



**2005 – 2006
Annual Report**

March 31, 2006

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NKDF Annual Report



2005-2006 ANNUAL REPORT

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1. Report From The Chair

The fiscal year 2005-2006 saw the Nechako Kitamaat Development Fund Society challenged by a vast array of project proposals from throughout their investment area. In total, 19 projects were approved totalling an investment of over \$620,000 in the area from Kitamaat Village to Burns Lake to Vanderhoof.

It has been an exciting year for the NKDF by supporting many diverse and innovative investments in economic development, community infrastructure/recreation facilities, libraries and community events, to name a few, all of which contribute to the betterment of our communities and help strengthen the positive economic development climate that exists today. At years end, there were 38 active projects, some being on-going from the previous year.

During the fiscal year, the Board held five regular meetings in the investment area including Burns Lake, Vanderhoof, Kitimat, and the Southside and also two conference calls. The NKDF Society experienced some problems maintaining a full roster of Board members. While a quorum was always maintained, health issues, retirement and relocation of Directors required the Manager to focus attention on advertising and recruitment.

At the end of the fiscal year, the NKDF has nine Directors, including: Mike Robertson (Chair), Gloria Catherall, Kirk Handrahan, William McLeod (Secretary/Treasurer), Colleen Nyce, Crystal Ross, Kevin Stewart, Paul Stewart, and Linda Woodruff (Interim Secretary/Treasurer).

We are pleased to report that operations and grants were within budget. The Nechako Kitamaat Development Fund book value stands at \$16,641,507 with a grant budget for 2006/2007 of \$600,000.

I would like to thank the Directors for their dedication and commitment over the year in assessing a record number of proposals. I also acknowledge Manager Dan Boudreau for his hard work and long hours working with communities and proponents as well as promoting the NKDF Fund.

Original signed by

Mike Robertson, Chair

2. Society Overview

2.1 Mandate

The Nechako-Kitamaat Development Fund (NKDF) Society's funding programs are designed to support sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. 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	Burns Lake Band
Fort Fraser	Kitamaat Village	Nee Tahi Buhn Band
Village of Fraser Lake	Stellat'en First Nation	Skin Tyee Band
Village of Burns Lake	Saik'uz First Nation	Cheslatta Carrier Nation
Ootsa Lake		

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

2.4 Guiding Principles of the Fund

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

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

Four Director's terms ended during the past fiscal, including Dave Merz, Bill Stewart, Ellis Ross and Nina Shaw. As well, Lonny Miller resigned when his employment necessitated moving outside the investment area.

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

2.6 Government Relations

Since the Society's incorporation in 1999, the provincial government has transferred \$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 Directors and Manager report to the Minister of Economic Development.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.

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

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

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 five regular Board meetings this year and two conference calls. The meetings were located in Terrace, Fraser Lake, Burns Lake, Smithers, and Vanderhoof.

In the annual evaluation, Directors rated overall operations as good for most aspects. Meeting and conference call effectiveness were rated at good to excellent. This year the Board successfully transitioned to a new executive and delivered on its mandate without disruption for existing clients or new applicants. This is made possible partially because the Board meetings are organized and effective, and Directors are sincere and take their roles seriously.

For the upcoming year, Directors plan to play a stronger role in promoting the Society's programs and by attending grand opening and publicity events where possible.

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

Management Services

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

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

As indicated by the evaluations, the Manager will focus on two main areas for the upcoming year: providing succinct reports during the business section of meetings in order to allow more time on discussion and decision making for proposals and projects, and continuing to increase knowledge and profile in the communities. Directors expressed an appreciation for the quality of the Management Services and in particular, the Managers attitude with Board members, clients and applicants.

3.2 Programs

Community Grant Program

This year saw a total of 24 new applications and 19 approvals totalling \$623,269 for the entire investment area.

This year Directors rated the Community Grant Program as good to excellent. It is generally felt that our grant program is effective and that our clear vision helps to guide decision making. Funds are being allocated effectively to each of the areas and the grants are for worthwhile projects that benefit the communities and the investment area. Directors are pleased that we have successfully leveraged Society funds with investment funds from other agencies.

For the upcoming year we will continue to promote the programs and increase the uptake in the smaller communities. For the most part we are doing well with media recognition and getting positive feedback from the public.

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

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

Community Legacy Fund Program

In order to perpetuate NKDF programs into the future, only \$5 million of the \$15 million fund is to be used for a “working fund” to fund the grant program. The “Legacy Fund” is for the balance of Society funds, which are not to be spent, but are invested to grow to a value of \$15 million. When the principal has reached that value, the amount of the fund exceeding inflation may be spent annually on operations and grants.

The Community Legacy Fund is currently held at the BC Investment Management Corporation and the value as of March 31, 2006 is \$14,678,620. The annual evaluation indicates some disappointment with the low rate of return on the Legacy Fund.

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. Only one loan is currently outstanding, valued at \$33,228. The Society receives quarterly payments, with interest, from the Community Futures Development Corporations that manage the loans.

4. Grants Program Details

The Society approved \$623,169 in new grants this year, bringing the total approved funding to \$3,497,529 since inception. The following table shows grant proposal statistics in this year and all prior years since the inception of the fund.

Year	Proposals received	Proposals approved	Proposals not approved	Total \$ committed	Total \$ Paid
2005-2006	24	19	5	\$623,169	\$605,151
2004-2005	24	20	4	\$986,959	\$518,050
2003-2004	45	31	14	\$1,047,097	\$484,778
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	121	80	41	\$3,497,529	\$2,262,303

This table summarizes the grant projects approved or under contract during in the 2005-2006 fiscal year. Details about all projects under contract are on the following pages.

RECIPIENT	PROJECT	APPROVED	STATUS
Burns Lake Arts & Culture Committee	Community Arts Festival	\$ 7,305	In progress
Burns Lake Native Development Corp	Economic Dev't Conference	\$ 3,350	Complete
Burns Lake Sport Centre Association	Tom Forsyth Memorial Arena	\$ 30,000	In progress
College of New Caledonia	Forest Operators Program	\$ 98,000	In progress
Corporation of the Village of Burns Lake	Washroom Facility	\$ 15,235	In progress
District of Vanderhoof	Art Scan	\$ 4,000	In progress
District of Vanderhoof	Community Signs	\$ 30,000	In progress
District of Vanderhoof	Arena Dressing Rooms	\$ 100,000	In progress
Kitamaat Village Council	RV Park Business Plan	\$ 25,000	Complete
Kitamaat Village Council	Haisla HIPPY Renovations	\$ 15,000	Complete
Lakes District Airport Society	Feasibility Study	\$ 5,000	In progress
Let's Enhance & Develop Society	Hybrid Trail Systems	\$ 3,360	In progress
Nechako Valley Reg. Cattlemen Assn	Swath Grazing Demos	\$ 15,920	In progress
Nechako View Senior Citizen Home Soc	Seniors Housing	\$ 100,000	In progress
North Coast Biotoxin Society	Shellfish Water Testing	\$ 23,600	Cancelled
North Coast Biotoxin Society	Water Testing	\$ 56,307	In progress
Southside Economic Dev't Association	Homesteader's Centennial	\$ 3,000	Complete
Southside Economic Dev't Association	SEDA Centre	\$ 73,092	In progress
St. John Hospital Auxiliary Society	Operating Rm Enhancement	\$ 15,000	Complete
		\$ 623,169	

The following table summarizes proposals not approved in 2005-2006

Project	Date Rejected	Amount Requested	Reason for Rejection
Resource Environment Management Camp	25-May-05	\$37,390	Outside investment area and benefits not clarified.
Supportive Housing Complex	11-Nov-05	\$85,400	Weak link to economic development and because it is a practice of NKDF not to fund the purchase of land.
Cultural Governance Building	11-Nov-05	\$350,000	Project outside the current capacity of NKDF.
Pipeline Study	23-Jan-06	\$10,000	Majority of benefits directed outside the investment area.
Housing Conference	23-Jan-06	\$11,500	Reason not provided.

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

5.1 Vanderhoof Projects

Arts Scan **\$4,000**

District of Vanderhoof

This project is an Arts and Cultural assessment conducted by District of Vanderhoof in partnership with various arts and cultural groups in the Nechako area. The project, championed by the Spirit of BC Community Committee, is a necessary component in the overall goal of the *2010 Legacies Now*, which is to “create a sustainable legacy that will benefit all British Columbians as a result of hosting the *2010 Olympic and Paralympic Games*. Funding partners include the *Arts Now 2010 Legacies Program* and the District of Vanderhoof. The Art Scan will result in a Directory of cultural resources for the area as well as identifying economic and educational opportunities.

Community Signs **\$30,000**

District of Vanderhoof

The purpose of this project is to create and install painted wooden welcome signs on Highway 16 to the east and west of Vanderhoof. The signs are to be esthetic in design, approximately 6' X 11', and visible 24 hours per day with lighting. The District of Vanderhoof is funding 50% of the project, which is expected to complete during the summer of 2006.

Memorial Arena Dressing Room Upgrade **\$100,000**

District of Vanderhoof

The District of Vanderhoof will upgrade the dressing rooms in the Memorial Arena. Built in 1975, there have been no major upgrades to the facility since the addition of a mezzanine in 1991. The expansion of the dressing rooms will modernize the facility, allow for hosting large scale tournaments and competitions in the areas of hockey, football, lacrosse, rugby, baseball, soccer and in addition, entertainment and tradeshow. The dressing rooms will be accessible from the inside or outside of the facility, for mixed teams (male/female) and for use by handicapped athletes. The District of Vanderhoof is the main partner for this project.

Seniors Housing **\$100,000**

Nechako View Senior Citizen Housing Society

NKDF Directors were impressed with the track record and community spirit of this group. 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. NVSCHS plans to build 3 new buildings this year, a 3-plex, a duplex and a power building. As well, the proponent wishes to pave the property. The primary beneficiaries of this project will be the growing senior's population of Vanderhoof.

5.2 Burns Lake / Southside Projects

Community Arts Festival **\$7,305**

Burns Lake Arts & Culture Committee

The proponent is hosting a Community Arts Festival event as a step toward creating an Arts Council. While building on the strength of existing events such as the Lakes District Performing Arts Festival, the project is helping to meet the requirements to become an Arts Council, create a yearly event involving local residents, and encourage Aboriginal arts and culture awareness within the community. Artists are invited from all over the province to participate.

Economic Development Conference **\$3,350**

Burns Lake Native Development Corporation

BLNDC hosted a two day Community Economic Development conference in Burns Lake called *Exploring Our Options*. The theme of the conference was to explore options for community economic development in Prince George Nechako Lakes District area and for the local shareholder bands.

Tom Forsyth Memorial Arena \$30,000

Burns Lake Sport Centre Association

The Burns Lake Sports Center Association is a non-profit charitable organization that operates the Tom Forsyth Memorial Arena in Burns Lake. 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. The goal of this project is to provide upgrades to the facility and purchase safety equipment for the Arena. Funding partners include Burns Lake Community Forest and the Corporation of the Village of Burns Lake.

Washroom Facility \$15,235

Corporation of the Village of Burns Lake

This application was championed by the Soccer Club and is managed by Village of Burns Lake. The purpose of the project is to construct a 10' X 20' 8" washroom facility. The property, owned by School District 91, is used by a variety of groups, including soccer, walking, handicap exercise, coach's clinics, search and rescue, bicycle riders, students and dry-land hockey. Lack of a public washroom is a limiting factor to this property for the Burns Lake community.

Terminal Building Feasibility \$5,000

Lakes District Airport Society

The purpose of this project is to conduct a feasibility analysis to determine the viability of constructing a 2,500 sq. ft. terminal building at the Baker Airport (CYPZ). The airport, located 20km west of Burns Lake, currently has no heated facility for visitors or medical staff. LDAS plans to recover costs ongoing to operate and maintain the building through meeting room rental, membership increases, cafeteria lease and office rental. The terminal building and the planned increase in service are necessary parts of the Lakes District economic diversification efforts, such as mining and tourism.

Hybrid Trail Systems \$3,360

Let's Enhance & Develop Society

The purpose of the project is to assess, plan, design, educate, and promote a first class mountain biking/hybrid trail system in the Lakes District. The proponent engaged the International Mountain Biking Association (IMBA) to work with staff and stakeholders to complete phase one of designing and laying out the trail system. IMBA is highly reputable and recognized among mountain bikers for creating high calibre trail systems. The organization is USA based with a number of offices in Canada.

Homesteader's Centennial **\$3,000**

Southside Economic Development Association

The Southside community hosted a four-day event during late July 2005, attracting a large number of visitors and participants to the area. The Homesteader's Centennial event was the celebration of 100 years of non-aboriginal settlements on the Southside. Funding partners for this project include the Regional District of Bulkley Nechako and SEDA.

SEDA Centre **\$73,092**

Southside Economic Development Association

The goal of this project is to purchase, renovate and develop the property of the former Beaver Museum, which was already housing the local Farmers' Market. The building is to be used as a permanent location for: the SEDA office; Tourist Info Centre; Farmers' Market; Community Boardroom; and one Rental Unit. Located adjacent to the Southbank ferry terminal, the 1.78 acre parcel of prime lakeshore property will be used for parking space, picnic tables and rest area and to offer gardens with local plants/flowers/berries and information about their edibility and use. NKDF is providing funding assistance for improvements to the property. Funding partners include the Regional District of Bulkley Nechako and Northern Development Initiative Trust.

5.3 Kitamaat Projects

Recreational Vehicle Park Business Plan **\$25,000**

Kitamaat Village Council

As a part of its plan to develop a sustainable economic base, the Haisla First Nation has identified ecotourism and soft adventure tourism as a significant economic sector that will contribute to the First Nation's broader economic and community development goals. As a part of this strategy, the Haisla plan to build a high-end RV Park adjacent to the MK Bay Marina currently owned and operated by the District of Kitimat. The project is anticipated to benefit the Haisla people by providing employment for public works staff and community members to build the infrastructure and facilities, and on-going employment of an estimated 2-3 people to run the business. The goal of this project is to determine feasibility for the RV Park enterprise and if found to be feasible, to follow through with development of a business plan.

Haisla HIPPY Renovations \$15,000

Kitamaat Village Council

The purpose of this project is to assist with renovations to C'imo'ca Childcare Centre in Kitamaat Village. C'imo'ca plans to provide the Home Instruction for Parents of Preschool Youth (HIPPY) program to members of Haisla Nation. In order to create a healthy and effective environment for staff, parents and children, the centre required upgrades to the facility, including increasing the office space, removal of carpeting in the play area, increasing the kitchen area, closing off the infant/toddler washroom from the public, and purchase of office equipment.

Water Testing \$56,307

North Coast Water Quality & Biotxin Program Society

A number 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. NCWQBPS has successfully completed a two-year water-testing program near Kitamaat Village that could attract private investment in shellfish aquaculture. The purpose of this project is to continue the testing for one more year, but also to double the number of testing stations. NCWQBPS, the Society with the necessary expertise to design this project, is based in Prince Rupert but they sub-contract the work to a Kitamaat-based crew. This project is a step toward removing that barrier to advancing shellfish development in the Haisla territory.

5.4 Regional Projects

Forest Equipment Operators Program \$98,000

College of New Caledonia

The purpose of this project is to purchase equipment simulator technology and equipment for a new Forest Equipment Operators Program at the College of New Caledonia. After successful completion of a pilot session of the program with leased simulators, the applicant approached NKDF for assistance with the purchase of simulators. The funding assistance will help to reduce delivery costs and increase the accessibility to students by lowering the tuition fees. The purchase of the simulators will enable CNC to deliver the program up to six times per year on a rotating basis at each of the regional campuses, two of which are within the NKDF investment area (Burns Lake and Vanderhoof). This project is strongly supported by industry and funding partners include the College of New Caledonia and Vancouver Foundation.

Swath Grazing Demonstrations

\$15,920

Nechako Valley Regional Cattlemen Association

The purpose of this project is to conduct swath grazing demonstrations for the cattle producers in the Nechako Valley. Swath grazing has become a viable management practice, in the Peace River region of BC and throughout Alberta. This practice can be used to extend the grazing season and to reduce feed, labour and manure handling costs for cattle producers. The swath grazing management practice involves seeding annual cereals in mid-May to early June and swathing the crop in late August to mid-September when the crop reaches the soft to late dough stage and before killing frosts. The swaths are left in the field for the cattle to graze during the winter. The plan is to provide four field scale demonstration projects in the Vanderhoof/Ft Fraser area. The projects will have four ranch operations utilize swath grazing practices in the late fall of 2006. Sites will be spread throughout the Nechako Valley with the goal of utilizing differing location and production factors.

Operating Room Enhancement

\$15,000

St. John Hospital Auxiliary Society

The goal of this project is to increase surgical services at St. John Hospital in Vanderhoof by purchasing arthroscopic surgical equipment and patient care monitoring systems. The applicant implemented and highly successful fundraising campaign to raise the majority of investment required for this project. This project brings economic benefit by increasing the number of operating room procedures possible per year. The project will enhance level of medical services to Vanderhoof, Endako, Fort Fraser, Fraser Lake, Ft. St. James, Nak'azdli, Tlazt'en, Stellat'en, Nadleh Whut'en and Saik'uz.

6. Financial Highlights as of March 31, 2006

2005-2006 Income and Expenses	Budgeted	Actual
Administration Expenses	\$79,945	\$74,283
Grant Payments (Approved \$623,000) ²	\$1,533,097	\$592,652
Investment Income	\$71,552	\$141,870
Loans, Principal And Interest Repaid	\$25,975	\$28,479

Note to administration expenses: Administration costs were lower than expected at least partially because two representatives kindly served at their employer's expense (BC Government and Alcan). Manager fees were \$46,661, Director Honoraria totalled \$5,113, travel and meeting costs were \$10,365 and the balance of \$10,242 was for accounting, advertising and office expenses.

Note to grants: The Society approved a total of \$623,169 in new grants for the year.

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

Note to loans: No new loans have been made since the loans program was cancelled. At March 31, 2006 the outstanding balance on the loans account was \$33,228.

Account Balances as of March 31, 2006	Assets	Liabilities
Loan Funds Receivable	\$33,228	
Integris Credit Union Accounts	1,365,520	
Phillips, Hager & North Investments	1,458,333	
Accrued Interest & Receivables	16,365	
Total Assets	\$2,873,446	
Less Grant Commitments Outstanding		-1,082,793
Total NKDF Assets Minus Liabilities		\$1,790,653

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, 2006 was \$14,678,620, so the combined assets of the NKDF and the Northern Development Fund total **\$17,549,566**.

Annual Audit: The annual audit of the NKDFS was completed in May 2006 by Edmison-Mehr Chartered Accountants (Smithers). The statements are attached as Appendix A.

² Includes prior year grant commitments and new grant expenditures.

Appendix A: Audited Financial Statements

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2006

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2006

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AUDITORS' REPORT

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

We have audited the Statement of Financial Position of NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY as at March 31, 2006, 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, 2006 and the results of operations of the Society for the year then ended, in accordance with Canadian generally accepted accounting principles.

Smithers, BC
May 10, 2006

Edmison Mehr

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2006

	Administration Fund	Grant Fund	Loan Fund	2006 Total	2005 Total
ASSETS					
CURRENT					
Cash and term deposits	\$ 552,340	813,180	-	1,365,520	1,480,650
Short term investments, Note 2	-	1,458,333	-	1,458,333	1,350,494
Accrued interest	-	1,890	-	1,890	2,959
GST receivable	1,975	-	-	1,975	2,701
Loans receivable	-	-	33,228	33,228	61,707
Grant advance receivable	-	<u>12,500</u>	-	<u>12,500</u>	-
	554,315	2,285,903	33,228	2,873,446	2,898,511
DUE FROM (TO) OTHER FUNDS	<u>(526,703)</u>	<u>526,703</u>	-	-	-
	<u>\$ 27,612</u>	<u>2,812,606</u>	<u>33,228</u>	<u>2,873,446</u>	<u>2,898,511</u>

LIABILITIES

CURRENT					
Accounts payable	\$ 2,500	-	-	2,500	2,500

FUND BALANCES

OPERATING NET ASSETS	<u>25,112</u>	<u>2,812,606</u>	<u>33,228</u>	<u>2,870,946</u>	<u>2,896,011</u>
	<u>\$ 27,612</u>	<u>2,812,606</u>	<u>33,228</u>	<u>2,873,446</u>	<u>2,898,511</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, 2006**

	Administration Fund	Grant Fund	Loan Fund	2006 Total	2005 Total
REVENUE					
Contribution agreement funding - Province of B.C.	\$ -	500,000	-	500,000	-
Investment	<u>1,901</u>	<u>137,993</u>	<u>1,976</u>	<u>141,870</u>	<u>119,994</u>
	<u>1,901</u>	<u>637,993</u>	<u>1,976</u>	<u>641,870</u>	<u>119,994</u>
EXPENSES					
Accounting and audit	2,827	-	-	2,827	3,572
Advertising and promotion	1,633	-	-	1,633	3,338
Bank charges and interest	32	-	-	32	-
Goods and services tax	2,701	-	-	2,701	-
Grant projects	-	592,652	-	592,652	532,551
Honorariums	5,113	-	-	5,113	9,225
Insurance	1,137	-	-	1,137	928
Office	1,675	-	-	1,675	1,931
Other	60	-	-	60	445
Rent	165	-	-	165	120
Subcontract - manager	46,662	-	-	46,662	63,821
Subcontract - other	-	-	-	-	861
Telephone	1,913	-	-	1,913	2,008
Travel and meetings - board	6,434	-	-	6,434	7,088
Travel and meetings - manager	<u>3,931</u>	<u>-</u>	<u>-</u>	<u>3,931</u>	<u>2,554</u>
	<u>74,283</u>	<u>592,652</u>	<u>-</u>	<u>666,935</u>	<u>628,442</u>
Excess (deficiency) of revenues over expenses for the year	(72,382)	45,341	1,976	(25,065)	(508,448)
Fund balance, beginning of year	<u>15,967</u>	<u>2,817,776</u>	<u>62,268</u>	<u>2,896,011</u>	<u>3,404,459</u>
Inter-fund transfers	(56,415)	2,863,117	64,244	2,870,946	2,896,011
	<u>81,527</u>	<u>(50,511)</u>	<u>(31,016)</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,112</u>	<u>2,812,606</u>	<u>33,228</u>	<u>2,870,946</u>	<u>2,896,011</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

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, 2006 is \$14,641,507 (2005 - \$14,021,418) and the fair market value of the fund at March 31, 2006 is \$14,678,620 (2005 - \$14,184,602). At March 31, 2006 a total of \$5.0 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 market value. The adjusted cost base of the fund at March 31, 2006 is \$1,366,391 (2005 - \$1,264,807).

	<u>2006</u>	<u>2005</u>
Money Market Funds	\$ 712,838	\$ 422,967
Bond Fund	129,676	253,759
High Yield Bond Fund	127,813	120,619
Canadian Equity Funds	234,915	349,292
International Equity Funds	<u>253,091</u>	<u>203,857</u>
	<u>\$ 1,458,333</u>	<u>\$ 1,350,494</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, 2006

4. COMMITMENT

The Society is committed to provide grants totaling \$1,082,783 subsequent to March 31, 2006 as follows:

	<u>2006</u>	<u>2005</u>
District of Vanderhoof - Downtown Revitalization	\$ 147,500	\$ 295,000
District of Vanderhoof - Airport Development	-	7,500
Guide Outfitters Association of BC - School	10,000	10,000
Ootsa Lake Bible Camp - Lodge	-	50,000
Burns Lake Band - Gathering Place	17,490	17,490
Burns Lake Public Library - Expansion	50,000	50,000
Haisla Fisheries Commission - Shellfish & Fisheries	56,000	56,000
North Coast Biotoxin Society - Kitamaat Water Testing	18,005	41,000
Northwest Tribal Treaty Nations	-	9,000
Cheslatta Carrier Nation - Carving Shed/Farmers Market	60,000	60,000
Nechako Valley Community Services - Seniors Planning	-	7,500
Village of Fraser Lake - Wharf	-	176,093
Southside Volunteer Fire Dept. - Water Tank	-	11,400
Na na kila Insitute - Haisla Building Promo	24,500	24,500
Vanderhoof Rotary Club - Trail Bridge	750	7,500
Bulkley Nechako Regional District - Fort Fraser Well	56,750	56,750
Lakes District Sr. Citizens Housing Association - Housing Project	50,000	100,000
Southside Economic Development Association - CED Training	-	2,000
Kitamaat Village Council - RV Park Planning	-	35,000
CFDC Stuart Nechako - Regional Economic Dev Plan	2,700	9,850
Fort St. James Ski Club - Equipment	44,785	44,785
Nechako View Senior Housing - Seniors Housing	-	10,000
BC Forage Council - Forage Crop Trials	26,880	26,880
Yellowhead Highway Association - Regional Marketing	-	7,500
Lakes Outdoor Recreation Society - Star Lake Trail	-	1,834
Kitamaat Village Council - Biology Intern	-	4,800
Kitamaat Village Council - Haisla Radio	-	10,715
Burns Lake Arts & Culture Committee - Arts Festival	3,652	-
Burns Lake Sports Centre Association - Memorial Arena	15,000	-
College of New Caledonia Fundraising Society - Equipment	98,000	-
Corporation of the Village of Burns Lake - Washroom Facility	7,672	-
District of Vanderhoof - Art Scan	2,000	-
District of Vanderhoof - Community Signs	15,000	-
District of Vanderhoof - Arena Dressing Rooms	100,000	-
Kitamaat Village Council - Haisla HIPPY	1,500	-
Lakes District Airport Society - Feasibility Study	2,500	-
Let's Enhance & Develop Society - Hybrid Trail Systems	1,680	-
Nechako Valley Reg Cattlemen Association - Swath Grazing	15,920	-
Nechako View Senior Citizen's Home Society - Seniors Housing	100,000	-
North Coast Biotoxin Society - Kitamaat Water Testing	23,600	-
North Coast Biotoxin Society - Kitamaat Water Testing	56,307	-
Southside Economic Development Association - SEDA Centre	73,092	-
St. John Hospital Auxiliary Society - OR Enhancement	<u>1,500</u>	<u>-</u>
	<u>1,082,783</u>	<u>1,133,097</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

5. STATEMENT OF CASH FLOWS

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

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).