



Nechako-Kitamaat Development Fund Society

- Business Plan -

2022– 2023

April 1, 2022

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Executive Summary

Nechako-Kitamaat Development Fund Society (NKDF) incorporated on August 18, 1999 for the purpose of supporting sustainable economic activity in northern communities affected by the Kitimat-Kemano project and the creation of the Nechako Reservoir. The Society spends the income from its long-term investments on programs and projects that meet each community's goals for sustainable economic development and community stability.

The government of British Columbia and Alcan Aluminum Limited (Rio Tinto) each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. Of the \$15 million, \$5 million was allocated to a working fund and \$10 million was used to establish a Legacy Fund.

NKDF provides grants to local governments and legally incorporated non-profit organizations located within the investment area, including the following communities:

Kitamaat Village	Village of Burns Lake	Nadleh Whut'en Band
Southside	Burns Lake Band	Fort Fraser
Nee Tahi Buhn Band	Lake Babine Nation (Woyenne)	District of Vanderhoof
Cheslatta Carrier Nation	Stellat'en First Nation	Saik'uz First Nation
Skin Tyee Band	Village of Fraser Lake	

Since inception, NKDF has approved 401 grants to a total of \$11,954,553 for economic development and community stability projects across the investment area.

Increasing the NKDF capital in order to increase the amount of grant dollars available for community projects remains a critical priority. The legacy fund is being eroded in real terms, because of inflationary pressures and lower-than-expected investment returns, threatening the long-term viability of NKDF. The annual dollars granted has dropped from \$500,000 to \$250,000.

While other funding bodies operate in the area, NKDF is the only funding body focusing on economic and community development in the region specifically impacted by the Kitimat-Kemano project.

The NKDF Board of Directors will develop an Engagement Plan for increasing awareness of the financial constraints with leaders. NKDF will leverage these partnerships to lobby Rio Tinto and the Province of BC for additional funds to top up the legacy fund and increase the annual amount of grant dollars available.

In 2022-2023 we are seeking \$500,000 from the Legacy Fund held with BCI. With these funds we anticipate partnering in approximately 20 new community projects. The focus this year will be to support social and community projects that bring people back together after the pandemic. Additionally we will expedite funds to the communities by promoting and encouraging applications through the NKDF Under \$5,000 program.

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Introduction

Mandate

Nechako-Kitamaat Development Fund (NKDF) Society grants 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 projects that meet each community's economic development and community building goals and contribute to overall community health, development, and stability.

Background of the Fund

Nechako-Kitamaat Development Fund Society was founded following an out-of-court settlement called the BC-Alcan 1997 Agreement. Signed on August 5, 1997, the BC-Alcan 1997 Agreement settled the legal issues between Alcan Aluminum Limited and the BC Government that arose from the cancellation of the Kemano Completion Project. In 1997, the Government of British Columbia and Alcan Aluminum Limited each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. In January 1998, an advisory Board for the Northern Development Fund was formed to advise the government on how to best manage the \$15 million most effectively.

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, Economic Development and Competitiveness appoints Board members to represent the communities of the Nechako-Kitamaat area. The following is a timeline of events leading up to the incorporation.

- The cancellation of the Kemano Completion Project led to a conflict between the Province of BC and Alcan Aluminum Limited.
- BC-Alcan 1997 Agreement arose from an out-of-court settlement between the Province of BC and Alcan Aluminum Limited.
- The BC-Alcan 1997 Agreement led to the enactment of the BC-Alcan Northern Development Fund Act.
- The BC-Alcan Northern Development Fund Act led to the formation of the Advisory Committee to advise the Minister with respect to payments from the fund.
- Nechako-Kitamaat Development Fund was founded in 1999 to promote sustainable economic development in communities that were directly impacted by the creation of the Nechako Reservoir.

Of the original \$15 million, \$5 million was provided to NKDF to be used as a working fund to invest in projects and 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 investments into the future.

Guiding Principles

Economic Impact

COMMUNITY ECONOMIC DEVELOPMENT	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 businesses.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of NKDF.
SUSTAINABLE EMPLOYMENT	A priority of the Fund will be to support long term employment - both full time and seasonal.

Administrative

COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between eligible communities.
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.

Fund investments are managed by the provincial government through the British Columbia Investment Management Corporation (BCI), a provincial Crown Corporation. Monies of the Northern Development Fund—to be used in support of the programs of the NKDF Society—are in low-risk investments which provide little opportunity to grow the legacy fund, but which also protect the fund against significant loss in the event of volatile markets.

The Investment Area

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

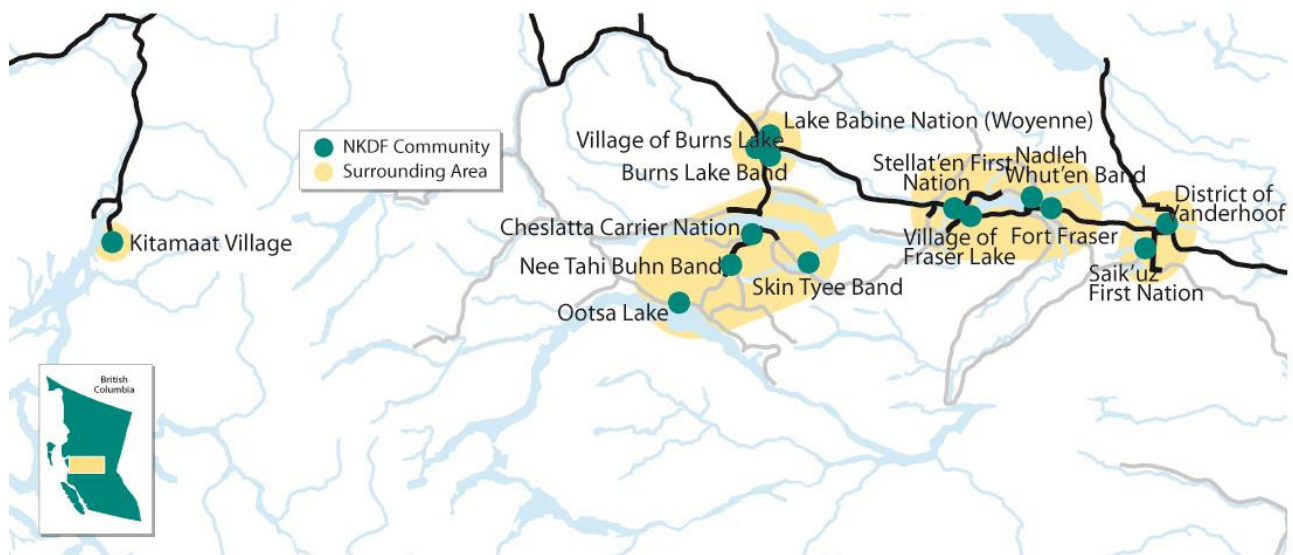
Kitamaat Village
Southside
Nee Tahi Buhn Band

Cheslatta Carrier Nation
Skin Tyee Band

Village of Burns Lake
Burns Lake Band
Lake Babine Nation
(Woyenne)
Stellat'en First Nation
Village of Fraser Lake

Nadleh Whut'en Band
Fort Fraser
District of Vanderhoof

Saik'uz First Nation



Meetings and Accountability

The Board meets a minimum of four times each year, with additional meetings convened as needed. Meetings are held in accordance with guidelines and directives of the provincial health authorities. The 2022-2023 year will see a return to in-person meetings, site visits and project tours after a two-year hiatus. In-person meetings are rotated throughout the communities of the investment area, with portions of meetings open to attendance by the public. Committee meetings and the occasional board meeting will continue to be held via video conferencing to provide cost effective meeting options.

Public accountability is created by:

- Encouraging local representatives to attend portions of Board meetings.
- Making decision records publicly available upon request.

- Posting annual reports, audited financial statements, and business plans at the NKDF website.

Increasing the Capital

Increasing the NKDF capital in order to increase the amount of grant dollars available for community projects remains a critical priority. The legacy fund is being eroded in real terms, because of inflationary pressures and lower-than-expected investment returns, threatening the long-term viability of NKDF. The annual dollars granted has dropped from \$500,000 to \$250,000. In 2020-2021 NKDF commissioned an economic impact study, developed business cases and requested additional funds from both Rio Tinto and the Province. The Province of BC and Rio Tinto have yet to commit any additional funding.

While other funding bodies operate in the area, NKDF is the only funding body focusing on economic and community development in the region specifically impacted by the Kitimat-Kemano project. Our communities continue to be negatively impacted by the Kitimat-Kemano project which drastically diminished the Nechako River and created the Nechako Reservoir. NKDF and the grants it provides are critical to the development, vitality and stability of our communities.

NKDF is known within the investment area as a responsive, community-focused organization that supports projects identified by residents as most important to their communities.

NKDF is respected throughout the communities it serves and has developed strong partnerships throughout the investment area. To date, NKDF has worked with the local government to advocate for increases. NKDF will build on the previous year efforts and continue to advocate for an increase in funds.

The NKDF Board of Directors will develop an Engagement Plan for increasing awareness of the financial constraints with leaders. NKDF will leverage these partnerships to lobby Rio Tinto and the Province of BC for additional funds to top up the legacy fund and increase the annual amount of grant dollars available.

The StrongerBC Economic Plan

In February 2022, The Province of BC released the StrongerBC Economic Plan. This long-term economic plan moves British Columbia forward by tackling the challenges of today while growing an economy that works for more people and families and builds on B.C's strength - its people.

NKDF has long recognized people, in particular the volunteers who dedicate hours of time in service to non-profit organizations, as the heart and backbone of our communities.

The StrongerBC plan aligns with many of the principles and values NKDF already strives toward. NKDF has long supported projects that build resilient and robust communities and improves the quality of life for residents.

In the coming year we will highlight these shared values and the ways in which NKDF efforts not only support but also advance the StrongerBC goals in our communities.

NKDF understands the dynamics and the unique challenges of small rural communities in Northern BC. NKDF has a proven track record of achievement and is well positioned to deliver on the mission of the StrongerBC Economic Plan.

In the upcoming year we will seek opportunities within the StrongerBC plan and combine these opportunities with our efforts in Increase the Capital and disperse an increased amount of grant dollars to build resilient communities, diversify the economy, create quality of life infrastructure that supports and attracts new business, support the priorities of First Nations and Indigenous communities and support all the people who call these communities home.

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Impact of Covid-19

As we close out year two of the pandemic, it is time to revitalize the social support systems and community events vital to the health of rural communities.

As we enter this next phase of COVID management, NKDF will serve as a leader in the region and as a catalyst to recharge our communities both economically and psychologically. We will increase in-person engagement with the communities and attend events to provide information and increase awareness of the NKDF grant programs and ways in which funds can be used to support projects that revitalize the momentum.

We anticipate an increase in applications in 2022-2023 as organizations move forward with plans and events that were put on hold. Small non-profit organizations have been hit hard by the past two years and resources and funds have been depleted. NKDF will serve these organizations and provide a quick response.

NKDF and our communities are open for business.

Strategic Priorities

Three Year Strategic Plan

The Board has adopted the following strategies for 2022-2025:

- 1) To pursue efforts to increase the capital and investment returns for NKDF programs.
- 2) To serve as a leader and provide the catalyst to re-invigorate and galvanize communities as we emerge from COVID.
- 3) To support social and community projects that bring people back together after COVID.
- 4) To expedite funds to the communities by promoting and encouraging applications through the NKDF Under \$5,000 program.
- 5) To ensure that the Province of BC is aware NKDF is a resource to implement the StrongerBC Economic Plan.

Measuring Success

Priority 1: To pursue efforts to increase the capital and investment returns for NKDF programs.

A Community Engagement Plan will be developed that outlines the common message we want to share with the broader community and leaders. The plan will detail ways in which NKDF will leverage established relationships and partnerships to support and advocate alongside us for increased capital.

Measurements:

- Number of conversations with residents of the investment area.
- Number of engagements with local leaders.
- Number of requests for funding submitted.
- Additional dollars added to the Legacy Fund.
- Increase in amount of investment returns.
- Increase in grant dollars approved for projects.

Priority 2: To serve as a leader and provide the catalyst to re-invigorate and galvanize communities as we emerge from COVID.

As we enter the next phase of transitioning from the pandemic to creating the new reality, NKDF will work to assist with revitalizing the social support systems and community events vital to the health of rural communities through grassroots efforts including in-person visits, reaching out to organizations, and encouraging innovation and creativity.

Measurements:

- Number of visits to the communities.
- Number of conversations and engagement with local leaders, First Nations and non-profit organization volunteers.
- Grant dollars invested in projects arising because of the visits and conversations.
- Subjective word-of-mouth feedback and the mood and health of the communities.

Priority 3: To support social and community projects that bring people back together after COVID.

NKDF will launch a social media campaign to bring awareness to the NKDF grant programs, solicit applications and encourage innovation from organizations as they work to re-launch after a two-year hiatus.

Criteria:

- The return of annual events after a hiatus due to COVID.
- New events that encourage the community to come together.
- Recreational opportunities that support quality of life.
- Events/projects that support tourism and promote the region as a destination for tourists.
- Projects that support opportunities for non-profit organizations to restore revenue streams that were impacted by COVID.

Measurements:

- Number of projects approved under these criteria.

Priority 4: To expedite funds to the communities through the NKDF Under \$5,000 program.

NKDF will launch a social media and in-person awareness campaign to promote the Under \$5,000 Grant Program. The marketing will showcase and highlight past projects approved through this program and encourage applications. No project is too small. We will encourage funding requests in this category from \$100 up to \$5,000. The Under \$5,000 Grant Program allows for applications to be submitted on a continuous in-take. Applications are vetted, processed and funding decisions made within three weeks.

Measurements:

- Number of inquiries about the under \$5,000 program.
- Number of applications received in this category.
- Number of projects approved in this category.

Priority 5: To showcase the ways in which the Stronger BC Economic Plan aligns with NKDF principles and seek opportunities to invest in projects that exemplify this alignment.

The StrongerBC plan aligns with many of the principles and values NKDF already strives toward. NKDF has long supported projects that build resilient and robust communities and improve the quality of life for residents.

Measurements:

- Number of projects supported with NKDF dollars that advance the goals of StrongerBC Plan.

Funding Program Criteria for 2022-2023

The funding program supports projects that address one or more of the following key aspects of economic development in the NKDF investment area:

Infrastructure:

- That strengthens the local and regional economy and increases the ability of local business to compete in the marketplace such as airports or communications infrastructure.
- That contributes to a healthy and economically vibrant downtown including downtown revitalization and lighting.
- That attracts tourism and/or resident attraction including cultural infrastructure, museums, heritage sites, and parks.
- Recreational infrastructure that encourages resident attraction and retention, along with increased opportunities for recreation and sports tourism including trail networks, exhibition grounds, and sports fields.
- That improves the condition of an asset that contributes to community development including community halls.

Planning and Research: Projects that provide the background information and pre-planning required to make decisions about future investments. Types of projects include feasibility studies, market research, needs assessments, surveys, strategic plans, and tourism plans.

Human Development: Projects that provide skills training that enables people and organizations to increase employment, economic activity, and capacity. Types of projects include job skills training and workshops and courses for volunteers and small business owners.

Promotion and Brokering: Projects that support economic diversification and development of new markets and serve to facilitate business attraction initiatives, investment attraction initiatives, resident recruitment initiatives, and visitor attraction initiatives. Types of projects include branding development, marketing campaigns, web-based strategies, digital strategies, and signage.

Priority will be given to projects that:

- Fit in the context of long-term economic development goals.
- Enable a community to acquire public or private investment.
- Lead to long-term jobs in the region.
- Contribute to COVID-19 economic recovery efforts.
- Promote economic activity in the investment area.
- Involve a collaboration among two or more organizations and benefit two or more communities within the NKDF investment area.
- Include a connectivity component aimed at delivering high-speed internet to rural and remote areas.
- Have community buy-in, demonstrated by support letters and donations from local government and other organizations within the local community.
- Have benefits continuing after the funding is invested and the project complete.
- Include a financial or in-kind contribution from the proponent toward the project.

Communications

The Manager is responsible for developing and implementing a communications strategy, including media releases, a website, a Facebook page, and direct contact with local, provincial, and federal agencies. The Communications Strategy is comprised of six goals:

1. To create an identifiable regional image for the Nechako-Kitimaat Development Fund Society and its funding partners, the Province of BC and Rio Tinto.
2. To inform prospective applicants about the Fund, its purpose and priorities, and how to apply for funding.
3. To inform related agencies and individuals about the economic development projects financed by the Fund.
4. To raise and maintain the profile of the Board members in their home communities and throughout the investment area.
5. To comply with provincial government reporting requirements.
6. To track and evaluate the effectiveness of all communications.

Program Administration

Funding Programs

The Society approved \$238,427 in funding assistance during the 2021-2022 fiscal, bringing the total approved since inception to \$11,954,553. During the 2022-2023 fiscal, the Society will make \$300,000 available for grants to qualifying organizations throughout the investment area. For more information on this projection, refer to Table 1, page 12.

The success of the NKDF funding program over the past two decades has led to more demand than the Society can provide grants for under the current financial structure. The success can be attributed, in part, to the following eight factors:

1. The broad-based structure of the Board of Directors, including eight representatives from communities throughout the investment area, one from the Province of BC, and one from Rio Tinto.
2. The diverse makeup of the Board in terms of experience, expertise, and community-based perspectives, combined with a transparent and candid decision-making process that leads to well thought-out decisions about which projects to support and how much funding to provide.
3. Sound administrative practices, including management of working fund investments, working with applicants and recipients, and overseeing projects from concept to fruition.
4. Responding directly to the needs as prioritized by the people and organizations in each community.
5. Maximizing investment of available dollars back into the communities of the Nechako and Kitamaat regions.
6. Directors create public awareness and profile by participating in NKDF events (cheque presentations, grant writing workshops, grand openings, project tours, and visits with local governments) and by promoting the Society within their communities.
7. Residents throughout the investment area are aware of the Society because of ongoing visits by the Manager and Directors, and the promotion of the NKDF brand and logo via signage posted at each funded project location.
8. Promotion on the NKDF website, NKDF Facebook page, and in local media highlighting successful projects, people and organizations throughout the investment area.

2022–2027 Fiscal Plan

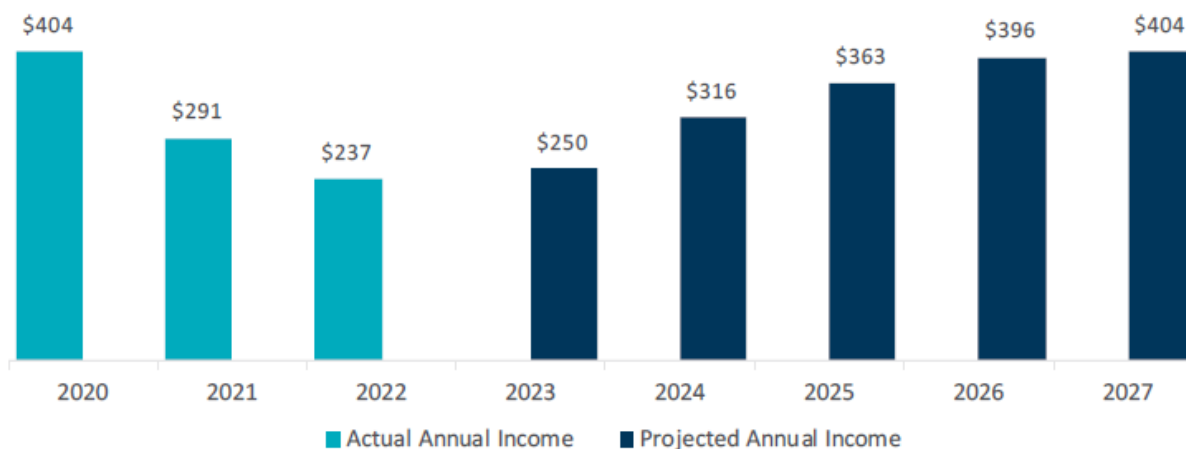
Five Year Fiscal Plan

The Fund was established to benefit the communities in the investment area for as long as the Kemano power project continued to affect the region. To meet that objective, the Board of Directors must balance two bottom lines in their spending strategy—one bottom line is to invest in, and support current economic development activities and the other is to maintain an economic development Legacy Fund in perpetuity.

NKDF has two sources of funds: the *legacy* fund (held with BCI) and the *working* fund (held with NKDF and invested with Phillips, Hagar & North). As of March 31, 2022, the legacy fund had a market value of \$13,288,462.54, and the working fund was valued at \$2,198,717.

The following table¹ shows the projected income from the legacy fund to 2027.

ACTUAL & PROJECTED FISCAL YEAR INCOME (\$'000)



Projected Income Disclosure

Projected income is an estimate of future portfolio returns less expenses. A number of assumptions are made, including yields of future purchases, general market conditions, that all bonds are held to maturity, and that average client withdrawals maintain capital preservation of the fund.

¹ From the March 31, 2022 Northern Development Fund held with BCI March 31, 2022 Positions Report

Table 1: Five Year Financial Plan

5-YEAR FINANCIAL PLAN	2022-23	2023-24	2024-25	2025-26	2025-27
Opening Balance NKDF Assets	\$2,562,518	\$2,512,442	\$2,459,614	\$2,403,966	\$2,345,426
Transfers from BCI	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
*Anticipated New Grant Approvals	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
Administration	(\$110,076)	(\$112,828)	(\$115,649)	(\$118,540)	(\$121,503)
Projected Earnings PHN, Integris	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Closing balance NKDF funds	\$2,512,442	\$2,459,614	\$2,403,966	\$2,345,426	\$2,283,922
Opening Balance BCI	\$13,248,846	\$12,997,846	\$12,747,846	\$12,548,846	\$12,356,846
Projected BCI Earnings	\$249,000	\$250,000	\$301,000	\$308,000	\$330,000
Transfers from BCI to NKDF	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
Closing Balance BCI Funds	\$12,997,846	\$12,747,846	\$12,548,846	\$12,356,846	\$12,186,846
Total BCI Plus NKDF Assets	\$15,510,288	\$15,207,460	\$14,952,812	\$14,702,272	\$14,470,769

*Anticipated new grant approvals is based on receiving a transfer from the Province in the amount of \$500,000. If the transfer from the Province is less, the grant target will also be reduced.

Appendix A: Budget Projections

OPERATING BUDGET	2019-2020	2020-2021	2021-2022	2022-2023
	Actual	Actual	Actual	Projected*
Accounting and Audit	\$5,000	\$5,293	\$5,515	\$5,500
Legal	\$0	\$2,059	\$0	\$100
Advertising and Promotion	\$1,800	\$805	\$1,031	\$5,000
Conferences	\$3,300	\$26	\$0	\$1,000
Honorariums	\$10,000	\$8,425	\$5,825	\$8,000
Insurance	\$840	\$765	\$765	\$800
Office	\$900	\$0	\$1,414	\$1,000
Server Maintenance	\$4,920	\$3,755	\$552	\$0
Subcontract - Manager	\$73,682	\$70,963	\$66,084	\$73,976
Subcontract - Other	\$800	\$486	\$0	\$500
Supplies and Equipment	\$4,622	\$1,172	\$713	\$800
Telephone	\$2,020	\$1,553	\$1,474	\$1,400
Consultant	\$40,000	\$38,173	\$0	\$0
Travel and Meetings - Board	\$10,000	\$0	\$71	\$10,000
Travel and Meetings - Manager	\$2,000	\$0	\$0	\$2,000
Total Operations	\$159,884	\$133,475	\$83,444	\$110,076

*GRANT BUDGET	2019-2020	2020-2021	2021-2022	2022-2023
	Actual	Actual	Actual	Projected
New Grants Approved	\$500,000	\$307,101	\$238,427	\$500,000

*The 2022-2023 budget is based on a transfer of \$500,000 from the Legacy Fund held with BCI and a withdrawal of \$100,000 from PHN investment funds. If the Province transfers a lower amount from BCI the grant budget will be reduced.

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2022

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
FINANCIAL STATEMENTS
MARCH 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Nechako-Kitamaat Development Fund Society
Prince George, BC
and to
British Columbia Ministry of Jobs, Economic Development and Competitiveness
Victoria, BC

Opinion

We have audited the accompanying financial statements of Nechako-Kitamaat Development Fund Society, which comprise the Statement of Financial Position as at March 31, 2022, and the Statements of Operations and Changes in Fund Balances and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian auditing standards, we exercise professional judgement and maintain professional skepticism through the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Smithers, BC
May 10, 2022

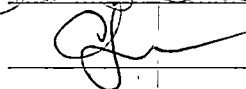

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NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash - administration fund	\$ 30,027	\$ 12,207
Cash -grant fund	336,393	158,489
Short term investments, Note 3	2,198,717	2,206,703
GST receivable	<u>2,282</u>	<u>2,995</u>
	<u>2,567,419</u>	<u>2,380,394</u>
LIABILITIES		
Accounts payable	<u>4,901</u>	<u>4,898</u>
NET FINANCIAL ASSETS	2,562,518	2,375,496
CONTRACTUAL OBLIGATIONS (Total \$240,324), Note 7		
NON FINANCIAL ASSETS	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS (see Note 7 for Contractual Obligations)	<u>\$ 2,562,518</u>	<u>\$ 2,375,496</u>
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating	\$ 2,186,987	\$ 1,989,329
Accumulated remeasurement gains and losses	<u>375,531</u>	<u>386,167</u>
	<u>\$ 2,562,518</u>	<u>\$ 2,375,496</u>

APPROVAL OF THE BOARD:

 Director

 Director

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF OPERATIONS AND CHANGES TO OPERATING FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2022

	2022 Actual	2022 Budget (Note 6)	2021 Actual
REVENUE			
Contribution agreement funding -			
Province of B.C.	\$ 300,000	\$ 500,000	\$ 500,000
Investment	<u>104,007</u>	<u>57,761</u>	<u>91,474</u>
	<u>404,007</u>	<u>557,761</u>	<u>591,474</u>
EXPENSES			
Accounting and audit	5,515	5,500	5,253
Advertising and promotion	1,031	500	805
Conference	-	-	26
Honorariums	5,825	10,000	8,425
Insurance	765	800	765
Legal	-	-	2,060
Office	1,414	1,000	1,700
Server maintenance	552	2,000	3,756
Subcontract - manager	66,084	72,523	70,963
Subcontract - other	-	600	-
Supplies and equipment	713	1,000	-
Telephone	1,474	2,000	1,554
Travel and meetings - board	71	2,000	-
Travel and meetings - manager	<u>-</u>	<u>1,000</u>	<u>-</u>
Sub-total	83,444	98,923	95,307
Special project-economic impact study	-	-	12,590
Special project-business case	-	-	25,584
Grant payments	<u>122,905</u>	<u>500,000</u>	<u>542,856</u>
	<u>206,349</u>	<u>598,923</u>	<u>676,337</u>
Excess (deficiency) of revenues over expenses for the year	197,658	(41,162)	(84,863)
Operating fund balance, beginning of year	<u>1,989,329</u>	<u>1,989,329</u>	<u>2,074,192</u>
Operating fund balance, end of year	<u>\$ 2,186,987</u>	<u>\$ 1,948,167</u>	<u>\$ 1,989,329</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
Accumulated remeasurement gains and losses, beginning of year	\$ 386,167	(5,857)
Unrealized gain (loss) on portfolio investment	1,012	416,895
Realized (gain) loss on portfolio investment, reclassified to operations	<u>(11,648)</u>	<u>(24,871)</u>
Accumulated remeasurement gains and losses, end of year	\$ <u>375,531</u>	\$ <u>386,167</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF CASH FLOWS
MARCH 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 197,658	(84,863)
Add: Items not involving cash		
Unrealized gain (loss) on portfolio investment	<u>1,012</u>	<u>416,895</u>
	<u>198,670</u>	<u>332,032</u>
Net change in non-cash working capital		
Net (increase) decrease in:		
GST receivable	<u>715</u>	<u>(15)</u>
	<u>199,385</u>	<u>332,017</u>
CAPITAL ACTIVITIES	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
INVESTING ACTIVITIES		
Decrease (increase) in short term investments	7,987	(268,459)
Realized gain (loss) on portfolio investment, reclassified to operations	<u>(11,648)</u>	<u>(24,871)</u>
	<u>(3,661)</u>	<u>(293,330)</u>
INCREASE (DECREASE) IN CASH	195,724	38,687
CASH, beginning of year	<u>170,696</u>	<u>132,009</u>
CASH, end of year	<u>\$ 366,420</u>	<u>170,696</u>
CASH CONSISTS OF:		
Cash - administration fund	\$ 30,027	12,207
Cash - grant fund	<u>336,393</u>	<u>158,489</u>
	<u>\$ 366,420</u>	<u>170,696</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, 2022

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 fair market value of the fund at March 31, 2022 is \$13,248,846.31 (2021 - \$13,993,531). At March 31, 2022 a total of \$12.6 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. The Society is required to file a T2 Corporate Income Tax Return annually however its activities are exempt from taxation.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

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.

Financial Instruments

Financial instruments consist of cash, short term investments, receivables and payables. All financial instruments are recorded at market value. For short term investments, the classes of the investments, as outlined in Note 3, are held in active markets with publicly available trading values. Therefore the fair market value of each class of short term investments is considered Level 1 as outlined by Canadian Public Sector Accounting Standards section 3450, Financial Instruments.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

Revenue

Grant revenue is recognized when the grant is received by the Society.

Investment revenue includes interest, dividend and realized capital gains income and losses. Unrealized gains and losses on held-for-trading financial assets are recorded in the Statement of Remeasurement Gains and Losses in the period in which the unrealized gains and losses arise.

Grant payments

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

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, 2022 is \$1,823,185 (2021 - \$1,820,536).

	2022	<u>2021</u>
Cash and Cash Equivalents Funds	\$ 97,464	\$ 151,751
Fixed Income Funds - Canadian	48,973	50,278
Fixed Income Funds - Other International	631,586	637,035
Equity Funds - Canadian	353,479	280,850
Equity Funds - United States	447,836	430,924
Equity Funds - Other International	<u>619,379</u>	<u>655,865</u>
	<u>\$ 2,198,717</u>	<u>\$ 2,206,703</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

4. FINANCIAL ASSETS AND LIABILITIES

The significant financial risks to which the Society is exposed include the following:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Society to a concentration of credit risk consist primarily of cash and short term investments. The Society limits its exposure to credit loss from its cash by placing its cash with major Canadian financial institutions. The Society's maximum exposure to credit risk for short term investments are the amounts disclosed in the Statement of Financial Position.

Fair value risk

The Society estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments. For short term investments, the classes of the investments, as outlined in Note 3, are held in active markets with publicly available trading values. The Society's maximum exposure to fair value risk for short term investments are the amounts disclosed in the Statement of Financial Position.

Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash or have an available credit facility to meet its liquidity requirements in the short and long term.

As at March 31, 2022, the Society had cash of \$366,420 (March 31, 2021 - \$170,696) to settle current liabilities of \$4,901 (March 31, 2021 - \$4,898). Management believes that liquidity risk for financial instruments is minimal.

Market risk

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Society mitigates these risks by the diversity of its short term investment classes as disclosed in Note 3.

Foreign currency risk

The Society is exposed to currency risk with respect to the US and other international equity funds amounts as disclosed in Note 3.

Interest rate risk

The Society is exposed to interest rate risk to the extent that the cash and money market funds maintained are subject to a floating rate of interest. The interest rate risk on cash and money market funds is not considered significant. Management believes that interest rate risk for cash and money market funds is minimal.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

5. REMUNERATION PAID TO DIRECTORS, EMPLOYEES AND CONTRACTORS

In accordance with the Societies Act the Society discloses all remuneration paid to directors and also discloses annual payments to employees and contractors that individually exceed \$75,000. The Society has no employees and none of the Society's contractors are paid in excess of the \$75,000 disclosure amount. The director remuneration is provided on the calendar year basis as the information is most readily available from the T4 reporting forms and there are no material differences to the fiscal year totals. The director remuneration is as follows:

	2022	<u>2021</u>
Director	\$ 875	\$ 1,500
Director	1,400	2,850
Director	1,000	1,500
Director	1,000	1,375
Director	750	1,500
Director	375	1,500
Director	<u>-</u>	<u>375</u>
	<u>\$ 5,400</u>	<u>\$ 10,600</u>

6. BUDGET

The budget amounts correspond to Appendix 'A' of the 2021/22 Business Plan.

7. CONTRACTUAL OBLIGATIONS

The Society is contractually obligated, provided the recipients fulfill the requirements of the funding agreements, to provide grants totaling \$240,324 subsequent to March 31, 2022. The following schedule provides the continuity of commitments at the beginning of the year with the current year grant approvals, the grant payments paid out or unexpended funds returned and any other grant adjustments including projects cancelled that do not proceed and projects completed at a total cost below the anticipated total to agree to the outstanding grant commitments at the end of the year.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

	Balance <u>Beginning</u>	Grant <u>Approvals</u>	Grant <u>(Payments)</u>	Cancellations and <u>Project Surplus Retained</u>	Balance <u>Ending</u>
Burns Lake Mountain Biking Association - Village Connector	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Burns Lake Snowmobile Club- Nellian Lake Gazebo	6,163	-	(6,163)	-	-
Cheslatta Carrier Nation - History Book of the Cheslatta Carrier Nation	18,750	-	-	-	18,750
District of Vanderhoof - Riverside Interpretive Signage	-	5,000	-	-	5,000
District of Vanderhoof - Airport Washroom	-	5,000	-	-	5,000
First Nations Educational Foundation - Haislakala Language Revitalization Project	2,500	-	(2,500)	-	-
Francois Tchesinkut Lake Recreation Commission - Community Hall Improvements and Projects	-	7,811	(7,811)	-	-
Haisla Nation Council - Bandshell	48,194	-	-	-	48,194
Lakes District Airport Society - Refuelling Station	30,000	-	(15,000)	-	15,000
Lakes District Fair Association - Moving Forward During COVID	-	20,000	(10,000)	-	10,000
Lakes District Film Appreciation Society- Beacon Facade	-	20,000	-	-	20,000
Lakes District Senior Citizens Housing Association - Carroll Cottage Rejuvenation	-	5,000	(5,000)	-	-
Nechako Valley Historical Society - Storage Container	480	-	-	-	480
Nechako Community Arts Council - Arts in Vanderhoof Mural	-	600	(600)	-	-
Nechako Valley Sporting Association - Ski Rental Program	-	4,950	(4,950)	-	-
Nechako Valley Exhibition Society - Equipment Repair - Bobcat	-	3,566	(3,566)	-	-
Nechako Valley Sporting Association - Machine Shed	-	4,000	(3,600)	-	400
Nechako Valley Rodeo Association - Bring Back Rodeo	-	10,000	-	-	10,000
Regional District of Bulkley Nechako - Fort Fraser Fire Engine	-	40,000	(20,000)	-	20,000
Tamitik Status of Women Association - 24-Hour Daycare	-	30,000	-	-	30,000
Vanderhoof Air Cadets - Canoes	300	-	(300)	-	-
Village of Fraser Lake - Fraser Lake Disability Door Assists	2,914	-	(2,914)	-	-
Vanderhoof Menshed Society - Heating Efficiencies	500	-	(500)	-	-
Village of Burns Lake - St. John's Heritage Church Redevelopment	-	30,000	(15,000)	-	15,000
Vanderhoof Chamber of Commerce - We Are Open Shop Local Campaign	-	2,500	-	-	2,500
Village of Fraser Lake - White Swan Dock	-	50,000	(25,000)	-	25,000
	<u>\$ 124,801</u>	<u>\$ 238,427</u>	<u>\$ (122,904)</u>	<u>\$ -</u>	<u>\$ 240,324</u>