

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2003

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FINANCIAL STATEMENTS
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	Page
Auditors' Report	1
Statement of Financial Position	2
Statement of Operations and Changes to Fund Balances	3
Notes to Financial Statements	4-5

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AUDITORS' REPORT

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

We have audited the Statement of Financial Position of NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY as at March 31, 2003, 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 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, 2003 and the results of operations of the Society for the year then ended, in accordance with generally accepted accounting principles for not-for-profit organizations.

Smithers, BC
May 5, 2003

Edmison Mehr

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2003

	Administration Fund	Grant Fund	Loan Fund	2003 Total	2002 Total
ASSETS					
CURRENT					
Cash, short term investments and accrued interest, Note 2	\$ 43,203	2,482,520	939,391	3,465,114	3,893,739
GST receivable	2,225	-	-	2,225	2,685
Loans receivable	-	-	<u>135,798</u>	<u>135,798</u>	<u>141,398</u>
	45,428	2,482,520	1,075,189	3,603,137	4,037,822
DUE FROM (TO) OTHER FUNDS	<u>(5,657)</u>	<u>4,895</u>	<u>762</u>	<u>-</u>	<u>-</u>
	<u>\$ 39,771</u>	<u>2,487,415</u>	<u>1,075,951</u>	<u>3,603,137</u>	<u>4,037,822</u>
LIABILITIES					
CURRENT					
Accounts payable	\$ 2,501	-	2,511	5,012	2,507
FUND BALANCES					
OPERATING NET ASSETS	<u>37,270</u>	<u>2,487,415</u>	<u>1,073,440</u>	<u>3,598,125</u>	<u>4,035,315</u>
	<u>\$ 39,771</u>	<u>2,487,415</u>	<u>1,075,951</u>	<u>3,603,137</u>	<u>4,037,822</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, 2003

	Administration Fund	Grant Fund	Loan Fund	2003 Total	2002 Total
REVENUE					
Contribution agreement funding -					
Province of B.C.	\$ -	-	-	-	2,500,000
Interest - loans	-	-	4,682	4,682	-
Investment	<u>1,387</u>	<u>75,039</u>	<u>40,780</u>	<u>117,206</u>	<u>147,806</u>
	<u>1,387</u>	<u>75,039</u>	<u>45,462</u>	<u>121,888</u>	<u>2,647,806</u>
EXPENSES					
Accounting and audit	2,535	-	-	2,535	2,342
Advertising and promotion	563	-	-	563	3,758
Bank charges and interest	80	-	-	80	10,402
Grant projects - Community	-	234,684	-	234,684	245,636
Honorariums	4,763	-	-	4,763	10,463
Investment fees	-	-	12,153	12,153	-
Office	895	-	-	895	2,937
Other	104	-	-	104	237
Rent	247	-	-	247	209
Subcontract - manager	28,030	-	-	28,030	51,804
Telephone	2,406	-	-	2,406	2,608
Travel and meetings	<u>3,897</u>	<u>-</u>	<u>-</u>	<u>3,897</u>	<u>12,146</u>
	<u>43,520</u>	<u>234,684</u>	<u>12,153</u>	<u>290,357</u>	<u>342,542</u>
Excess (deficiency) of revenues over expenses for the year before other expense	(42,133)	(159,645)	33,309	(168,469)	2,305,264
Other expense - loss on write down of short term investments	<u>-</u>	<u>(257,913)</u>	<u>(10,806)</u>	<u>(268,719)</u>	<u>-</u>
Excess (deficiency) of revenues over expenses for the year	(42,133)	(417,558)	22,503	(437,188)	2,305,264
Fund balance, beginning of year	<u>79,403</u>	<u>2,904,973</u>	<u>1,050,937</u>	<u>4,035,313</u>	<u>1,730,051</u>
Fund balance, end of year	<u>\$ 37,270</u>	<u>2,487,415</u>	<u>1,073,440</u>	<u>3,598,125</u>	<u>4,035,315</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2003

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, 2003 is \$12,925,086 (2002 - \$12,484,339) and the fair market value of the fund at March 31, 2003 is \$13,275,294 (2002 - \$12,762,992). At March 31, 2003 a total of \$4.5 million has been forwarded from the Northern Development Fund to the Society since its inception.

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

2. CASH, SHORT TERM INVESTMENTS AND ACCRUED INTEREST

Cash, short term investments and accrued interest consists of cash on deposit, term deposits, bonds and related accrued interest. The amounts are recorded at the lower of cost and net realizable value.

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.

4. STATEMENT OF CASH FLOWS

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

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2003

5. COMMITMENT

The Society is committed to provide grants totaling \$173,536 subsequent to March 31, 2003. The grant recipients for these commitments are as follows:

	<u>2003</u>	<u>2002</u>
District of Vanderhoof - Downtown Revitalization	\$ 125,000	125,000
Kitamaat Village Council - Wathl Creek	-	91,000
Kitamaat Village Council	-	11,570
Ootsa Lake Community Water Society - Water System	36,636	126,100
District of Vanderhoof - Riverside Park	-	77,250
Burns Lake Native Development Corporation	7,700	-
Heart of BC Tourism Association	<u>4,200</u>	<u>-</u>
	<u>\$ 173,536</u>	<u>430,920</u>