



**2010 – 2011
Annual Report**

March 31, 2011

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NKDF Annual Report



2010-2011 ANNUAL REPORT

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1. Report From The Chair

Global recession, economic downturn, financial constraints, political unrest, these are many of the terms bouncing around the world at the beginning of our fiscal year. Nevertheless, there seems to be a quiet optimism evident in all the communities in our investment region as residents worked towards a more prosperous, sustainable future. A few small examples we saw at our table are: flight trainer simulators in Vanderhoof, an energy efficiency and heating biomass study at the Stelat'en First Nation, library renovations in Fraser Lake, an artisans storefront in Burns Lake and a pager repeater system for the Southside.

The Board approved 21 new projects for a total of \$547,043 in grant funding. This brings the grand total of grant approvals since the establishment of the fund in 1999 to \$6,847,704. Our Board is very proud of the success rate of each of the projects and commends the many members of our communities for their tireless efforts in building our communities and the local economy.

Also, commendations must certainly be given to the past Chair of the Society, Bob Clark, whose efforts in conjunction with our Treasurer, Paul Stewart, and the Rural BC Secretariat headed by Greg Goodwin were able to make serious inroads with the BC Investment Management Corporation on the handling of our investment portfolio. It is the interest earned on this investment that provides the funds for our grant program and the wise management of this fund is of critical importance to our Board. We appreciate the extra time and effort both Bob, Paul and Greg have put into this task.

As well, for the first time a government led audit was conducted on the operations of the Society in 2010 and I am happy to report the audit was clean and provided valuable feedback to the Board. This successful audit reflects on the commitment and diligence of all the Board members, congratulations to you all.

Another highlight from this past year is the successful review of the management services provided by our Manager, Dan Boudreau which resulted in the signing of a three-year contract with Dan. We look forward to continuing our excellent working relationship with Dan.

Looking forward to the upcoming fiscal year, we will reduce our grant funding available to the investment area in order to grow the investment portfolio to a more sustainable size. This will enable NKDF to continue to put more funding back into our communities and fund more projects for the future. We also anticipate developing an evaluation framework that suits our clients and assists in maintaining our open and accountable management of the fund.

On a personal note, I enjoy working with our Board and everyone in our communities on these diverse projects. It restores my belief that we are hard working, resilient, innovative people with deep roots in our communities, I believe this is a sure recipe for success.

Original Signed by:

Rosanne Murray
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 Aluminum Limited each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. This BC-Alcan Agreement settled the legal issues between Alcan Aluminum Limited 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 Jobs, Tourism and Innovation 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.

Of the original \$15 million, \$5 million was provided to NKDF to be used as a working fund to invest in grant programs. The remaining \$10 million of the original \$15 million was placed into a legacy fund with the goal of investing and growing the fund to \$15 million, and the income from the legacy fund to be used to finance NKDF grant programs into the future.

Fund investments are managed by the provincial government, through the British Columbia Investment Management Corporation, a provincial Crown Corporation. Monies of the Northern Development Fund—to be used in support of the programs of the NKDF Society—are in investment vehicles which are generally conservative but which 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:

- Justus Benckhuysen, Rio Tinto Alcan Inc.
- Bob Clark, Vanderhoof
- Keith Federink, Vanderhoof
- Ray Gerow, Prince George
- Harvey Grant, Kitamaat Village
- Rosanne Murray, Burns Lake
- Mike Robertson, Southside
- Tracey Ross, Kitamaat Village
- Paul Stewart, Vanderhoof (Chair)

Management services are provided through a contract with Dan Boudreau dba Macrolink Action Plans Inc., based in Prince George, British Columbia.

2.6 Government Relations

Since the Society's incorporation in 1999, the provincial government has transferred \$6.8 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 NKDF Board of Directors reports to the Minister of Jobs, Tourism and Innovation. The Minister is responsible for approving the Society's annual business plan and for appointing all Society Directors. This reporting relationship ensures that the Society's actions are in line with current provincial government priorities and direction.

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

3. Goals and Achievements

This section includes information from 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 good to excellent, and to develop strategies to improve in areas that scored fair or poor.

3.1 Operations

Board Operations

There were three regular Board meetings this year and three conference calls. One meeting was held in Smithers, one was in Burns Lake, and the other in Fraser Lake.

In the annual evaluation, Directors rated most aspects of the operations as good to excellent.

While it was generally felt that conference calls are the most effective way to conduct business during the winter months, some Directors expressed a desire to keep the calls efficient by focussing only on the necessary business functions. Overall, the Director participation was rated as good to excellent.

Directors were satisfied with the frequency of Board meetings and with the decision making process. Directors believe that the Board meetings provide an effective forum for healthy and open discussion and that the consensus method is working well for decision making. The Society benefits from a mix of Directors with various background experience and interests, and who work well together for the economic benefit of all communities in the investment area.

The Directors will focus on three main areas for the upcoming year:

1. Creating a framework for ongoing evaluation of NKDF and programs.
2. Make time to tour past projects while meeting in each of the communities.
3. Practicing fiscal restraint in order to achieve Northern Development Fund legacy targets.

Management Services

In the annual evaluation, Directors rated the Management Services as good to excellent. Directors are pleased with the flow of information, the quality of service for applicants and clients, and the continuing increase of the NKDF profile in the communities across the investment area.

The Manager has been effective at providing information prior to Board meetings and keeping Directors informed between meetings. Applicants are well prepared by the Manager, which means they understand the NKDF requirements and criteria, which helps them to provide the information needed to enable Directors to make informed decisions.

The Manager will focus on three main areas for the upcoming year:

1. Getting NKDF message out to more people in the investment area.
2. Continue to streamline the amount of information that flows to Directors between and during Board meetings.
3. Preparing Directors to receive the Board packages digitally.

3.2 Programs

Community Grant Program

The Society received a total of 27 new applications during the year and approved 21, totalling \$547,043 for the entire investment area for the 2010-2011 fiscal.

This year the majority of Directors rated the Community Grant Program as good to excellent. In light of discussion on developing an evaluation framework, and after a clean audit conducted by the Ministry of Finance, Directors are confident that NKDF funds are being allocated effectively across the catchment area. The grants are for valuable projects that generate economic benefits for the communities and residents throughout the investment area.

This year, the Board of Directors collaborated with RuralBC Secretariat, Ministry of Finance and BC Investment Management Corporation (BCIMC) staff to lay the groundwork to transfer the majority of the Northern Development Fund assets into investments that yield higher returns, but which are still safe. Directors are confident that this shift will assure a healthy, growing legacy fund and increased availability of grant funds for the Nechako and Kitamaat regions.

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.

The Directors focus on safeguarding the fund by making informed decisions that maintain the highest value to government, business people and communities throughout northern British Columbia. Throughout the year the Manager and Directors encourage and welcome feedback from all stakeholders.

With regard to programs, the Directors and Manager will focus on three main areas for the upcoming year:

1. Educating Nechako and Kitamaat residents about NKDF and its programs.
2. Focusing on projects that fit the NKDF mandate and criteria.
3. Investigating the potential for establishing a loans program.

*Detailed descriptions of all 2010-2011 approved projects are in section 4.

Community Legacy Fund Program

The Community Legacy was established in 1999, when \$10 million of the Society's funds were invested to grow and to perpetuate NKDF programs into the future. The Community Legacy Fund is currently held at the BC Investment Management Corporation and the fair market value at March 31, 2011 is \$14,785,387.

Business Loan Program

The Business Loan Program was 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 government policy. The last outstanding loan was paid in full during the 2007-2008 fiscal, bringing the loans program to a close.

4. Grants Program Details

The Society approved \$547,043 in new grants this year, bringing the total approved funding to \$6,847,704 since inception. The following table shows grant proposal statistics for this year and all prior years since the inception of the fund.

Year	Proposals Received	Proposals Approved	Proposals Not Approved	Total \$ Committed	Total \$ Paid
2010-2011	27	21 ¹	6	\$547,043	\$502,515
2009-2010	27	20	7	\$727,998	\$577,207
2008-2009	23	17	6	\$711,590	\$694,665
2007-2008	34	26	8	\$730,517	\$448,262
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	277	200	77	\$6,847,704	\$5,658,295

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

Project	Date	Requested	Reason for Decline
Seniors Housing ²	19-May-10	\$150,000	Not enough information.
Ball Field Restoration ³	27-Jul-10	\$93,048	Not enough information.
Purchase of Road Grader	07-Oct-10	\$110,000	Not accredited for heavy equipment training.
Energy Efficiency / Heating Bio-Mass ⁴	27-Jan-10	\$54,684	Weak link to economic development.
Community Heating Bio-Energy Pilot ⁵	27-Jan-10	\$23,875	Weak link to economic development.
Agriculture Feasibility & Market Development	17-Feb-10	\$37,500	No clear benefits to the communities within the NKDF catchment area.

¹ The high ratio of approved projects is due in large part to the fact that all project concepts are pre-screened to ensure they fit the NKDF mandate prior to accepting applications.

² Applicant resubmitted the proposal to a later Board meeting and the project was funded.

³ Applicant resubmitted the proposal to a later Board meeting and the project was funded.

⁴ Applicant resubmitted the proposal to a later Board meeting and the project was funded.

⁵ Applicant resubmitted the proposal to a later Board meeting and the project was funded.

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This table summarizes the grant projects approved or under contract during the 2010-2011 fiscal year. Summaries are included for each of the approved projects in the following table.

Recipient	Project	Approved	Approval	Status
BC Forage Council	New Crop Trials	8,000	2008	Ongoing
Burns Lake & District CoC	Electronic Signs	10,000	2008	Ongoing
Burns Lake Mountain Bike Association	Finishing the Vision	13,953	2009	Complete
Cheslatta Carrier Nation	Film	10,000	2010	Complete
Cheslatta Carrier Nation	Chief Louie Paddle Co	95,000	2010	Ongoing
College of New Caledonia	Flight Training Simulator	16,200	2011	Ongoing
Community Futures Nadina	Enterprising Artisans	56,250	2011	Ongoing
District of Vanderhoof	Airport Lighting & Nav.	50,000	2008	Complete
District of Vanderhoof	Ferland Spray Park	37,500	2010	Complete
District of Vanderhoof	Heritage Park	120,000	2007	Complete
Eagle Creek Recreation Commission	Growing for our Future	34,086	2010	Ongoing
Fort St. James Ski Club	Murray Ridge Redev	40,000	2007	Complete
Francois Tchesinket Recreation Comm.	Hall Modernization	34,970	2011	Ongoing
Fraser Lake Public Library	Renovations	40,100	2011	Ongoing
Fraser Lake Saddle Club	Arena Renovation	6,602	2010	Complete
Fraser Lk & Dist Rebroadcasting Society	Last Mile Internet	25,000	2006	Complete
Grassroots Development	NKDF	10,000	2010	Ongoing
Key'ikh Wela'ats'in'ekh Society	Ball Park Restoration	25,510	2010	Ongoing
Kitamaat Village Council	Beautification	23,000	2010	Ongoing
Kitamaat Village Council	Haisla Admin Building	79,876	2009	Complete
Kitamaat Village Council	Haisla Tourism	61,938	2008	Complete
Kitamaat Village Council	Heritage Corridor	56,921	2009	Complete
Kitamaat Village Council	Rec Centre Retrofit	100,000	2009	Complete
Kitamaat Village Council	Soccer Field	80,000	2009	Complete
Lakes District Airport Society	Baker Terminal Building	100,000	2007	Ongoing
Lakes District Arts Council	Artisan Ctr. Feasibility	2,500	2009	Complete
Lakes District Film Society	Beacon Theatre Retrofit	10,850	2011	Ongoing
Lakes Economic Development Assn.	Community Signs	15,000	2007	Ongoing
Nechako Valley Exhibition Society	Kitchen & Bathroom	3,500	2009	Complete
Nechako Valley Sporting Association	Trap Equipment	22,768	2011	Ongoing
Nechako View Senior Citizen's Society	Housing 2010	75,000	2010	Complete
Omineca Ski Club	Biathlon Range	44,100	2009	Complete
Reel Alternatives Vanderhoof Society	Digital 2010	1,700	2010	Complete
Regional District of Bulkley Nechako	Kinette Park Revit.	20,000	2009	Complete
Regional District of Bulkley Nechako	Pager Repeater System	28,004	2011	Ongoing
Regional District of Bulkley Nechako	Legion Kitchen Reno	17,000	2009	Ongoing
Regional District of Bulkley Nechako	Tourism Attraction	4,000	2009	Complete
Rip'n The North Bike Club	Bike Park Drainage	5,393	2010	Ongoing
Southside Economic Dev Association	Southside Nature Path	1,860	2010	Complete
Southside Health & Wellness Centre	Emergency Generator	44,600	2008	Complete
Southside Seniors Housing Society	Independent Housing	35,000	2009	Complete
Stellat'en First Nation	Heating Bio-Mass	54,684	2011	Ongoing
Stellat'en First Nation	Wind Energy Evaluation	54,000	2009	Ongoing
Upper Nechako Wilderness Council	Sign Installation	7,802	2009	Complete
Vanderhoof Volunteer Extrication Assn.	Rescue Vehicle	35,000	2010	Ongoing

Vanderhoof Volunteer Extrication Assn.	Rescue Vehicle	40,000	2010	Ongoing
Village of Burns Lake	Bio-Energy Pilot	23,875	2011	Ongoing
Village of Burns Lake - RDBN	Arena Upgrades	43,926	2009	Ongoing
Village of Fraser Lake	Southside Development	40,000	2007	Complete

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

5.1 Vanderhoof Projects

Flight Training Simulators **\$16,200**

College of New Caledonia

The College of New Caledonia (CNC) is establishing an Aviation Business Diploma program to train pilots for employment (and self-employment) in northern Canadian air charter operations. CNC has established an MOU with University of Fraser Valley, who will provide the curriculum, and another MOU with Guardian Aerospace to provide the air and ground flight training. This application is for funding assistance for the purchase of two Level 2 Flight Simulators to aid in the training of pilots for employment in northern Canadian air charter operations. The aim of the Aviation Business Diploma Program is to provide both flight and business training.

Airport Lighting & Navigation **\$50,000**

District of Vanderhoof

The District of Vanderhoof is increasing the economic stability and quality of life for the community by installing airport lighting and a navigation system that will allow for 24 hour access to the airport. NKDF assisted with funding for an engineering report for the Vanderhoof airport in 2005, and subsequently with funding for upgrades to Runway 07-25 in 2006 (recommended First Phase). This project was recommended as Option 2 (Second Phase) in the 2005 study/report. This funding partnership includes NKDF, District of Vanderhoof, Ministry of Transportation and Infrastructure, Northern Development Initiative, and WD-CEDI Program.

Ferland Spray Park **\$37,500**

District of Vanderhoof

The District of Vanderhoof was approved for funding to assist with purchase and installation of a new spray park at Ferland Park. This project involved bringing in high quality materials and interactive water features to replace the current spray park which is 20 years old, outdated and unattractive, becoming costly to maintain, an inefficient water management system and a safety hazard for the children using it. During warmer months (May through October), the spray park is frequented by families, school children, preschoolers and visitors to the community. Improvement of this amenity helps to make the Community a better place to live, work and play as well as help District of Vanderhoof to recruit and retain professionals and businesses.

Heritage Park **\$120,000**

District of Vanderhoof

The District of Vanderhoof built a park on Highway 16 West featuring a number of displays, including: First Nations, bird and wildlife, walk of fame, agricultural and forestry. The project is co-funded by 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.

Kitchen and Bathroom **\$3,500**

Nechako Valley Exhibition Society

Nechako Valley Exhibition Society's (NVES) main project is hosting the Nechako Valley Exhibition each August. The annual event attracts 5,000 people and over \$250,000 in revenue to the area. NVES is approved for a grant in the amount of \$3,500.00 for renovations to its arena building, specifically to install an automatic fire suppression system and upgrade the water system and washrooms.

Trap Equipment **\$22,768**

Nechako Valley Sporting Association

The Trap Club wishes to purchase new automated clay pigeon throwers (180 Sporter Commercial Traps), one SST rabbit thrower (trap), thirteen Deep Cycle RV batteries necessary to operate the throwers and a storage building to house the equipment. Currently operating with one manual thrower, the members have a lot of down time while awaiting their turn to shoot. It is expected that the increased capacity will be more efficient and position the Club to attract visitors and dollars to the community. This project enjoys financial or in-kind support from club members, CANFOR Plateau, and Omineca Source for Sports.

Seniors Housing 2010 **\$75,000**

Nechako View Senior Citizens Housing Society

After successful completion of three prior construction projects and the addition of several senior's housing units to the Vanderhoof community, Nechako View Senior Citizens Housing Society (NVSCHS) was approved to receive funding assistance for construction of another triplex and a Common Room on the property. 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. The primary beneficiaries of this project will be the growing senior's population of Vanderhoof, and the local businesses and agencies that serve them.

Digital 2010 **\$1,700**

Reel Alternatives Vanderhoof Society

Reel Alternatives Vanderhoof Society has demonstrated success with its Sterling Sturgeon Film Festival. However, rising costs made it difficult for the organization to continue doing the film screenings through the regular venue(s), necessitating the purchase of a portable digital system to enable them to collaborate with the local school (Nechako Valley SS) and take the show to neighbouring communities. With this funding assistance, Reel Alternatives was able to purchase a high definition Sanyo WM5500 Professional Projector. The highly portable digital delivery

capacity also enables the Society to make films available throughout the year, expanding opportunities beyond the confines of the film festival concept. As well, the proponent will use the equipment to showcase local talent/films from schools, both local and in neighbouring communities.

Bike Park Drainage **\$5,393**

Rip'n The North Bike Club

Rip'N The North Bike Club is a registered Society formed in July 2008. In May 2009 NKDF provided \$50,000 in funding to assist with construction of a bike skills park on a property provided by the District of Vanderhoof. Because the soil was very dry at the time of construction, it was not possible to determine what drainage issue might arise, nor was it realistic at the time to mitigate any drainage problems. With spring runoff during the year following construction of the site, the drainage issues and solutions became clearer and this grant in the amount of \$5,593 will help with upgrading the bike park drainage system.

Rescue Vehicle **\$75,000**

Vanderhoof Volunteer Extrication Association

Vanderhoof Volunteer Extrication Association (VVEA) plans to purchase a new rescue vehicle. The new vehicle will replace the current out-dated 1995 Ford 1-Ton. The rescue vehicle is an essential transport vehicle for crew and equipment responding to emergencies. This infrastructure is critical to the ongoing public safety of locals and visitors. The need to update the vehicle is further fuelled by increased mining activities, necessitating long hauls to remote locations. The total amount of \$75,000 was approved in two segments, the first for \$35,000 and the second in the amount of \$40,000, both in 2010.

5.2 Fraser Lake/Fort Fraser Projects

Renovations **\$40,100**

Fraser Lake Public Library

Fraser Lake Public Library is renovating its facility in order to create a family-centered literacy environment for public use and enjoyment. The project includes upgrades and reconfiguration of the children and youth sections, replacement of eight computer systems with software updates, painting of the interior of the library, installation of commercial grade linoleum on the main floor, energy-efficient lighting upgrades, installation of two windows with roll-up shades to provide natural lighting, and the installation of proper library shelving.

Arena Renovation **\$6,202**

Fraser Lake Saddle Club

Fraser Lake Saddle Club is a registered non-profit that has been in operation for 49 years. It was formally incorporated as a Society in 1990. The facility hosts a number of ongoing activities including trail rides, horse shows, and gymkhanas. The Saddle Club serves a variety of client groups including the local club members, the broader community and folks from surrounding communities. The Club has been approved for funding to assist with repairs and updates to the arena, including: removal and replacement of sand on the arena floor, installation of new

signage, purchase and installation of gates, purchase of a water container, purchase and installation of new bleachers, and purchase of a ground conditioner.

Legion Kitchen Renovation **\$17,000**

Regional District of Bulkley Nechako

The Royal Canadian Legion Branch #274 intends to install an updated kitchen to comply with health and safety standards. The kitchen is utilized to: provide seniors daily lunches, for events such as Seniors Christmas luncheon and pancake breakfasts, and for community rentals. The proposed work includes: installing venting and fire suppression systems, installing 3-phase power and electrical needs, new cabinets and storage system, and purchasing and installing equipment such as Charbroiler, deep fryers, range/griddle, and convection ovens. The construction will be managed by the Legion Board members.

Heating Bio-Mass **\$54,684**

Stellat'en First Nation

This project is comprised of completing a technical, environmental and economic feasibility analysis of energy efficiency upgrades and two biomass district heating systems for the Stellat'en First Nation community. The 1st part of the project includes completion of building energy audits for 5 key community buildings to identify and implement energy efficiency improvements in Stellat'en in order to reduce annual fuel costs and GHG emissions associated with the buildings. The 2nd part of the project includes implementing two outdoor wood biomass district heating system clusters to supply heat to five Stellat'en community buildings.

Wind Energy Evaluation **\$54,000**

Stellat'en First Nation

Beginning with a strategic planning session in 2007 and subsequent meetings, the Stellat'en First Nation community has selected Wind Energy as a top economic development priority. Stellat'en First Nation wishes to complete a detailed wind resource evaluation to determine whether a wind energy operation might be feasible in the area. The resource assessment will be contracted to a technical expert in wind analysis. This project includes five steps to complete an analysis of the wind resource on the Stellat'en First Nation territory and a scoping study of financing and partnership models for project development. The Stellat'en First Nation will work with The Pembina Institute to implement the project. This project is funded in partnership by NKDF, Stellat'en First Nation, and INAC.

Southside Development **\$40,000**

Village of Fraser Lake

The Village of Fraser Lake has been planning for some time to develop a 30-acre property on the south side of Highway 16. The purpose is to provide serviced commercial-industrial land, currently lacking in the area, ready for sale to potential entrepreneurs. The shortage is made even more severe by a lack of commercial/industrial property within the surrounding communities, and by the restrictions of the Agricultural Land Reserve. This project is a partnership between the Village of Fraser Lake, Province of British Columbia, and Northern Development Trust Initiative.

5.3 Burns Lake / Southside Projects

Electronic Signs \$10,000

Burns Lake & District Chamber of Commerce

The Burns Lake Beautification Committee will replace the older, well-used banner with a new electronic sign to communicate with locals and visitors to the area. The electronic sign will display advertising for commercial and non-profit chamber members and non-members.

Finishing the Vision \$13,953

Burns Lake Mountain Bike Association

This project first came to NKDF in November 2005 and was approved for \$3,360 to assist with the completion of the planning and assessment. That part of the project was completed in May 2006, with the help of the International Mountain Bicycling Assn. (IMBA). In August 2006, Burns Lake Mountain Bike Association was incorporated as a non-profit. Through a remarkable mixture of funding, volunteer time, donated labour, equipment, materials and supplies, public recognition and political will, the stakeholders have completed Phase I of the project, and were funded a second grant in the amount of \$50,000 to assist with furthering the development of the mountain bike park. This approved funding is to construct the Shawn Flow trail, an advanced trail for experienced riders, thereby increasing the park's attractiveness to a broader range of bikers.

Film (Project 2) \$12,000

Cheslatta Carrier Nation

The purpose of this project is to produce a 90-minute documentary about the struggles for economic and social survival and development of the Cheslatta Carrier Nation and the Burns Lake Band. This partnership is made up of Cheslatta Carrier First Nations, Social Sciences and Humanities Council of Canada (SSHCC), UBC (in-kind), and NKDF. The amount of \$12,000 is for the second part of the project.

Chief Louie Paddle Company \$95,000

Cheslatta Carrier Nation

This is a Cheslatta Carrier Nation (CCN) research and development initiative with a main goal of determining the market feasibility of Chief Louie Paddle Company. During the 2007-2008 fiscal Cheslatta Carrier Nation received a Western Diversification (CEDI) grant to explore opportunities for harvesting, processing and marketing the waterwood (timber recovered from the Nechako Reservoir) and beetle kill timber, as well as to address infrastructure deficiencies. To date, CCN has successfully started to produce paddles and a growing line of craft and gift items, including functional paddles, promotional sizes (from 12" to 36"), spirit feathers, drum frames, carved canoes and key fobs. The purpose of this feasibility phase of the project is to perfect and streamline the current product line, develop and add new viable products, as well as to design and implement a marketing strategy.

Growing for Our Future **\$34,086**

Eagle Creek Recreation Commission

The Lakes District Fall Fair grounds are home to the annual agriculture fair, which has been ongoing for more than 60 years. LDFFA demonstrates a high standard of community leadership. In 2008-09 NKDF provided funding assistance to build the horse barn and upgrade the exhibit hall. In 2009, NKDF provided funding to assist with upgrades to the exhibit hall, the horse barn, the washroom, and construction of a first aid / office building. This funding (2010) approval was for assistance with upgrades to the PERKA building, used for the Fall Fair Exhibition and RV storage, the drilling of a new well, and electrical upgrades to the Children's Festival area. Beneficiaries of this project are the residents of the Lakes District, including the many events taking place on the fair grounds, bringing opportunities to attract visitors and expenditures to the area.

Hall Modernization **\$39,970**

Francois Tchesinkut Recreation Commission

Francois Tchesinkut Recreation Commission, the administrator for the Francois Lake Hall, plans to complete much needed upgrades to the Hall, which was built in 1916 and hasn't had much attention since. NKDF approved funding in the amount of \$34,970 for the upgrades to the kitchen facility.

Memorial Ball Park Restoration **\$6,202**

Key'ikh Wela'ats'in'ekh Society

The Dennis Alec Memorial Ball Field is located on the Woyenne Reserve in Burns Lake, BC, home of the Lake Babine Nation. The Ball Field was built for the community in 1994 by local community members, and includes a fence, bleachers, dugouts, concession, announcer's booth and bathrooms. Over time the ball field has deteriorated and become an unsafe environment for youth and community members. Key'ikh Wela'ats'in'ekh Society has been approved in the amount of \$25,510 to assist with upgrading the ball field to increase usability and make it a safer facility, including construction of a concession stand and bathrooms, bleachers, and an announcer's booth.

Baker Airport Terminal Building **\$100,000**

Lakes District Airport Society

Lakes District Airport Society (LDAS) is constructing a 2,500 sq. ft. terminal building at the Baker Airport. The airport, located 20km west of Burns Lake, currently has no heated facility for visitors or medical staff. LDAS plans to operate and maintain the building via meeting room rentals, membership increases, cafeteria lease and office rental. The terminal building and the planned increase in service are necessary parts of the Lakes District efforts to combat the impacts of the mountain pine beetle infestation by diversifying the economy.

Artisan Centre Feasibility **\$2,500**

Lakes District Arts Council

Lakes District Arts Council (LDAC) was approved for funding assistance to hire a consultant to determine the possibility for creating an Artisan Centre in Burns Lake. If it goes ahead, the Centre will be a place for visual artists to collectively pool their knowledge and resources while

accessing retail markets. A space where local quilters, painters, print-makers, scrapbookers, photographers, potters, sculptors, woodworkers, and textile artists can showcase their products for the purpose of cultural tourism, education and revenue. LDAC plans to hire a consultant for a period of 12 weeks to carry out the research to determine the feasibility of the Artisan Centre.

Beacon Theatre Retrofit \$10,850

Lakes District Film Society

Lakes District Film Society (LDFS) was formed in 2009 to support presentation, appreciation, and production of film in the Lakes District. Currently at 92 members, the Society has purchased the Beacon Theatre and proceeded to tackle a number of upgrades to the facility, including replacing 3 furnaces, installation of a POS system, purchasing a computer system, purchase and installation of a Satellite system, and purchase of a security system.

Community Signs \$15,000

Lakes Economic Development Association

Lakes Economic Development Association is approved for funding to assist the downtown Burns Lake revitalization project, comprised of creating and replacing the easterly and westerly "Welcome to Burns Lake" community signs, as well as adding a 3rd entrance sign south of town.

Biathlon Range \$44,100

Omineca Ski Club

Omineca Ski Club was founded in 1927 and has enjoyed growth and many successes leading up to today. The Jean Paulson Lodge was built in 2005, with a potential occupancy of 150. Omineca Ski Club is building on existing assets to construct a biathlon range to BC Biathlon standards, as well as purchasing the equipment needed for the Club to host regional competitions. This project is funded in partnership by NKDF, Burns Lake Community Forest, and the Omineca Ski Club.

Kinette Park Revitalization \$20,000

Regional District of Bulkley Nechako

Regional District of Bulkley Nechako was approved for a grant in the amount of \$20,000 for the purpose of revitalizing Kinette Park, located in Burns Lake. The revitalization project includes: a new entrance, paved handicap stalls, pathways of paving stone, park benches, picnic table, accessible play stations for ages 1 to 12, accessible soft surfacing and landscaping.

Pager Repeater System \$28,004

Regional District of Bulkley Nechako

Regional District of Bulkley Nechako was approved for funding assistance to install a Pager Repeater System to serve the Southside area. The project consists of upgrading the Mount Verdun Repeater Tower, clearing trail and site near Danskin, installation of an 18 to 20 meter repeater tower at the Danskin site, constructing a small equipment storage building, installing solar power at the Danskin site, and purchasing 12 pagers for the Southside Volunteer Fire Department. The Danskin tower is necessary to boost the reception and pager coverage across the entire protection area and link the pager service to the 9-1-1 service.

Tourist Attraction **\$4,000**

Regional District of Bulkley Nechako

Regional District of Bulkley Nechako is approved for funding to assist with completing a business/resident/tourism attraction project. This project will include: updating and enhancing the Asset Mapping database, translating various pages on the business development section of the website, and preparing business information for inclusion in the RDBN Mining Web Portal.

Southside Nature Path **\$1,860**

Southside Economic Development Association

In January 2006, Southside Economic Development Association (SEDA) received a grant from NKDF to assist with development of the SEDA Centre, which entailed making improvements to a property adjacent to the Ferry terminal at Southside. The group then proceeded to build a 220m pathway, half of which is wheelchair accessible. SEDA is now approved for funding to assist with research, creating an interpretive plant inventory with info and photos of all existing plants, constructing and erecting interpretive signage (60-80 individual markers, 2 8'x4 signs, double sided, and creation of a brochure.

Emergency Generator **\$44,600**

Southside Health & Wellness Centre

Southside residents experience numerous power failures each year, causing interruptions to the delivery of services. The installation of an emergency backup generator, located at the Health Centre, will benefit all community residents by allowing for the continuous delivery of much needed health services, even if there are delays in getting back onto the Hydro grid. This project consists of purchasing and installing an emergency backup power generator at the Southside Health & Wellness Centre. This project is funded in partnership by NKDF, Southside Health & Wellness Centre, and Rio Tinto Alcan Inc.

Independent Housing **\$35,000**

Southside Seniors Housing Society

Southside Seniors Housing Society is building a seniors housing facility at Hospital Point. NKDF funds are to assist with hiring professionals to produce a geotechnical, and topographical survey of the land. They plan to use the funds to subdivide the land, and for legal and professional fees associated with the permission to enter agreement, property sale and land transfer.

Bio-Energy Pilot **\$23,875**

Village of Burns Lake

This project was conceived by stakeholders of the Burns Lake Energy Forum. Village of Burns Lake has established a MOU with several groups under the heading of Burns Lake Energy Working Group. The purpose of the project is to develop a community heating system that will utilize local wood supplies. The project is comprised of 3 main stages: 1) Feasibility, 2) Detailed Engineering, Design & Governance, and 3) Construction. NKDF funding is approved to assist with the Detailed Engineering, Design & Governance portion of the project.

Arena Upgrades **\$43,926**

Village of Burns Lake – Regional District of Bulkley Nechako

This proposal arises from a feasibility analysis that was completed to determine which improvements are needed to the Tom Forsyth Memorial Arena, and prioritize those improvements. The Arena caters to at least 15 user groups, is host to 14 winter tournaments and 3 summer events – each event attracts approximately 160 visitors to the community. NKDF approved funding to assist with improvements to the arena according to the priorities identified in the feasibility study.

5.4 Kitamaat Projects

Kitamaat Village Beautification **\$23,000**

Kitamaat Village Council

Kitamaat Village Council was approved for funds to assist with a two-part project in Kitamaat Village, which is to build 4 bus shelters and a grave digging shed at the grave yard. The project will employ Haisla members to build the shelters.

Haisla Admin Building Paving & Landscaping **\$79,876**

Kitamaat Village Council

In 2008, Kitamaat Village Council (KVC) invested \$2.3 million in construction of a much-needed administration building. This approval was to provide funding assistance with paving the parking lot and installation of a side walk, a welcome sign and landscaping around the admin building.

Haisla Tourism **\$61,938**

Kitamaat Village Council

Kitamaat Village Council plans to build a tourism business using strategic assets and strengths - traditional territory, Kowesas Lodge and cabins, and the Haisla Nation boat. The goals of this project are: to prepare the Haisla Nation to transport tourism traffic, make improvements to Kowesas Lodge, interest Haisla band members in working in the tourism industry, to develop training and coaching packages for workers, to test different tourism packages, to fine-tune the tourism offering and, after a suitable period of testing, to implement the business plan. This project is funded in partnership with NKDF, Kitamaat Village Council, and Coast Sustainability Trust.

Heritage Corridor **\$56,921**

Kitamaat Village Council

In 2008 Kitamaat Village Council initiated the Haisla Tourism project and conducted tests of tourism products/services to take advantage of Haisla traditional territories, mainly in the Kitlope area. This project consists of the development of a "corridor" throughout Kitamaat Village that highlights tourist assets (actual and future) such as a community garden, community green house, community smoke house, and the Haisla Art Gallery (Haisla School). The Tourism

Corridor will provide an opportunity for visitors to discover the culture, heritage and traditions of the Haisla Nation. The main goal of the project is to involve Haisla people and provide jobs and economic spin-offs for the community.

Recreation Centre Retrofit **\$100,000**

Kitamaat Village Council

Kitamaat Village Council will use this funding to assist with making improvements to the Recreation Centre, including replacement of the boiler, repairs to the kitchen, upgrading the washrooms, putting down new flooring in the main entrance, and enhancement of the main entrance. Built 35 years ago, the recreation building is a main hub of activities in the Village, used as a gymnasium for the school, by the elders walking club, basketball tournaments, workshops, feast hall and other cultural gatherings such as Gathering of Nations, weddings, and community meetings. The purpose of this retrofit is to reduce fuel costs and conserve the amount of energy required to keep it functional.

Soccer Field **\$80,000**

Kitamaat Village Council

Kitamaat Village Council is approved for funding assistance to make improvements to the soccer field, including refurbishing the changing room, replacing the existing wood fence, levelling the ground and installing new bleachers. The field is used for soccer, lacrosse, football, and track and field, as well as a number of celebratory events, including the Music and Friend Music Festival.

5.5 Regional Projects

New Crop Trials **\$8,000**

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 between 2008 and 2011 with the intention of increasing crop yield and profitability for Nechako area farmers and ranchers. Other funding partners include Nechako Area Livestock Producers and Fort Fraser Livestock (Horn) Fund.

Enterprising Artisans **\$56,250**

Community Futures of Nadina

This project is a partnership led by Community Futures of Nadina and including Cheslatta Carrier Nation, and Rio Tinto Alcan. Representatives from each partner will manage the project, which will draw on resources from a broader range of stakeholders and serve a broader group of participants, including First Nations groups both in and outside the NKDF investment area. The purpose of this project is to bring together artisans along the western corridor, create a brand, increase the profile of local artisans, and build a marketing and distribution system, including an online portal.

Murray Ridge Ski Hill Redevelopment **\$40,000**

Fort St. James Ski Club

In partnership with the District of Fort St. James, the Fort St. James Ski Club has created a Redevelop Plan to upgrade the Murray Ridge Ski Hill. NKDF approved this project for an amount of \$40,000 to assist with the well and water system, marketing, purchase of a groomer and a radio system. Funding partners for this project include the Towns for Tomorrow Program, District of Fort St. James, and Murray Ridge Ski Hill.

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 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.

Grassroots Development Project **\$10,000**

Nechako-Kitamaat Development Fund Society

The purpose of the Grassroots Economic Development Opportunities Fund is to enable NKDF to facilitate project development at the community level while leveraging funding from outside the investment area. The idea behind this concept is to have funds available to assist constituents or applicants to turn their project ideas into living projects. Administered by the NKDF Manager, the Grassroots Development funding is to assist applicants with locating potential funding agencies for projects and broader economic development related projects such as making training available that might not otherwise be offered in the communities in the NKDF investment area.

Sign Installation **\$7,802**

Upper Nechako Wilderness Council

Upper Nechako Wilderness Council is a registered Society whose members are lodges and resorts throughout the area south of Vanderhoof. UNWC members have joined forces for the purpose of marketing, promoting tourism and attracting investment. Last year, with funding assistance from RDBC and WED (CEDI), UNWC created a marketing strategy. UNWC has been approved for funding assistance with installing signage throughout the Upper Nechako region.

Financial Highlights at March 31, 2011

2010-2011 Income and Expenses	Budgeted	Actual
Administration Expenses	\$80,705	\$79,461
Grant Payments	\$1,353,457	\$502,515
Investment Income	\$33,568	\$71,499

Note to administration expenses: Manager Fees were \$53,388, Director Honoraria totalled \$6,962, Travel and Meeting Costs were \$4,759 and the balance of \$14,352 was for Accounting, Advertising and Office Expenses.

Note to grant payments: The variance between the budgeted and actual is due to a number of project extensions, and to a number of approved projects that were not yet contracted at the fiscal year end.

Note to grants: The Society approved a total of \$547,043 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).

Account Balances as of March 31, 2011	Assets	Liabilities
Cash and Term Deposits	\$475,231	
Short Term Investments	1,231,029	
Accrued Interest & Receivables	2,697	
Total Assets	1,708,957	
Less Grant Commitments Outstanding		(616,944)
Total NKDF Assets Less Grant Commitments		\$1,092,031

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, 2011 was \$14,785,387, so the combined assets of the NKDF and the Northern Development Fund total \$16,456,170.

Annual Audit: The annual audit of the NKDF was completed in May 2011 by Edmison-Mehr Chartered Accountants (Smithers). The statements are attached as Appendix A.

Appendix A: Audited Financial Statements

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2011

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2011

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Consolidated Statement of Operations and Changes to Fund Balances	3
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Notes to Consolidated Financial Statements	5-7

**EDMISON MEHR
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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Nechako-Kitamaat Development Fund Society
Prince George, BC

We have audited the accompanying financial statements of Nechako-Kitamaat Development Fund Society, which comprise the Consolidated Statement of Financial Position as at March 31, 2011, and the Consolidated Statements of Operations and Changes to Fund Balances, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principals for Government Not for Profit Entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nechako-Kitamaat Development Fund Society as at March 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principals for Government Not for Profit Entities.

Smithers, BC
May 27, 2011



Edmison Mehr

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011**

	Administration Fund	Grant Fund	2011 Total	2010 Total
ASSETS				
CURRENT				
Cash	\$ 33,307	\$ 441,924	\$ 475,231	\$ 546,041
Short term investments, Note 3	-	1,231,029	1,231,029	1,171,705
HST receivable	<u>2,697</u>	<u>-</u>	<u>2,697</u>	<u>1,689</u>
	36,004	1,672,953	1,708,957	1,719,435
DUE FROM (TO) OTHER FUNDS	<u>36,011</u>	<u>(36,011)</u>	<u>-</u>	<u>-</u>
	<u>\$ 72,015</u>	<u>\$ 1,636,942</u>	<u>\$ 1,708,957</u>	<u>\$ 1,719,435</u>

LIABILITIES

CURRENT				
Accounts payable	\$ 3,030	\$ -	\$ 3,030	\$ 3,032

COMMITMENT, Note 5

FUND BALANCES

OPERATING NET ASSETS	<u>68,985</u>	<u>1,636,942</u>	<u>1,705,927</u>	<u>1,716,403</u>
	<u>\$ 72,015</u>	<u>\$ 1,636,942</u>	<u>\$ 1,708,957</u>	<u>\$ 1,719,435</u>

APPROVAL OF THE BOARD:

_____ Director

_____ Director

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF CONSOLIDATED OPERATIONS AND CHANGES TO FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2011

	2011	2010
REVENUE		
Contribution agreement funding -		
Province of B.C.	\$ 500,000	\$ 500,000
Investment	<u>71,499</u>	<u>135,941</u>
	<u>571,499</u>	<u>635,941</u>
EXPENSES		
Accounting and audit	3,554	3,106
Advertising and promotion	187	1,015
Bank charges and interest	3	15
Honorariums	6,962	5,363
Insurance	1,047	740
Office	2,172	2,231
Other	412	375
Subcontract - manager	53,388	49,128
Subcontract - other	848	-
Telephone	2,097	2,228
Travel and meetings - board	4,759	5,599
Travel and meetings - manager	<u>4,032</u>	<u>4,314</u>
Sub-total	79,461	74,114
Grant promotion	221	1,815
Grant payments	<u>502,295</u>	<u>574,892</u>
	<u>581,977</u>	<u>650,821</u>
Excess (deficiency) of revenues over expenses for the year	(10,478)	(14,880)
Fund balance, beginning of year	<u>1,716,405</u>	<u>1,731,283</u>
Fund balance, end of year	<u>\$ 1,705,927</u>	<u>\$ 1,716,403</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
CONSOLIDATED STATEMENT OF CASH FLOWS
MARCH 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ (10,478)	(14,880)
Net change in non-cash working capital		
Net (increase) decrease in:		
HST receivable	<u>(1,009)</u>	<u>(176)</u>
	<u>(11,487)</u>	<u>(15,056)</u>
FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
INVESTING ACTIVITIES		
Decrease (increase) in short term investments	<u>(59,323)</u>	<u>(130,057)</u>
INCREASE (DECREASE) IN CASH	(70,810)	(145,113)
CASH, beginning of year	<u>546,041</u>	<u>691,154</u>
CASH, end of year	<u>\$ 475,231</u>	<u>546,041</u>
ADDITIONAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(Unaudited)

1. PURPOSE

The purpose of the Society is to promote sustainable economic development in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. 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, 2011 is \$14,496,133 (2010 - \$14,830,655) and the fair market value of the fund at March 31, 2011 is \$14,785,387 (2010 - \$15,005,571). At March 31, 2011 a total of \$7.3 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

Cash

Cash consists of cash and cash equivalents that are defined as highly-liquid investments with maturities of three months or less at the acquisition date.

Short term investments

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

Revenue

Grant revenue 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 CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(Unaudited)

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, 2011 is \$1,199,754 (2010 - \$1,165,384).

	<u>2011</u>	<u>2010</u>
Money Market Funds	\$ 596,924	\$ 449,263
Bond Fund	-	170,005
High Yield Bond Fund	241,162	174,474
Canadian Equity Funds	206,627	190,582
International Equity Funds	<u>186,315</u>	<u>187,381</u>
	<u>\$ 1,231,028</u>	<u>\$ 1,171,705</u>

4. FINANCIAL INSTRUMENTS

For cash and term deposit, short term investments, HST receivable, accounts payable, the carrying values of these financial instruments approximate their fair values due to their short-term maturity or capacity for prompt liquidation. It is management's opinion that the Society is not exposed to significant interest or currency risk arising from these financial instruments except as noted for short term investments. The short term investments consist of a balanced portfolio with increased revenue risk on the equity fund portion of the balance. In addition the Society is exposed to currency risk with respect to the international equity funds amount. The U.S. equity fund portion of this balance at March 31, 2011 is \$127,378 (2010 - \$119,647) and the balance of \$58,937 (2010 - \$67,734) consists of other foreign currencies.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(Unaudited)

5. COMMITMENT

The Society is committed, provided the recipients fulfill the requirements of the funding agreements, to provide grants totaling \$616,944 subsequent to March 31, 2011 as follows:

	<u>2011</u>	<u>2010</u>
Fraser Lake & District Rebroadcasting Society - Last Mile Internet	\$ -	\$ 12,500
District of Vanderhoof - Heritage Park	-	60,000
Lakes District Airport Society - Baker Terminal Building	10,000	10,000
Lakes Economic Development Association - Community Signs	7,500	7,500
Village of Fraser Lake - Southside Development	-	20,000
BC Forage Council - New Crop Trials	3,000	3,000
Burns Lake & District Chamber of Commerce - Electronic Signs	500	500
District of Vanderhoof - Airport Lighting & Navigation	-	25,000
Fort St. James Ski Club - Murray Ridge Redevelopment	-	20,000
Kitamaat Village Council - Haisla Tourism	30,969	30,969
Omineca Ski Club - Biathlon Range	-	10,553
Southside Health & Wellness Centre - Emergency Generator	-	4,460
Stellat'en First Nation - Wind Energy Evaluation	27,000	27,000
Cheslatta Carrier Nation - Film (2)	-	12,000
Cheslatta Carrier Nation - Chief Louie Paddle Co	47,500	47,500
District of Vanderhoof - Ferland Spray Park	-	37,500
Fraser Lake Saddle Club - Arena Renovation	-	6,602
Kitamaat Village Council - Haisla Admin Building	-	79,876
Kitamaat Village Council - Heritage Corridor	28,461	28,461
Kitamaat Village Council - Beautification	23,000	23,000
Kitamaat Village Council - Rec Centre Retrofit	-	50,000
Kitamaat Village Council - Soccer Field	-	40,000
Lakes District Arts Council - Artisan Centre Feasibility	-	1,250
Village of Burns Lake - Arena Upgrades	21,963	43,926
Regional District of Bulkley-Nechako - Legion Kitchen Upgrades	17,000	17,000
Regional District of Bulkley-Nechako - Tourism Attraction	-	4,000
Southside Seniors Housing Society - Independent Housing	10,756	35,000
Upper Nechako Wilderness Council - Sign Installation	-	3,900
College of New Caledonia - Flight Training Simulator	16,200	-
Community Futures Nadina - Enterprising Artisans	56,250	-
Eagle Creek Recreation Committee - Growing For Our Future	11,043	-
Francois Tchesinket Recreation Committee - Hall Modernization	34,970	-
Fraser Lake Public Library - Renovations	40,100	-
Key'ikh' Wela'ats'in'ekh Society - Ball Park Restoration	12,755	-
Lakes District Film Society - Beacon Theatre Upgrade	10,850	-
Nechako Valley Sporting Association - Trap Equipment	22,768	-
Regional District of Bulkley Nechako - Pager Repeater System	28,004	-
Rip'n The North Bike Club - Bike Park Drainage	2,796	-
Stellat'en First Nation - Heating Bio-Mass	54,684	-
Vanderhoof Volunteer Extrication Association - Rescue Vehicle	35,000	-
Vanderhoof Volunteer Extrication Association - Rescue Vehicle	40,000	-
Village of Burns Lake - Bio-Energy Pilot	<u>23,875</u>	<u>-</u>
	<u>\$ 616,944</u>	<u>\$ 661,497</u>