \$50,000

Village of Fraser Lake

The Village of Fraser Lake is planning a number of improvements to the local Recreation Facility. The NKDF assisted with funding for the engineering for the project. Some short-term benefits will result from the construction phase of the project, but the enduring benefits will be the quality of life in the community, helping to attract and retain people, and spin off when user groups are brought into the community for sporting events.

5.3 Burns Lake / Southside Projects

Medical Equipment \$5,000

Southside Health & Wellness Centre

Southside Health & Wellness Centre offers basic public health services to clients in the Southside area. This project is to expand those services to include and autoclave, a centrifuge and an audiometer. The new equipment will enable the proponent to perform and process blood work locally, for which the clients previously needed to travel outside the community. The equipment reduces the time needed for locals to travel away from Southside to get the medical services, as well as lowering the risk. The equipment will have a long-term positive impact on the quality of life in the Southside area. Funding partners for this project include the NKDF Society, the Cheslatta Community Forest Legacy and Southside Health & Wellness Centre.

Noarse Park **\$22,600**

Corporation of the Village of Burns Lake

The Village of Burns Lake plans to develop a community waterfront park to create a passive and active recreation and meeting area for residents and visitors. Proponent has chosen the 2.5 acre property currently known as Nourse Park for this project. The proposed project is planned to include a bandstand and seating area, an open grassy area, greenery, pathways, historical statues/art, and general amenities such as newly constructed washroom facilities, an irrigation system, lighting and a concession stand. NKDF and the Village of Burns Lake will co-fund this first phase of the project, which includes the design, surveying and testing.

Library Expansion **\$55,000**

Burns Lake Public Library Association

Since it was first organized in 1944, the Library has moved and expanded a number of times to meet growing demands on its services. The Library serves more than 1600 patrons, including more than 100 from the Southside of Francois Lake. An addition to the previously funded expansion project, this contribution is for the purchase of shelving and installation of a lift to make the facility assessable to all patrons. Funding partners for this project include the NKDF, the Burns Lake Public Library Association and the Province of British Columbia Community Development Initiative.

5.4 Kitamaat Projects

Kitamaat Port Development **\$50,000**

Kitamaat Village Council

The purpose of this project was to undertake the preliminary phases of the research that the proponent believes will culminate in the development of a deep water break bulk port facility on the Kitimat waterfront. The project objectives include identifying regional products flows, identifying commodities and major shippers, surveying various shipping and handling technologies, developing conceptual transport systems, consulting with the major shippers, assessing the shipper's infrastructure environment, and reviewing environmental issues at the port site. NKDF assisted with phase I of the project, which led to the creation of the Kitamaat Port Development Society and promises to bring employment opportunities for Haisla members in the future.

Music & Friends 2006 Festival **\$19,500**

North Pacific Music Festival Society

North Pacific Music Festival Society is a new society formed to house the Music & Friends festival. After successful festivals during each of the previous two years the Society members organized the one-day Music and Friends Festival 2006. The festival was successfully staged on July 22, 2006. The festival organizers are motivated to showcase the community as a summer tourism destination, and to grow the event year after year, bringing social, cultural and economic benefits to Kitamaat Village and area in the future. The event organization and implementation is done by volunteers, with a priority of contributing funds toward construction of Haisla Elder Care Facility.

Haisla Construction **\$69,237**

Kitamaat Village Council

Kitamaat Village Council plans to start a band-owned construction business to serve clients in Kitamaat Village and the greater Kitimat area. The purpose of the business is to: a) create meaningful employment opportunity for Haisla band members, and b) provide surpluses to KVC to use for sustainable capacity development, and c) serve as a demonstration project to model a business success for the community. The business will provide the following services: renovation and construction of earth-based structures, basements, drain tile and septic systems, retaining walls, driveways and ditching, culverts, and general site remediation. NKDF funding assistance will go toward purchase of the needed equipment for the project.

5.5 Regional Projects

Last Mile Internet **\$25,000**

Fraser Lake & District Rebroadcasting Society

The purpose of this project is to develop communications infrastructure by installing telecommunication equipment needed to provide high speed Internet access to Fort Fraser and surrounding area. Fort Fraser Ambulance Society and East Francois Lake Volunteer Fire/Rescue were awarded Last-Mile Project Community Networking Infrastructure Grants by the Ministry of Labour and Citizens' Services. Project benefits include: increased communication for emergency services, increased participation in economic development opportunities, easier for local businesses to operate, increased ability for professionals to telecommute, better access to distance education, and increased interrelations between communities.

Northern Economic Forum **\$1,500**

Community Futures Development Corporation of Fraser Fort George

The purpose of the Northern Economic Forum 2006 is to put the most current industry specific, sectorial and regional information in front of community/economic development practitioners in Northern BC. The two-day Forum took place in September 2006, attracting well over the anticipated 85 attendees, which included CED practitioners throughout the region and all of northern BC. The NKDF contributed funding assistance toward facilitation and scribe costs for the event.

Asset Mapping **\$11,900**

Regional District of Bulkley Nechako

Regional District of Bulkley Nechako was approved to receive funding assistance to hire a consultant to complete a region wide Asset Mapping Report. The project entails gathering an inventory, categorizing and ranking assets, and discovering why people value some assets more than others in the regional. The information is to be compiled into an easily updateable database format. The project is necessary to provide Regional District, and the communities within, with thorough baseline economic data – which they see as a precursor to building an economic development action plan. The Asset Mapping project is co-funded by the NKDF and the Regional District of Bulkley Nechako.

Aboriginal Container Study **\$10,000**

Aboriginal Business Development Centre

In November 2006, the Northern BC Container Terminal Opportunity Study was completed and publicized. While the Container Study was comprehensive and informative, it did not focus on opportunities specifically for Aboriginal people. The proponent sought funding assistance from NKDF to complete an Aboriginal Companion Study. This project will serve to help communities acquire public and private investment, will help lead First Nations/Aboriginal workers to long-term job opportunities, and help promote economic activity throughout the investment area. This project is funded in partnership by the NKDF, Indian and Northern Affairs Canada, The Province of British Columbia and the Aboriginal Business Development Centre.

Northwest Regional Destination Resort Gap Analysis **\$7,500**

Community Futures Development Corporation of Nadina

The purpose of the project is to conduct a Northwest Regional Destination Resort Gap Analysis, as well as identifying next steps. The analysis will include carrying out a SWOT analysis and assessment of principle products and experiences, development of a strategy, recommendations for likely investment clusters and a search for equity investors. The NKDF and the Ministry of Economic Development are confirmed contributors to the project; other contributors are pending.

6. Financial Highlights at March 31, 2007

| 2006-2007 Income and Expenses | Budgeted | Actual |
|--|-----------------|---------------|
| Administration Expenses | \$79,257 | \$65,844 |
| Grant Payments (Approved \$600,000) ¹ | \$1,082,783 | \$1,173,343 |
| Investment Income | \$113,338 | \$124,779 |
| Loans, Principal And Interest Repaid | \$28,479 | \$28,803 |

Note to administration expenses: Administration costs were lower than expected, partially because two representatives kindly served at their employer's expense (BC Government and Alcan). Manager fees were \$46,448, Director Honoraria totalled \$3,238, travel and meeting costs were \$6,739 and the balance of \$9,419 was for accounting, advertising and office expenses.

Note to grants: The Society approved a total of \$600,000 in new grants for the year.

Note to investment income: NKDF investments are held at Integris Credit Union in Vanderhoof and with Phillips Hager and North (PHN). Most of the gains recorded this year were on equities and bond funds held with PHN.

Note to loans: No new loans have been made since the loans program was cancelled. At March 31, 2007 the outstanding balance on the loans account was \$28,803.

| Account Balances as of March 31, 2007 | Assets | Liabilities |
|---|---------------|--------------------|
| Loan Funds Receivable | \$28,803 | |
| Cash and Term Deposits | 893,474 | |
| Short Tem Investments | 1,133,874 | |
| Accrued Interest & Receivables | 3,385 | |
| Total Assets | \$2,059,536 | |
| Less Grant Commitments Outstanding | | (490,050) |
| Total NKDF Assets Less Grant Commitments | | \$1,569,486 |

Combined assets: The balance of the original \$15 million dollar contributions from Alcan and the BC Government are held in the Northern Development Fund, managed by the British Columbia Investment Management Corporation. The market value of this investment account as of March 31, 2007 was \$15,306,740, so the combined assets of the NKDF and the Northern Development Fund total **\$16,876,226**.

Annual Audit: The annual audit of the NKDF was completed in May 2007 by Edmison-Mehr Chartered Accountants (Smithers). The statements are attached as Appendix A.

¹ Includes prior year grant commitments and new grant expenditures.

Appendix A: Audited Financial Statements

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2007

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
FINANCIAL STATEMENTS
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AUDITORS' REPORT

To the Directors of
NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
Prince George, B.C.

We have audited the Statement of Financial Position of NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY as at March 31, 2007, and the Statements of Operations and Changes in Fund Balances for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2007 and the results of operations of the Society for the year then ended, in accordance with Canadian generally accepted accounting principles.

Smithers, BC
May 10, 2007



Edmison Mehr

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007

| | Administration Fund | Grant Fund | Loan Fund | 2007 Total | 2006 Total |
|----------------------------------|--------------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| ASSETS | | | | | |
| CURRENT | | | | | |
| Cash and term deposits | \$ 47,327 | \$ 846,147 | \$ - | \$ 893,474 | \$ 1,365,520 |
| Short term investments, Note 3 | - | 1,133,874 | - | 1,133,874 | 1,458,333 |
| Accrued interest | - | 1,501 | - | 1,501 | 1,889 |
| GST receivable | 1,884 | - | - | 1,884 | 1,975 |
| Loan receivable, Note 4 | - | - | 28,803 | 28,803 | 33,228 |
| Grant advance receivable | - | - | - | - | 12,500 |
| | <u>49,211</u> | <u>1,981,522</u> | <u>28,803</u> | <u>2,059,536</u> | <u>2,873,445</u> |
| DUE FROM (TO) OTHER FUNDS | <u>(6,193)</u> | <u>6,193</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 43,018</u> | <u>\$ 1,987,715</u> | <u>\$ 28,803</u> | <u>\$ 2,059,536</u> | <u>\$ 2,873,445</u> |

LIABILITIES

| | | | | | |
|------------------|----------|------|------|----------|----------|
| CURRENT | | | | | |
| Accounts payable | \$ 3,000 | \$ - | \$ - | \$ 3,000 | \$ 2,502 |

FUND BALANCES

| | | | | | |
|-----------------------------|------------------|---------------------|------------------|---------------------|---------------------|
| OPERATING NET ASSETS | <u>40,018</u> | <u>1,987,715</u> | <u>28,803</u> | <u>2,056,536</u> | <u>2,870,943</u> |
| | <u>\$ 43,018</u> | <u>\$ 1,987,715</u> | <u>\$ 28,803</u> | <u>\$ 2,059,536</u> | <u>\$ 2,873,445</u> |

APPROVAL OF THE BOARD:

_____ Director

_____ Director

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF OPERATIONS AND CHANGES TO FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2007

| | 2007 | 2006 |
|---|---------------------|---------------------|
| REVENUE | | |
| Contribution agreement funding - Province of B.C. | \$ 300,000 | \$ 500,000 |
| Investment | <u>124,779</u> | <u>141,868</u> |
| | <u>424,779</u> | <u>641,868</u> |
| EXPENSES | | |
| Accounting and audit | 3,242 | 2,827 |
| Advertising and promotion | 1,069 | 1,633 |
| Bank charges and interest | 14 | 32 |
| Goods and services tax | - | 2,701 |
| Honorariums | 3,238 | 5,113 |
| Insurance | 1,010 | 987 |
| Office | 1,630 | 1,675 |
| Other | - | 210 |
| Rent | 252 | 165 |
| Subcontract - manager | 46,488 | 46,662 |
| Telephone | 2,162 | 1,913 |
| Travel and meetings - board | 2,275 | 6,434 |
| Travel and meetings - manager | <u>4,464</u> | <u>3,931</u> |
| Sub-total | 65,844 | 74,283 |
| Grant payments | <u>1,173,343</u> | <u>592,652</u> |
| | <u>1,239,187</u> | <u>666,935</u> |
| Excess (deficiency) of revenues over expenses for the year | (814,408) | (25,067) |
| Fund balance, beginning of year | <u>2,870,944</u> | <u>2,896,010</u> |
| Fund balance, end of year | <u>\$ 2,056,536</u> | <u>\$ 2,870,943</u> |

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

1. PURPOSE

The purpose of the Society is to promote sustainable economic development in communities affected by the original Kitimat-Kemano project. The Society was created to manage the programs supported by the Northern Development Fund and to implement the recommendations of the Advisory Board of this Fund. The Society is accountable for the funds advanced to the Society from the Northern Development Fund.

The \$15 million Northern Development Fund, to which both Alcan and the BC Government each contributed \$7.5 million, was created as a result of the BC-Alcan 1997 Agreement. This Agreement resolved the legal issues associated with the cancellation of the Kemano Completion Project. Bill 5, the "BC-Alcan Northern Development Fund Act", to promote sustainable economic development in Northwestern BC, was approved by the Legislature in April, 1998. The Advisory Board for the Northern Development Fund was established in January, 1998 to provide the Minister responsible for the Fund with recommendations for how the Fund should be managed and used to stimulate economic development.

The Provincial Government maintains direct management responsibility for that portion of the Northern Development Fund not forwarded to the Society. The book value of the fund at March 31, 2007 is \$15,284,046 (2006 - \$14,641,507) and the fair market value of the fund at March 31, 2007 is \$15,306,740 (2006 - \$14,678,620). At March 31, 2007 a total of \$5.3 million has been forwarded from the Northern Development Fund to the Society since its inception.

The Nechako-Kitamaat Development Fund Society was incorporated under the Society Act on August 18, 1999.

2. ACCOUNTING POLICIES

Short term investments

Short term investments are classified as held-for-trading and are recorded at market value.

Revenue

Grant revenue and loan fund interest is recognized when the grant is received by the Society.

Investment revenue includes interest and dividends income, and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and are recognized as revenue in the statement of operations.

Grant payments

Grants provided to other organizations are recorded as an expense when the amount is paid by the Society.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

3. SHORT TERM INVESTMENTS

Short term investments consist of investments classified as held-for-trading and include the following amounts. The adjusted cost base of the fund at March 31, 2007 is \$1,053,103 (2006 - \$1,366,391).

| | <u>2007</u> | <u>2006</u> |
|----------------------------|---------------------|---------------------|
| Money Market Funds | \$ 567,685 | \$ 712,838 |
| Bond Fund | 120,973 | 129,676 |
| High Yield Bond Fund | 103,820 | 127,813 |
| Canadian Equity Funds | 139,299 | 234,915 |
| International Equity Funds | <u>202,097</u> | <u>253,091</u> |
| | <u>\$ 1,133,874</u> | <u>\$ 1,458,333</u> |

4. LOAN RECEIVABLE

The loan receivable consists of a loan agreement with a private enterprise entered in partnership with a Community Futures Development Corporation. The Community Futures Development Corporation administers the loan advance.

5. STATEMENT OF CASH FLOWS

A statement of cash flows has not been included in these financial statements as the cash flow information is readily apparent from the financial information presented in these statements.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

6. COMMITMENT

The Society is committed, provided the recipients fulfill the requirements of the funding agreements, to provide grants totaling \$490,050 subsequent to March 31, 2007 as follows:

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|---------------------|
| District of Vanderhoof - Downtown Revitalization | \$ 29,500 | \$ 147,500 |
| Guide Outfitters Association of BC - School | - | 10,000 |
| Burns Lake Band - Gathering Place | 3,031 | 17,490 |
| Burns Lake Public Library - Expansion | 10,000 | 50,000 |
| Haisla Fisheries Commission - Shellfish & Fisheries | - | 56,000 |
| North Coast Biotoxin Society - Kitamaat Water Testing | - | 18,005 |
| Cheslatta Carrier Nation - Carving Shed/Farmers Market | 30,000 | 60,000 |
| Na na kila Insitute - Haisla Building Promo | 24,500 | 24,500 |
| Vanderhoof Rotary Club - Trail Bridge | 750 | 750 |
| Bulkley Nechako Regional District - Fort Fraser Well | - | 56,750 |
| Lakes District Sr. Citizens Housing Association - Housing Project | - | 50,000 |
| CFDC Stuart Nechako - Regional Economic Dev Plan | - | 2,700 |
| Fort St. James Ski Club - Equipment | - | 44,785 |
| BC Forage Council - Forage Crop Trials | 10,080 | 26,880 |
| Burns Lake Arts & Culture Committee - Arts Festival | - | 3,652 |
| Burns Lake Sports Centre Association - Memorial Arena | - | 15,000 |
| College of New Caledonia Fundraising Society - Equipment | - | 98,000 |
| Corporation of the Village of Burns Lake - Washroom Facility | - | 7,672 |
| District of Vanderhoof - Art Scan | - | 2,000 |
| District of Vanderhoof - Community Signs | - | 15,000 |
| District of Vanderhoof - Arena Dressing Rooms | - | 100,000 |
| Kitamaat Village Council - Haisla HIPPY | - | 1,500 |
| Lakes District Airport Society - Feasibility Study | 2,500 | 2,500 |
| Let's Enhance & Develop Society - Hybrid Trail Systems | - | 1,680 |
| Nechako Valley Reg Cattlemen Association - Swath Grazing | 9,790 | 15,920 |
| Nechako View Senior Citizen's Home Society - Seniors Housing | 10,000 | 100,000 |
| North Coast Biotoxin Society - Kitamaat Water Testing | - | 23,600 |
| North Coast Biotoxin Society - Kitamaat Water Testing | 41,412 | 56,307 |
| Southside Economic Development Association - SEDA Centre | 7,310 | 73,092 |
| St. John Hospital Auxiliary Society - OR Enhancement | - | 1,500 |
| Aboriginal Business Development Centre | 5,000 | - |
| Burns Lake Public Library Association | 27,500 | - |
| Casey Lake Cross-Country Ski Association | 2,000 | - |
| Community Futures of Nadina | 7,500 | - |
| Corporation of the Village of Burns Lake | 22,600 | - |
| District of Vanderhoof | 45,983 | - |
| District of Vanderhoof | 74,017 | - |
| Fraser Lake & District Rebroadcasting Society | 12,500 | - |
| Kitamaat Village Council | 69,237 | - |
| Reel Alternatives | 2,065 | - |
| Regional District of Bulkley Nechako | 5,950 | - |
| Southside Health & Wellness Centre | 2,500 | - |
| Vanderhoof Public Library | 9,325 | - |
| Village of Fraser Lake | <u>25,000</u> | <u>-</u> |
| | <u>\$ 490,050</u> | <u>\$ 1,082,783</u> |