



**2003 – 2004
Annual Report**

May, 2004

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NKDF Annual Report



2003-2004 ANNUAL REPORT

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1.0 REPORT FROM THE CHAIR

The Nechako-Kitamaat Development Fund Society has had an exceptionally busy year. We reviewed and approved more proposals this year than in all previous years combined, exceeded our goal of approving \$1 million worth of new projects, welcomed two new communities to our investment area, and said farewell to five of our board members.

I would first like to recognize the contributions of the five volunteer directors whose terms expired during the past year: Glenda Olson and Frank Read from Vanderhoof, Percy Campbell and Karen Nyce from Kitamaat Village and Alan Blackwell from Ootsa Lake. Their combined terms represent over 14 years of service administering the programs of the NKDF. We are sorry to see them go, and wish them well in all the good works they do.

I would next like to warmly welcome seven new directors. Gloria Catherall and Mike Robertson are representing the Burns Lake and Southside areas. Nina Shaw and Ellis Ross are representing their community of Kitamaat Village. Bill McLeod and Linda Woodruff are representing the Vanderhoof area. In addition to seeing those communities strongly represented, I would like to welcome Kirk Handrahan, the new director who represents the Ministry of Small Business and Economic Development, and provides liaison between the Minister and the Society.

Over the course of the six meetings we held this year, we reviewed 45 projects, and approved 31 of them, for a total value of just over \$1 million. Because of weather and other project delays, we have only paid out \$495,000 but have reserved the funds for those projects and look forward to approving another \$1 million in the coming year.

One remarkable highlight of the year was our May 2003 meeting, when we were amazed to receive 17 proposals, and even more amazed that the entire board stuck with it for 12 hours until we had reached consensus on every project.

On a financial note, we were delighted to see the investment climate improve dramatically this year, adding value to the original \$15 million investment from Alcan Inc. and the BC Government, and ensuring the perpetuity of the fund for future years.

I would again like to express my appreciation to all board members for their support and dedication during an incredibly busy year, as well as a special thanks to Lisa for keeping up with the increased work load this year.

Original signed by

Dave Merz, Chair

2.0 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. NKDF 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	Skin Tye Band
Fort Fraser	Stellat'en First Nation	Cheslatta Carrier Nation
Village of Fraser Lake	Saik'uz First Nation	Kitamaat Village
Village of Burns Lake	Burns Lake Band	
Ootsa Lake	Nee Tahi Buhn Band	

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

These principles have been updated to reflect the results of the 2003 BC Government performance review.

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 members of the NKDF Board 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 will be invested to reach \$15 million. * Income from this \$15 million will finance activities into the future.

* 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:

- Alan Blackwell, Ootsa Lake (replaced by Mike Robertson)
- Percy Campbell, Kitamaat Village Council
- Gloria Catherall, Burns Lake
- Brenda Janke, BC Government (replaced by Kirk Handrahan)
- Dave Merz, Fort Fraser (Chair)
- Karen Nyce, Haisla First Nation
- Colleen Nyce, Alcan Primary Metal British Columbia
- Glenda Olson, Vanderhoof
- Frank Read, Vanderhoof
- Bill Stewart, Prince George (Secretary/Treasurer)

Management services are provided through a part-time contract with Lisa Dunn who is based in Terrace.

2.6 Government Relations

Since the Society's incorporation in 1999, the provincial government has transferred \$4.36 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 various accounts.)

The NKDFS Directors and Manager report to the Minister of Small Business and Economic Development, the Hon. John Les.¹ 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.

Much of the past year has been spent implementing the two major recommendations made by the provincial government on February 18th 2003:

- 1) A public process was initiated for the selection of new community members for vacant positions and following the expiration of terms. There were two advertising and recruitment processes, one that resulted in two board appointments and another that resulted in four appointments just as the fiscal year ended.

¹ Kirk Handrahan is the current Government employee responsible for the NKDF file, but the Society is ultimately responsible to the Minister of Small Business and Economic Development.

- 2) The Society developed a Business Plan for 2003-2004 designed to increase program uptake while being consistent with government policy. This included:
- Revising project criteria to eliminate loans or subsidies to business;
 - Expanding the investment area to include Burns Lake and Fraser Lake;
 - Increasing the manager's involvement in project development;
 - Setting performance goals and measurements; and
 - Reducing the ratio of administration expenses to total projects funded.

All of these goals were achieved, and exceeded in some areas. Our goal of awarding \$1 million in grants was exceeded, as was our goal of reducing administration costs, which dropped to 7% of the value of approved projects.

In addition to the Society's relationship with the province, the Society also has relationships with federal government ministries and agencies such as Human Resources Development 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 six regular board meetings this year and two conference calls. The meetings were located in Fraser Lake, Terrace (plans to meet in Kitamaat were cancelled after an elder died the night before the meeting), Ootsa Lake, Vanderhoof, Smithers and Burns Lake. The finance committee also held one meeting to discuss changes in the investment policy.

The most important factor affecting board operations was the sheer volume of proposals to review at each meeting. The board binders are thicker than ever, requiring many hours of reading before each meeting, and creating many rushed agendas when it seemed we could not spend enough time on each proposal. This led several directors to suggest that the manager play a more active role in screening proposals to make sure they meet all the criteria before coming to the board.

The next most important factor affecting board operations this year was the high turnover of board members. As expiry dates came up during the year, some people were re-appointed and some were not. Only two of the original directors are still with us: our

secretary-treasurer, Bill Stewart and our chairman, Dave Merz. We start the next fiscal year with a full board, and we look forward to getting to know each other as we make decisions on behalf of the whole region.

The evaluations this year showed some dissatisfaction in all areas of board operations. Half of the six directors who responded have concerns about the effectiveness of the directors, the board meetings and the decision-making process. One director suggested we consider having quarterly meetings. A workshop scheduled in May 2004 will attempt to resolve these issues.

Management Services:

The manager's workload doubled this year, caused by the unprecedented turn-over of board members and the dramatic increase in applications and approvals resulting in 31 active projects during the year. There was also a new project: installing and maintaining the NKDF's own web-site. The old BC government address now forwards automatically to the new site www.nkdf.org. The only decrease in workload was related to the fact that the communities in the investment area are now well aware of the fund and very little promotion was required. This year the manager presented one workshop in November in Vanderhoof with eight participants. There was also a large community meeting in January in Vanderhoof focussed on setting priorities for NKDF investments in the community. Over 50 people attended that meeting, facilitated by Gary Blattner.

The directors' evaluations of management services were all in the good to excellent range. The only recommendations for improvement related to proposals that come in late or incomplete. There was also a request that the manager spend more time in communities and more time assisting with proposal development. There are two implications of those requests: 1) the budget for the manager's services would have to be increased to cover those duties in the context of the other increases in workload; and 2) the more the manager is involved in project development, the more community expectations are raised and the less objective the manager's project evaluation may be.

3.2 Programs

Community Grant Program:

This year saw an unprecedented number of applications for funding, and a correspondingly high rate of approvals. This is attributable to several factors: the increasing awareness of the fund and what it can do, the pent-up demand for funding that could not be met during the prior year's freeze (during the performance review), the expansion of the investment area, and the relaxation of the guidelines. The relaxation of the guidelines occurred because of the feeling amongst directors that local and provincial politicians could create problems for the fund if the \$1 million goal is not met. There are concerns that some projects would not have been approved if that perceived pressure were not there.

These combined trends provoked some strong reactions in the directors' evaluations. Half of the directors are not happy with the guidelines or with the decision-making process used to approve or reject proposals. Feedback from community members has also questioned the fairness or consistency of the interpretation of the guidelines, particularly from groups whose projects had been rejected in previous years because they were not strongly linked to community economic development.

It is part of the policy of the NKDF to do an annual review of guidelines to make sure they are meeting community needs. Accordingly, the directors are looking forward to a full-day workshop in May 2004 where they can air all these issues more fully, and consider making revisions to the grants program guidelines and policies.

All year long, the manager and directors welcome feedback about how to make the guidelines more suitable for community needs. At the same time, the directors are also focussing 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 grant and loan programs. The "Legacy Fund" is for the balance of Society funds, which are not to be spent, but are invested to grow to the equivalent of \$15 million in 1999 dollars. When the principal has reached that value, the amount of the fund exceeding inflation may be spent annually on operations, grants and loans. Government staff projections in 1999 indicated to the Advisory Committee that this would take between six to eight years, based on conservative estimates.

The Community Legacy Fund is currently held at the BC Investment Management Corporation and the value as of March 31, 2004 is \$13,949,178.

Business Loan Program:

This was a short-lived program for the NKDF, cancelled as a result of the government-led performance review. The review ruled that the program creates a business subsidy, and is therefore contrary to current government policy. There are still three loans outstanding, valued at \$107,000. The Society receives quarterly payments, with interest, from the Community Futures Development Corporations that manage the loans.

4. Grants Program Details

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
2003-2004	45	31	14	\$1,047,097	\$494,778
2002-2003	8	7	1	\$169,195	\$234,684
2001-2002	20	11	9	\$498,556	\$245,636
2000-2001	13	6	7	\$137,534	\$149,004
1999-2000	8	5	3	\$35,019	\$25,000
Total	94	60	34	\$1,887,401	\$1,149,102

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This table summarizes the grant projects approved or under contract during in the 2003-2004 fiscal year. Details about all projects under contract are on the following pages.

2003-2004 Approved Projects			
RECIPIENT	PROJECT	Amount Approved	Status
BC Forage Council	Forage Crop Trials – over 3 years	\$ 50,400	In progress
Bulkley Nechako Regional District	Fort Fraser Back-up Well	\$ 53,000	In progress
Burns Lake & District Ec Dev Ass'n.	Regional Marketing Plan	\$ 25,000	In progress
CFDC-Stuart Nechako	Regional Ec Dev Initiative	\$ 27,000	Contract pending
Cheslatta Carrier Nation	Org. Development Phase 1	\$ 10,000	Contract pending
Cheslatta Carrier Nation	Archive Protection	\$ 16,250	In progress
College of New Caledonia	Program Planning Focus Groups	\$ 4,000	Complete
District of Vanderhoof	Downtown Revitalization - year 3	0	From prior year
Fort Fraser Chamber	Summer Tourism Project	\$ 10,000	Complete
Fort Fraser Chamber	Caboose Site Improvements	\$ 4,500	Contract pending
Fort St. James Ski Club	Equipment Purchase	\$ 65,000	In progress
Kitamaat / Biotoxin Society	Shellfish Water Quality Testing	\$ 65,000	In progress
Kitamaat Education Society	Community Park and Kiosk	\$ 45,000	In progress
Kitamaat Village Council	Ja Kwees Foresty Dev't	\$ 25,000	In progress
Lakes District Fall Fair Assoc	Food Concession building	\$ 20,000	Contract pending
Lakes Outdoor Recreation Society	Campsite & Trail maintenance	\$ 5,000	Complete
Lakes Outdoor Recreation Society	Star Lake Trail	\$ 11,200	Contract pending
Na na kila Institute (Kitamaat)	Community Dev't Projects	\$ 64,300	In progress
Na na kila Institute (Kitamaat)	Community Hall Upgrade	\$ 163,000	Complete
Nadleh Whuten	Repairs to Community Hall	\$ 25,000	Complete
Nechako Seniors Friendship Hall	Roof Replacement	\$ 15,891	Complete
Nechako Valley Community Services	Planning for Seniors	\$ 11,000	In progress
Nechako Valley Sporting Assoc	Water & Septic to Clubhouse	\$ 8,000	Contract pending
Nechako View Seniors Housing	4 new units	\$ 100,000	Contract pending
Nee Tahi Buhn First Nation	Forest Business Dev't	\$ 60,000	In progress
Ootsa Lake Community Water Society	Water Project	0	From prior year
PGNAETA	Co-op Enterprise Workshop	\$ 10,000	In progress
Skin Tye First Nation	Forestry Training	\$ 15,000	In progress
Southside Ec Dev Association	Takysie Trails	\$ 26,500	In progress
Southside Ec Dev Association	CED Training	\$ 4,000	In progress
Vanderhoof Chamber of Commerce	Project Priority Setting	\$ 556	Complete
Village of Fraser Lake	Wharf Development	\$ 100,000	In progress
Yellowhead Hwy Assoc	Regional Marketing	\$ 7,500	In progress
		\$1,047,097	

This table summarizes proposals not approved in 2003-2004 (alphabetical)

Project	Date Rejected	Amount Requested	Reason Rejected
Building Renovations	1-Oct-03 24-Mar-04	\$400,000	Legal title not settled.
Logging equipment	10-Feb-04	\$65,500	Subsidy to business.
Program Travel & Tuition	1-Oct-03	\$13,850	Weak links to economic development
Repairs to Endako Hall & Church	21-May-03	\$36,000	No benefit to investment area.
Logging Equipment & Start-up Costs	21-May-03	\$194,000	Business subsidy.
Drop-in Centre Shelving	21-May-03	\$1,666	Weak links to economic development.
Regional Tourism Booking Service	10-Feb-04	\$29,000	Not sustainable.
Mill Site Development	24-Jul-03	\$828,000	Request is too large and may be a business subsidy.
Sewage Treatment Upgrade	10-Feb-04	\$503,471	Basic municipal infrastructure, eligible for other funding.
Downtown Revitalization Phase 3	21-May-03	\$334,250	Phases 1 & 2 not yet complete.
Community Gateway	21-May-03	\$397,100	Need evidence of community priorities.
Community Trail Bridge	21-May-03 24-Mar-04	\$40,000	Need more information
		\$2,842,837	

Project Descriptions, sorted by location (East to West)

Vanderhoof Projects

Vanderhoof Revitalization Project \$375,000, over 3 years (2001-2004)

District of Vanderhoof

This project was identified as one of the priorities for development during a community priority-setting event in 1999. Spearheaded by a volunteer group (Vanderhoof Revitalization Committee) under the auspices of the District of Vanderhoof, the downtown revitalization project has made dramatic improvements to the business environment of the downtown core. Funding partners to date include the Ministry of Municipal Affairs and the District of Vanderhoof. One of the immediate outcomes of this project has been that several of the neighbouring businesses have upgraded their own properties to tie in with the improvements. This ambitious project was the first multi-year commitment made by the NKDF, and is nearly complete. Pending the completion of a permanent donor recognition feature and a final report, this project will receive final payment very soon.

Four New Units of Seniors Housing \$100,000

Nechako View Seniors Housing Society

This project is not yet under contract, as it is conditional on the Society raising matching funds. After being turned down twice, the Society made a final submission with very convincing evidence that keeping seniors in the community is a significant economic driver. A public meeting in Vanderhoof in January 2004 also demonstrated strong support for this project. NKDF directors were impressed with the track record and community spirit of this group and decided to support half the costs of four new units. This type of housing is not eligible for government funding (such as Independent Living BC) as the units are designed to be self-supporting with no services.

Friendship Centre Roof Replacement \$15,891

Nechako Senior Citizen's Friendship Club #93

The Friendship Hall was built in 1975, mostly with BC Lottery funds. It serves as the main community hall and venue for most of Vanderhoof's major events, such as training and provincial and federal elections. Weather-damage to the roof was shortening the lifespan of the building.

Clubhouse Water and Septic System \$8,000

Nechako Valley Sporting Association

This project will see water and septic service installed at a popular recreational facility run by a non-profit society. It is not yet under contract, so no further details are yet available, but it should be completed in the summer of 2004.

Community Priority Setting \$556

Vanderhoof Chamber of Commerce

This project was approved to address the need for public discussion on several large proposals to the NKDF coming from Vanderhoof. The NKDF directors hoped that a good cross-section of the community would rank order the projects and thereby assist them in making decisions on which ones to fund. A community meeting took place in January 2004 with over 50 people attending. The outcome was several new project approvals for Vanderhoof and a helpful context for assessing future projects.

Fort Fraser / Fraser Lake Projects

Wharf Restoration \$100,000

Village of Fraser Lake

Restoring the historic wharf on Fraser Lake has been a high priority for the community for many years and fits in with the larger waterfront development plan. The completed wharf is expected to attract new private investment to the waterfront. NKDF directors were impressed by the strong community support and long term planning behind this project, but required that an engineering study be completed first to make sure the old pilings were usable. The remainder of the funds are being held until the project is proven viable. Matching funds for the capital costs are expected to come from the Softwood Industry Community Economic Adjustment Initiative (SICEAI) and from the Fraser Lake taxpayers.

Fort Fraser Secondary Well \$53,000

Bulkley Nechako Regional District

Fort Fraser has been requesting funding for a secondary well from the NKDF and from the Canada BC Infrastructure program for several years. Problems with the current well have led to situations where the community relied on river water for as long as 10 weeks. Drilling a secondary well addresses water safety, health and fire protection concerns, all of which affect economic development prospects. NKDF directors finally approved 50% funding for this project after the Canada-BC Infrastructure turned it down, and after it became apparent that this project was consistently Fort Fraser's highest priority project.

Community Hall Repairs \$25,000

Nadleh Whut'en Band

The community hall is the Band's center of business and is in constant use for public meetings, training and fundraising events. NKDF directors approved \$25,000 towards essential repairs to the flooring of their community hall. Matching funds were in the form of donated labour and equipment.

Visitor Centre Beautification \$10,000

Fort Fraser Chamber of Commerce

Fort Fraser hired several local students to manage this project in the summer of 2003. They cleaned up the highway and cemetery areas, planted flowers and moved the caboose from private land to a more suitable visitor reception site. Other funding partners included Alcan Inc., the Regional District of Bulkley Nechako and Human Resources Development Canada.

Caboose Site Development \$4,500

Fort Fraser Chamber of Commerce

This project will build on the successes of 2003 and complete the installation of the caboose as a visitor reception area in 2004. There is no contribution agreement yet in place, while the community raises matching funds, so no further details are available.

Burns Lake / Southside Projects
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Ootsa Lake Community Water System \$144,495

Ootsa Lake Community Water Society

The existing water supply for Ootsa Lake residents, the Ootsa Lake Bible Camp and the new Cheslatta sawmill consists of hauling or pumping water from the lake or from the Village of Burns Lake. Issues of health, fire protection, quality of life and economic development all combine to make solving this problem a high priority for Ootsa Lake residents and the NKDF directors.

The Ootsa Lake Community originally applied to the NKDF for support for a new water system in early 2000, but the proposal was rejected until the community members had fully explored all their options, firmed up the costs and found more funding partners. Eighteen months later, the NKDF approved a much stronger proposal, involving a hill-top storage tank that gravity-feeds purified water to residents within a few kilometres.

The project provides a great example of the stamina and do-it-yourself spirit of the Southside people, with some residents digging ditches and laying pipe by hand and others bringing them lunch. The Ootsa Lake Community Water Society Executive had some frustrations getting the design engineered properly and approved by the health department, but they did not give up. The water distribution pipe is all laid and buried and the lake-side pump house is built. The Society members are now working with Alcan to get the storage tank installed and the water system should be operating in the summer of 2004.

Forestry Development and Training \$60,000

Nee Tahi Buhn Band

This is the first project the NKDF has funded in the Nee Tahi Buhn community. The activities focus on the business consulting, legal advice and training the community requires to enter the forestry business. The goal is to enable band members to work in as many aspects of the industry as possible, starting with silviculture, driving trucks and operating heavy equipment. The project is almost complete, with success so far at forming a joint venture and securing access to new sources of timber. The matching funds came from the Burns Lake Native Development Corporation.

Takysie Trail \$26,500

Southside Economic Development Association (SEDA)

The Takysie Lake Trail is an historical trail used by both first nations and the early pioneers to travel from Ootsa Lake to Takysie Lake and areas north. Local residents still use parts of this trail for hiking, horseback riding and snowmobiling. This project will see the entire length of the trail restored and promoted for use by tourists and locals. It creates employment in the short term and economic spin-offs in the longer term. Matching funds are in the form of donations of labour and equipment. It should be finished in the summer of 2004.

Marketing Project \$25,000

Burns Lake and District Community Economic Development Association

This project will result in a marketing strategy for all aspects of the Lakes District economy. It builds on two years of investments made by local, provincial and federal governments. Funding partners for this phase are HRDC and the Regional District of Bulkley Nechako.

Food Concession Building \$20,000

Lakes District Fall Fair Association

NKDF Directors approved this project to replace the food concession trailer at the Bulkley Valley Fall Fair. The building should be completed in time for the September 2004 fair. There is no contribution agreement in place yet, as the Association needs to raise matching funds.

Archive Protection \$16,250

Cheslatta Carrier First Nation

It has been a long-time dream of the Cheslatta Carrier Nation to restore, preserve and professionally display documents, maps and photos relating to first nations and pioneer history in the Francois / Ootsa Lake area. Creating this public legacy is one step towards a much larger project, which will see these historic pieces become the foundation of a collection to be displayed at the future Southside Museum and Interpretive Centre. The historical archives, when properly preserved and displayed, will attract paying visitors and will leverage additional funding from heritage agencies.

Forestry Training \$15,000

Skin Tyee First Nation

The Skin Tyee people have recently entered into a forestry venture, and identified the need for training in chainsaw safety, fire suppression, hazard recognition and first aid. With the NKDF paying for the training (mostly through the College of New Caledonia), ten people once on social assistance are now employable.

Star Lake Trail Development \$11,200

Lakes Outdoor Recreation Society

In Burns Lake, the Lakes Outdoor Recreation Society will receive \$11,000 to put students to work in 2004 and build a new recreational trail that will attract and retain visitors. Final approval depends on matching funds being in place.

Organizational Development \$10,000

Cheslatta Carrier Nation

The Cheslatta Carrier Nation received conditional approval of \$10,000 towards the training of community leaders and managers of recently established joint-ventures in forestry. Once a detailed training plan is received, the NKDF will develop a contribution agreement.

Campsite and Trail Maintenance \$5,000

Lakes Outdoor Recreation Society

This project was approved on a one-time basis for the summer of 2003 to assist the Society to maintain trails and campsites once managed by the Ministry of Forests. Other arrangements have been made for long term financing.

Community Economic Development Training \$4,000

Southside Economic Development Association (SEDA)

The NKDF agreed to cover the price of tuition for one of SEDA's staff to complete the "Community Economic Development for Professionals" Certificate program at Simon Fraser University. This will remove barriers now hampering the area's ability to design and manage projects and get proposals to the NKDF and other funders.

Kitamaat Projects

Community Hall Repairs \$163,000

Na na kila Institute

Kitamaat Village was well positioned to participate in BC's Northern Winter Games held in Kitimat in February 2004, but their gym urgently needed new flooring and the heating system needed repairs. The offer made by the NKDF to cover those two costs unleashed a flurry of community spirit, where dozens of people of all ages showed up for weeks, dismantling the old floor and bleachers, painting all the walls and getting the new flooring installed just in time for the Games. The proud community and their shiny new floor were featured in the television and newspaper coverage of the subsequent games. This 30-year old building serves as the only indoor recreation area for the school and the village as a whole. It is also used for training, political meetings and large community gatherings. In its previous condition it could not generate revenue nor be used year-round. Further improvements are now being made with other sources of funding.

Shellfish Water Quality Testing \$65,000

North Coast Water Quality and Biotxin Society

All of BC's Coastal communities are exploring how they can enter the lucrative shellfish farming industry. In order to do so, the area waters must be tested for biotoxins and other contaminants to make sure the water quality is acceptable. NKDF directors approved funding for a two-year water-testing program near Kitamaat Village that could attract private investment in shellfish aquaculture. The Society with the required expertise to design this project is based in Prince Rupert but they sub-contract the work to a Kitamaat-based crew and project manager.

Community Development Projects \$64,300

Na na kila Institute

This project is training Haisla people in Eco-tourism, coaching them through the start-up of new small businesses, and improving infrastructure for eco-tourism and cultural tourism. This organization is usually supported by private foundations but the last few years have seen these funds diminish as investment earnings have dropped. This is the first time NKDF has been asked to partner with private foundation funding such as the Rockefeller Bros, Patagonia, Sweetgrass, Mead, McLean and Vancouver Foundations. This is our second partnership with Skeena Native Development Society funding.

Community Park \$45,000

Kitamaat Education Society

This project creates the first and only outdoor gathering area in the village, and will be used as a reception area for welcoming visitors and tours. A sheltered kiosk will serve as a vending area for local artisans and entrepreneurs. A covered notice board will provide information on local events and services. As matching funds, the school principal manages, his maintenance staff provide the labour and the village government provides the equipment.

Forestry Development \$25,000

Kitamaat Village Council

This project has seen the negotiation of new partnerships and joint ventures for forest business development, creating prospects for significant employment for the Haisla people. The project builds on Alcan's agreement to transfer forested land in Minette Bay to the Haisla Nation. Matching funding was from the Economic Measures Fund of BC's Treaty Negotiation Office.

Regional Projects

Replacement of Ski Equipment \$65,000

Fort St. James Ski Club

NKDF funds will be used to replace ski rental and snow-grooming equipment at a publicly run ski hill in Fort St. James. Regional benefits include keeping skiers in the Vanderhoof area, increasing local wages by \$28,000 and increasing employment by one full-time equivalent. This project was approved conditional on the support of elected representatives of local communities in the NKDF investment area and on raising matching funds. Funding partners for the first \$30,000 include the Regional District of Bulkley Nechako, Nechako Valley Credit Union and the BC Gaming Commission.

Forage Crop Trials \$50,400 over 3 years (2004-2007)

BC Forage Council

The BC Forage Council is a non-profit society funded by memberships and is the lead agency in BC for testing improved forage crops. This project will test forage varieties for with the intention of increasing crop yield and profitability for Nechako and Francois Lake area farmers and ranchers. Other funding partners include the Cattle Industry Development Council, the Investment Agriculture Foundation of BC and partnerships with private industry, such as seed companies.

Regional Economic Development Initiative \$27,000

Community Futures Development Corporation of Stuart-Nechako

This project is not yet under contract with NKDF, but it has been operating for over a year, supported by CFDC funds and the participation of local elected officials. Once the planning and budgeting is complete for the next phase, the NKDF expects to partner on this project for a year. The outcome should be more cooperation among local agencies in project development and more coordinated approaches to seeking funding for larger economic development projects in the region.

Planning for Seniors Housing \$11,000

Nechako Valley Community Services Society

This projects assists the community in preparing a needs assessment and business plan for all services required by seniors in entire region, with particular attention to preparing an Expression of Interest to Independent Living BC.

Youth Training in Cooperative Ventures \$10,000

Prince George Nechako Aboriginal Employment and Training Association

This is an innovative project that sprang from the applicant's participation in a social enterprise workshop in Vancouver in September. They wish to bring the lessons learned there into their northern service area, by means of a symposium and a 5-day workshop for the 12 most successful participants in the symposium, leading to a "co-operative business venture" operated by aboriginal youth (ages 19 to 29).

Regional Marketing Program \$7,500

Yellowhead Highway Association

This is a trans-provincial marketing program, with a long history of success. The NKDF is partnering with the Province of BC on a one-time basis to finance the Northern BC portion of the marketing program for 2004.

Community Focus Group \$4,000

College of New Caledonia

This project will bring a wide range of interest groups together to discuss the Nechako region's training needs. If the results of this public consultation are implemented, there should be more relevant training in the NKDF investment area, removing some of the constraints created by an un-skilled workforce.

Financial Highlights as of March 31, 2004

2003-2004 Income and Expenses	Budgeted	Actual
Administration expenses	\$94,160	\$73,317
Grant payments (approved \$1.05 million)	\$1,000,000	\$494,778
Investment income	\$83,435	\$368,822
Loans, principal and interest repaid	\$17,044	\$17,610

Note to administration expenses: Administration costs were lower than expected because there was a smaller board and two representatives kindly served at their employer's expense (BC Government and Alcan). The smaller number of directors resulted from a lengthy appointment process. Manager fees were \$48,335, director honoraria were \$6,388, travel and meeting costs were \$9,120 and the balance of \$9,474 was for accounting, advertizing and office expenses.

Note to grants: Grant approvals totalled \$1,047,097, but much of this will be paid out during the building season of the summer of 2004.

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

Note to loans: Since the loans program has been cancelled, no new payments are made. The report shows the principal and interest that has been repaid to NKDF accounts this year.

Account Balances as of March 31, 2004	
Loan funds receivable	\$108,251
Credit Union accounts	\$1,045,332
Phillips, Hager & North investments	\$2,253,376
Less grant commitments outstanding	-\$724,166
Total NKDF assets	\$2,682,793

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, 2004 was \$13,949,178, so the combined assets of the NKDF and the Northern Development Fund total **\$16,631,971**

Annual Audit: The annual audit of the NKDFS was completed in May 2004 by Edmison-Mehr Chartered Accountants (Smithers). The statements are attached as Appendix A.

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2004

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2004

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AUDITORS' REPORT

To the Directors of
NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
Smithers, BC

We have audited the Statement of Financial Position of NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY as at March 31, 2004, 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, 2004 and the results of operations of the Society for the year then ended, in accordance with Canadian generally accepted accounting principles.

Smithers, BC
May 13, 2004


Edmison Mehr

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2004

	Administration Fund	Grant Fund	Loan Fund	2004 Total	2003 Total
ASSETS					
CURRENT					
Cash and term deposits	\$ 7,915	1,031,795	-	1,039,710	601,800
Short term investments, Note 2	-	2,253,376	-	2,253,376	2,859,719
Accrued interest	-	3,345	1,434	4,779	4,912
GST receivable	2,277	-	-	2,277	2,225
Loans receivable	-	-	106,817	106,817	134,483
	<u>10,192</u>	<u>3,288,516</u>	<u>108,251</u>	<u>3,406,959</u>	<u>3,603,139</u>

LIABILITIES

CURRENT					
Accounts payable	\$ 2,501	-	-	2,501	5,014

FUND BALANCES

OPERATING NET ASSETS	<u>7,691</u>	<u>3,288,516</u>	<u>108,251</u>	<u>3,404,458</u>	<u>3,598,125</u>
	<u>\$ 10,192</u>	<u>3,288,516</u>	<u>108,251</u>	<u>3,406,959</u>	<u>3,603,139</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, 2004**

	Administration Fund	Grant Fund	Loan Fund	2004 Total	2003 Total
REVENUE					
Contribution agreement funding - Province of B.C.	\$ -	-	-	-	-
Investment	<u>673</u>	<u>368,149</u>	<u>5,603</u>	<u>374,425</u>	<u>121,888</u>
	<u>673</u>	<u>368,149</u>	<u>5,603</u>	<u>374,425</u>	<u>121,888</u>
EXPENSES					
Accounting and audit	2,174	-	-	2,174	2,535
Advertising and promotion	2,109	-	-	2,109	563
Bank charges and interest	3	-	-	3	80
Grant projects	-	494,778	-	494,778	234,684
Honorariums	6,388	-	-	6,388	4,763
Investment fees	-	-	-	-	12,153
Office	1,868	-	-	1,868	895
Other	150	-	-	150	104
Rent	299	-	-	299	247
Subcontract - manager	48,335	-	-	48,335	28,030
Subcontract - other	248	-	-	248	-
Telephone	2,623	-	-	2,623	2,406
Travel and meetings	<u>9,120</u>	<u>-</u>	<u>-</u>	<u>9,120</u>	<u>3,897</u>
	<u>73,317</u>	<u>494,778</u>	<u>-</u>	<u>568,095</u>	<u>290,357</u>
Excess (deficiency) of revenues over expenses for the year before other expense	(72,644)	(126,629)	5,603	(193,670)	(168,469)
Other expense - loss on write down of short term investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(268,719)</u>
Excess (deficiency) of revenues over expenses for the year	(72,644)	(126,629)	5,603	(193,670)	(437,188)
Fund balance, beginning of year	<u>37,273</u>	<u>2,487,415</u>	<u>1,073,440</u>	<u>3,598,128</u>	<u>4,035,313</u>
	(35,371)	2,360,786	1,079,043	3,404,458	3,598,125
Inter-fund transfers	<u>43,062</u>	<u>927,730</u>	<u>(970,792)</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,691</u>	<u>3,288,516</u>	<u>108,251</u>	<u>3,404,458</u>	<u>3,598,125</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2004

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, 2004 is \$14,007,074 (2003 - \$12,925,086) and the fair market value of the fund at March 31, 2004 is \$13,949,178 (2003 - \$13,275,294). At March 31, 2004 (no change from the prior fiscal year) a total of \$4.5 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. SHORT TERM INVESTMENTS

Short term investments consist of the following types of investments. The amounts are recorded at the lower of cost and net realizable value. The fair market value of the fund at the audit report date is \$2,254,028.

	<u>2004</u>
Money Market Funds	\$ 710,783
Bond Funds	456,956
Dividend Income Funds	91,399
Canadian Equity Funds	363,719
Other Equity Funds	<u>630,519</u>
	<u>\$ 2,253,376</u>

3. LOANS RECEIVABLE

The loans receivable consists of loan agreements entered in partnership with individual Community Futures Development Corporations. The Community Futures Development Corporations administer each loan advance. Interest revenue earned on these loans receivable is recognized by the Society only when the amount has been collected on its behalf by the Community Futures Development Corporation.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2004

4. 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.

5. COMMITMENT

The Society is committed to provide grants totaling \$724,166 subsequent to March 31, 2004. The grant recipients for these commitments are as follows:

	<u>2004</u>	<u>2003</u>
District of Vanderhoof - Downtown Revitalization	\$ 37,500	125,000
Ootsa Lake Community Water Society - Water System	34,450	36,636
Burns Lake Native Development Corporation	-	7,700
Heart of BC Tourism Association	-	4,200
Cheslatta Carrier Nation	10,000	-
North Coast Biotoxin Society	54,000	-
Southside Economic Development Association	14,500	-
Nechako Valley Community Services	7,500	-
Village of Fraser Lake	100,000	-
Burns Lake&District Economic Development Association	2,500	-
Nee Tahi Buhn First Nation	32,500	-
Na na kila Institute	23,300	-
Bulkley Nechako Regional District	43,000	-
Southside Economic Development Association	4,000	-
Kitamaat Education Society	5,000	-
Na na kila Institute	16,300	-
CFDC Stuart Nechako	27,000	-
Skin Tyee First Nation	10,000	-
Cheslatta Carrier Nation	8,125	-
PGNAETA	10,000	-
Fort St. James Ski Club	52,000	-
Nechako View Senior Housing	100,000	-
BC Forage Council	50,400	-
Yellowhead Highway Association	7,500	-
Lakes Outdoor Recreation Society	11,200	-
Vanderhoof Senior Friendship Hall	5,891	-
Nechako Valley Sporting Association	8,000	-
Lakes District Fall Fair Association	20,000	-
Fort Fraser Chamber	4,500	-
Kitamaat Village Council	<u>25,000</u>	<u>-</u>
	<u>\$ 724,166</u>	<u>173,536</u>

6. MEASUREMENT UNCERTAINTY

Measurement uncertainty exists with respect to the recording of the loan receivable asset and the short term investment asset (excluding the money market fund balance which is not subject to measurement uncertainty).