



*Inspiring
innovation,
collaboration
and growth*



2006-2007
ANNUAL REPORT



**RURAL
ALBERTA'S**
DEVELOPMENT FUND

T A B L E O F C O N T E N T S

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M E S S A G E
F R O M T H E
C O - C H A I R S



The creation of Rural Alberta's Development Fund (RADF) is testimony to the Government of Alberta's belief that 12 people with diverse experiences and a deep understanding of rural Alberta can make wise decisions about financing innovative rural development projects.

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We think this belief has proven its legitimacy in the short time that RADF has been in existence.

Doug Horner, as former Minister of Agriculture, Food and Rural Development, Clint Dunford, as former Minister of Economic Development and Doug Griffiths, MLA for Battle River-Wainwright were instrumental in making RADF a reality. Their vision remains a source of strength and inspiration for us.

It has been a whirlwind ride, building an incorporated, not-for-profit company from scratch. While the co-chairs were appointed in June 2006, the Board of Directors existed in name only until late August when our first organizational meeting was held. We went from a group of 12 with no staff to opening our doors for business in eight weeks.

In that time we developed policies and procedures, program criteria and guidelines, a business and financial plan, and a governance structure to guide and manage a \$100M enterprise. These have been fine-tuned in recent months but the core elements have remained the same. This is a credit to the knowledge and abilities of Board members and those who provided us with advice and counsel.

This sound foundation planning, and the hiring of Managing Director Terry Keyko in September of 2006, enabled RADF to open for business on October 23, 2006. By the end of March, 2007 the Board had approved one project for funding and 28 others were in full proposal stage. Every one of these projects fit within RADF's mandate and holds the promise of substantial, sustainable rural growth and development.



While guided by the province's Rural Development Strategy and our contracted mandate, the flexibility and independence of a corporate structure has enabled the Board to commit to being more than a granting body. It has allowed us to actively encourage people to think beyond bricks and mortars and focus on programs as the stimulant for growth, prosperity and quality of life in rural Alberta.

Our early policy discussions recognized capital infrastructure is a major concern in rural Alberta. We anticipated that we would be inundated with such requests. While the Board felt consideration should be given to funding incidental capital costs, it was steadfast in its belief that getting organizations and people to collaborate on new and innovative programming was the best way to help rural communities grow and prosper.

This isn't an easy concept for many as being involved in non-capital projects that have multiple partners and engages the community up front is quite challenging. Early Expressions of Interest and discussions with rural Albertans confirmed more needs to be done to build community capacity. RADF is taking the lead to assist rural organizations with this by hosting community workshops in 2007/2008.

A key element of our financial plan was to ensure that all of the \$100M provided to us would be distributed to applicants. Board policy calls for investment revenue to cover all staff, operational and ancillary expenses. We are confident this will occur given that our funding policy calls for an even distribution of about \$33M per year over the next three years.

The Board's deliberations have been helped tremendously by input from Alberta Agriculture and Food and Alberta Employment, Immigration and Industry. Government of Alberta



Fred Estlin





Bob Clark

In the coming year, it will be important for us to refine our work even further.

observers such as Ray Prins, MLA for Lacombe-Ponoka and Chair of the Advisory Council on Rural Development have been invaluable in providing counsel on government plans, programs and policy development. Involvement of observers is a key tool for the Board in ensuring RADF does not duplicate or conflict with government activities.

We extend our thanks to the Honourable Iris Evans, Minister of Alberta Employment, Immigration and Industry. She has been very supportive of the Board and its activities since taking over the rural development portfolio in December.

Our thanks as well to the Department of Tourism, Parks, Recreation and Culture and particularly to the staff and Friends of Ukrainian Cultural Heritage Village, which is located east of Edmonton. Staff have been most gracious in providing us with temporary space while our lease hold improvements to an on-site renovated barn are being done. The improvements will give us suitable office space and provide a long term benefit to the Village.

In the coming year, it will be important for us to refine our work even further so there is very good clarity about RADF's place in rural development and the desired outcomes for the company. With the pressures of start-up behind us, we can concentrate more on governance and meeting our performance goals. We can also spend more time meeting with rural Albertans to seek their input and advice on RADF and its strategic direction.

Finally, a word of thanks to our staff. The Board has achieved more than it thought possible when it first met in Olds seven months ago. Our rapid progress would not have occurred without the dedication and commitment of Terry Keyko and his staff.

Fred Estlin & Bob Clark
Co-chairs
Rural Alberta's Development Fund



M E S S A G E
F R O M T H E
M A N A G I N G
D I R E C T O R

Since joining Rural Alberta's Development Fund in September, 2006 my focus has been on getting the people, systems and resources in place that would allow the corporation to meet its obligations and objectives. Basic systems like finance, communications and application intake and review were essential precursors to opening our doors for business.



Terry Keyko

Although we launched in October, contracted services were used to support essential functions until February, 2007 when a full-time Program Director, Project Coordinator and Operations Coordinator began work. That month also marked our move to temporary quarters at Ukrainian Cultural Heritage Village east of Edmonton. We should be in our permanent office space by summer and look forward to hosting a grand opening event in our new home at the Village, likely in September.

From the beginning, RADF had in place a two stage funding application process. It was felt requiring a two or three page Expression of Interest first would save applicants from unnecessarily spending a tremendous amount of time and energy on a submission. This has proven to be popular with applicants and administratively efficient. We were able to meet our target of four to six weeks to review and respond to Expressions of Interest despite a large volume.

Adding permanent full-time staff has enabled us to spend more time providing guidance and assistance to groups who wish to develop Expressions of Interest or are in the midst of doing a full proposal (stage 2). Staff have, together with Board members, given presentations, held meetings and conducted briefings throughout the province to make our funding priorities clear. By year's end, we were receiving fewer ineligible submissions and clearer descriptions of the vision, purpose and benefits of proposed projects.



*Fully operational
systems and
staff will increase
our capacity to
stimulate rural
growth.*

Administration and operations has been made easier by the tremendous support received from the Board of Directors and particularly the Co-Chairs. Program Committee Chair Jann Beeston, Finance and Investment Committee Chair Brad Ferguson and Audit Committee Chair Jon Close and their members have done an outstanding job completing their responsibilities in very short timeframes.

Our focus in 2007/08 will be to fill out our staffing complement and solidify operations, particularly in the areas of application processing and stakeholder support. Fully operational systems and staff will increase our capacity to stimulate rural growth, development and collaboration and to be more responsive to the needs and input of stakeholders.

Like any new organization, RADF has experienced glitches, hiccups and unforeseen bumps in the road. The patience of rural Albertans and in particular applicants with the corporation as we fine tuned policies and processes has been very much appreciated.

My thanks goes out to staff in the Departments of Alberta Agriculture and Food and Alberta Employment, Immigration and Industry for their support in helping RADF get up and running. Their on-going involvement as liaisons, researchers and policy advisors has been very helpful to the Board and the organization as a whole.

Of course my own staff and contracted consultants have been tremendously devoted to making RADF a success. We would not be as advanced as we are today without their long hours, expertise and good humour. I thank them for all their efforts.

***Terry Keyko
Managing Director
Rural Alberta's Development Fund***



Y E A R I N

The genesis of Rural Alberta's Development Fund was the provincial government's Rural Development Strategy, developed in 2005. One hundred million dollars was set aside in the 2006 provincial budget to kick-start one element of the Strategy – a rural development project fund.

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On June 16, 2006, Doug Horner, Minister of Agriculture, Food and Rural Development and Clint Dunford, Minister of Economic Development announced Bob Clark of Carstairs and Fred Estlin of Grande Prairie as founding members and co-chairs of the project fund. A month later, Rural Alberta's Development Fund (RADF) was incorporated as an independent, not-for-profit company under Part 9 of the Companies Act (Alberta). Since then, there have been several milestones to mark a succession of achievements.



R E V I E W

August 20 - 22, 2006

The 12 member Board of Directors meet for the first time in Olds. The 10 Directors joining Mr. Clark and Mr. Estlin were chosen by the co-chairs from among 240 applicants. The organizational meeting establishes a governance structure, a policy framework and sub-committees. In the absence of staff, Board members volunteer to take the lead in developing a business plan and program funding criteria.

October 2, 2006

The Board approves a five year business plan and program criteria/guidelines. The plan and guidelines commit the Board to grant – over three years – approximately \$33M annually to program focused projects. Years four and five focus on monitoring and evaluating funded projects and RADF's outcome-based performance measures.

Managing Director Terry Keyko has been on the job less than a month but has pulled together communications, finance and operations support. A branding program is in place, giving the new company a unique signature and look.

October 23, 2006

RADF opens for business. A web site (www.ruralalberta-fund.com) and a toll free line are activated. A wave of province-wide communication and promotion targeting MLAs, government officials, media, eligible applicants and other key stakeholders generate awareness of the new entity and the funding application process.

Y E A R I N R E V I E W

November 16, 2006

The Government of Alberta announces it will transfer \$100 million in project funding to the new company. Ministers Horner and Dunford present a symbolic cheque to the RADF Board at an Alberta Association of Municipal Districts & Counties convention in Edmonton.

At a meeting later in the day, the Board reviews its first nine Expressions of Interest. It asks two applicants to take the next step and develop full proposals.

December 14, 2006

More than 70 people representing 40 organizations attend a RADF open house in Lethbridge. Board members engage the crowd, emphasizing its mandate is to support new or innovative programs, not capital construction or renovations. The next day, the Board reviews 41 further Expressions of Interest. Most are capital requests. It asks two applicants to develop full proposals.

January 8, 2007

RADF and Alberta Employment, Immigration and Industry, the new department responsible for rural development, execute an agreement outlining RADF's obligations regarding the allocated funds. Three days later, the \$100 million committed in November is deposited in RADF's bank account. The company activates its investment program.





February 1, 2007

RADF's office relocates to the Ukrainian Cultural Heritage Village east of Edmonton. Staff work in a temporary space in the administration building until renovations above a reception hall nearby can be completed. The 111 Expressions of Interest received in the first three months of operation exceed RADF's total available funds. Two-thirds are capital requests (\$95.8M).

Communications efforts are redoubled to make funding priorities clear. Board members begin a series of speaking engagements, materials are updated and tabletop displays with brochures are sent to 800 organizations across Alberta.

March 8, 2007

Approximately 130 people from 50 organizations attend a RADF open house in Vegreville. The next day, the Board of Directors approves its first project and \$2.4M in funding support for a provincial Integrated Community Clerkship program. It also sets out a process to develop performance outcome measures for the RADF as required by its contract with the Government of Alberta.

March 31, 2007

RADF's year ends with a total of 170 Expressions of Interest seeking \$207M in funding requests. One proposal is approved and 28 more are in full proposal stage. Declined Expressions of Interest drop from 88% in November, 2006 to 52% in March, 2007.

Board members and staff spend February and March making presentations throughout the province, speaking to more than 1,000 people representing hundreds of organizations. Venues vary from large conventions hosted by provincial associations like the Alberta Association of Agricultural Societies and AAMD&C to regional grant information sessions and special meetings organized by local community groups and business people.





A C T I V I T Y S T A T I S T I C S

(for the year ended March 31, 2007)

Expressions of Interest received	170
Approved to full application stage	29
Approved for funding	1
Declined	133
Under review/previously reviewed	6
Withdrawn	2

Total funding requested	\$207,148,255
Total value of projects	\$461,908,292
Total funding requested – capital only	\$119,700,006
Total value of projects – capital only	\$316,111,455

Expressions of Interest – By Type of Project

(for the year ended
March 31, 2007)

**Total
170**



Health/recreation → 5
Aboriginal → 4
Seniors → 2

Rural Alberta's Development Fund has a contractual obligation to develop, evaluate and report on outcome-based performance measures. The outcomes define what the benefits of investing \$100M in rural projects will bring Albertans. Outcomes and performance measures were being developed as the year closed. A commitment was made to have a draft to the Minister of Employment, Immigration and Industry by the end of April, 2007.

The business plan approved by the Board in October, 2006 has annual and five year targets for management and organizational performance. In the table below are results RADF is able to report on for its first five months of operation. The relevant 2006/2007 targets from the business plan have been pro-rated to match the shortened operational year.

Management Performance Measures

	2006/2007	
	Target	Actual
Number of Expressions of Interest received	123	170
Expressions of Interest recommended to full proposal stage	28-30%	17%
Time to decision from Expression of Interest to funding approval	120 days	90 days
Investment in approved projects	\$12.5M	\$2.4M*

* Total value of the 28 proposals under development at the end of March 31, 2007 for the Board's final review and decision is \$51.2M.



The 2006/07 year saw the Board develop and approve a number of policies, procedures and programs that allowed the corporation to carry out its business.

- Policies included Policy Development, Corporate Governance, Committees, Indemnification, Conflict of Interest, Code of Conduct, Privacy and Website, Meeting Conduct, Elections, Financial Management, Honoraria and Expenses, Audit Services, Suppliers of Goods and Services, and Human Resources.
- A business plan and budget was developed and approved.
- The Program Criteria and Guidelines were developed and approved.
- Procedures for accepting and processing Expressions of Interest and Full Proposals were set in place.
- A communications strategic plan and implementation strategy was developed and approved.
- A Request for Proposal for financial services was issued and Canadian Western Bank was chosen to be the corporation's banker.
- An investment policy was developed and implemented.
- A Request for Proposal for an auditor was developed and KPMG was chosen to be the corporation's auditor.



B O A R D O F
D I R E C T O R S



***Front row (l. to r.) Marie Logan, Fred Estlin (Co-Chair), Claudia Buck, Susan Aris, Eva Urlacher
Back row (l. to r.) Jann Beeston, Glenn Taylor, Alden Armstrong, Bob Clark (Co-Chair), Ken Nicol, Jon Close.
Missing from photo: Brad Ferguson.***

Co-Chair Fred Estlin

One of the founding members selected by the province, Fred has demonstrated his commitment to rural development through his extensive community involvement. Fred is chair of the Regional Economic Development Committee and sits on the Executive Committee for the Alberta Economic Development Authority. He was a member of the provincial government Rural Development Task Force and vice-chair of the recently formed Agri-value Investor Network. Fred lives east of Grande Prairie.

Co-Chair Bob Clark

One of the founding members selected by the province, Bob has a genuine interest in the continued prosperity of rural Alberta. He is actively involved in a broad range of community endeavors working toward the betterment of rural life. Bob served a term as a Member of the Legislative Assembly. His experience included serving as the Minister of Youth, Minister of Education, and as Leader of the Official Opposition. After a successful consulting career, he became Alberta's first Ethics Commissioner and later Alberta's first Information and Privacy Commissioner. Bob continues to serve as the Chairman of the Board to the Alberta Junior Hockey League. Bob lives in the Carstairs area.



Susan Aris

A long history with entrepreneurial activity, Susan has contracted, coordinated and instructed small business start-ups and entrepreneurial readiness classes. She has managed several small businesses including the Tired Ass Ranch, a third generation mixed farming operation in southern Alberta. She truly understands the need for diversity on the Board and contributes greatly with her entrepreneurial spirit. Susan lives in Lundbreck.





Alden Armstrong

A champion of rural spirit and passionate leader and supporter of the Metis Settlements General Council, Alden was raised on the Paddle Prairie Metis Settlement and knows first hand the challenges facing rural communities as well as the benefits of a viable and sustainable rural community. Alden has worked on many development initiatives in northern Alberta and has a comprehensive understanding and hands-on experience promoting partnerships that benefit rural and urban Albertans alike. Alden lives in Paddle Prairie.

Jann Beeston

Recognized provincially as a model for partnership and service delivery to the community as a result of her vision, initiative and leadership in management, Jann has been actively involved in initiating and developing programs, resources and partnerships throughout her career. A diverse background working with youth through education and volunteerism, Jann's strengths lie in her ability to engage and mentor people to create effective management teams committed to building sustainable community programs and initiatives. Jann lives in Hanna.

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Claudia Buck

A solid background in finance, business, management and governance, Claudia recently sold her interest in a successful agricultural service business. She has since been active on various committees involved with regional and community services and understands the needs of rural and northern Albertans alike in these areas. Claudia is keenly interested in regional development and has held positions of responsibility in all aspects of project development, assessment, reporting, policy development, research and promotion. Claudia has been a resident of the Peace Country for 25 years and lives in Grande Prairie.



Jon Close

A strong advocate for rural issues, Jon is a proven leader in the field of economic and small business development. He had the privilege of creating one of Alberta's Community Futures Development Corporations (CFDCs), an organization that is now well established and one of the key community economic development leaders/supporters in rural, southeast Alberta. Currently Jon is the executive director of the Association of CFDCs. He is also very active in many community volunteer capacities all of which are focused on advancing rural issues. Jon lives in Cochrane.



Brad Ferguson

A third-generation Albertan who understands the importance of rural families and prosperous rural communities as they contribute to the integrity and grassroots values of Alberta, Brad has advised on the innovation and economic development policies that shape the competitiveness and productivity of the province. He is adept in leveraging his knowledge and relationships to bridge the gap between the public and private sectors – helping leaders achieve success. Brad owns a business in Sturgeon County.

Marie Logan

A recipient of numerous awards for her dedication to significantly enhancing the lives of rural Albertans, Marie is committed to ensuring the issues of youth development and education initiatives are given the attention they require. Among Marie's list of accomplishments and associations include Founding Director of the Chinook Arch Regional Library System, Trustee of the Horizon School Division and President of the Canadian 4 H Council Board. In addition, she and her husband Glenn run a pedigreed seed and cattle operation near Lomond.



Ken Nicol

An associate professor at the University of Lethbridge and local farmer, Ken has first-hand understanding of rural Albertans' need to access rural-based educational institutions and the challenges of retaining people in rural settings once they have refined their skills. Ken has had a hand in politics as a MLA for Lethbridge East with critic responsibilities for Agriculture, Finance, Treasury, Economic Development and Aboriginal Affairs. He was also Leader of the Official Opposition for three years. A consummate author, Ken has written numerous books, articles and research papers on various agricultural issues that are inherent to rural settings around the world. Ken lives in Coalhurst.



Glenn Taylor

An accomplished advocate of partnerships and developing effective working relationships around common interests, Glenn's involvement on various committees has increased his awareness and understanding of issues pertaining to healthcare and seniors needs in Alberta municipalities. In addition, he has strong commitments supporting Aboriginal/First Nations communities. He is the Board Chair of the Grande Alberta Economic Region as well as a member of the Board of Directors for the Foothills Model Forest. As mayor of Hinton, Glenn has developed strong regional associations and has contributed to the first Eco-Industrial Park in Canada. He is committed to developing the economic, healthcare, cultural and educational base of the Town of Hinton and regional neighbours. Glenn lives in Hinton.

Eva Urlacher

An award recipient for her long-term understanding of, and commitment and dedication to the community, Eva is experienced in the management and operation of a number of diversified interests including the business operation of two companies and a hobby farm. She has made a major contribution to a number of volunteer initiatives around the region, including being a member of the provincial board that recognizes and supports volunteer efforts in the province. Eva lives in Cold Lake.

LOCATION OF BOARD OF DIRECTORS



- Susan Aris Lundbreck
- Alden Armstrong Paddle Prairie
- Jann Beeston Hanna
- Claudia Buck Grande Prairie
- Bob Clark Carstairs
- Jon Close Cochrane
- Fred Estlin Grande Prairie
- Brad Ferguson Sturgeon County
- Marie Logan Lomond
- Ken Nicol Coalhurst
- Glenn Taylor Hinton
- Eva Urlacher Cold Lake

★ Office Located at the Ukrainian Cultural Heritage Village, 25 minutes east of Edmonton on the Yellowhead Highway



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A U D I T O R ' S R E P O R T

To the Shareholders of Rural Alberta's Development Fund

We have audited the statement of financial position of Rural Alberta's Development Fund as at March 31, 2007 and the statements of operations and cash flows for the period since incorporation on July 17, 2006 to March 31, 2007. These financial statements are the responsibility of the Fund'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 Fund as at March 31, 2007 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Fund taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chartered Accountants

Edmonton, Canada

June 15, 2007

RURAL ALBERTA'S DEVELOPMENT FUND
F I N A N C I A L S T A T E M E N T S

Statement of Financial Position

March 31, 2007

Assets

Current assets:

Cash	\$ 49,786,401
Accounts receivable	245,154
Prepaid rent	7,420
	<hr/> 50,038,975

Equipment (note 2)	40,377
Long-term investments (note 3)	49,815,890

\$ 99,895,242

Liabilities

Current liabilities:

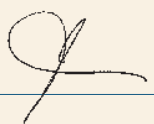
Accounts payable and accrued liabilities	\$ 199,784
Deferred revenue	99,695,458

Commitments (notes 6 and 7)
Subsequent events (note 7)

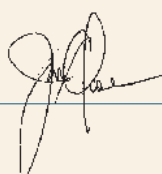
\$ 99,895,242

See accompanying notes to financial statements.

On behalf of the Board:



Jan Beeston Director



Jon Close Director

RURAL ALBERTA'S DEVELOPMENT FUND
F I N A N C I A L S T A T E M E N T S

Statement of Operations

Period ended March 31, 2007

Revenue:

Grant revenue	\$ 304,542
Interest income	558,376
	<hr/> 862,918

Expenses:

Consulting fees	314,416
Board	177,267
Wages and benefits	126,677
Professional fees	84,210
Advertising	78,410
Recruitment	27,191
Office and general	23,725
Travel	19,306
Telephone	5,460
Insurance	4,840
Amortization of capital assets	956
Repairs and maintenance	460
	<hr/> 862,918

Excess revenue, being net assets, beginning and end of year	\$ -
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See accompanying notes to financial statements.

RURAL ALBERTA'S DEVELOPMENT FUND
F I N A N C I A L S T A T E M E N T S

Statement of Cash Flows

Period ended March 31, 2007

Cash provided by (used in):

Operations:

Item not involving cash:

Amortization of capital assets \$ 956

Change in non-cash operating working capital:

Increase in accounts receivable (245,154)

Increase in accounts payable and accrued liabilities 192,364

Increase in deferred revenue 99,695,458

99,643,624

Investments:

Increase in long-term investments (49,815,890)

Addition to capital assets (41,333)

(49,857,223)

Increase in cash position 49,786,401

Cash position, end of year \$ 49,786,401

See accompanying notes to financial statements.

RURAL ALBERTA'S DEVELOPMENT FUND FINANCIAL STATEMENTS

Notes to the Financial Statements

Period ended March 31, 2007

Rural Alberta's Development Fund (the "Fund") is a Part IX corporation that was incorporated on July 17, 2006 under the Alberta Companies Act. The Fund commenced operations in September of 2006. The Fund is a non-profit organization as defined in Section 149(1)(l) of the Income Tax Act and is exempt from income taxes.

The purposes of the Fund are:

- (a) to promote growth, prosperity and the quality of life in rural Alberta by fostering, funding, and facilitating activities in rural Alberta;
- (b) to ensure the fiscally responsible expenditure of all financial resources available to the Company in accordance with sound and comprehensive business plan including, without limitation, the fiscally responsible expenditure of all grant funding received by the company from the Province of Alberta or from other sources;
- (c) to encourage collaboration and community spirit within and among communities for the benefit of rural Alberta;
- (d) to attract other sponsors or persons who may participate in the activities fostered, funded, or facilitated by the Fund for the benefit of rural Alberta; and
- (e) to conduct such operations as may be required from time to time to give effect to the objects of the Fund and to otherwise do all acts reasonably necessary, ancillary and/or incidental to carrying out of the objects described above.

1. Significant accounting policies:

(a) Equipment:

Equipment is recorded at cost which includes goods and services taxes incurred that are not eligible for recovery. Equipment is amortized on the straight-line basis over its estimated useful life as follows:

Asset	Rate
Furniture and fixtures	5 years
Computer	3 years

Notes to the Financial Statements (continued)

Period ended March 31, 2007

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Fund follows the deferral method of accounting for contributions.

Under the terms of an Agreement, the Province of Alberta, in accordance with budget arrangements established by the Alberta Ministry of Agriculture, Food and Rural Development, advanced a one time grant of \$100 million dollars to the Fund. The Agreement notes the following:

- interest and other income earned on the grant shall also form a part of the grant
- the grant can only be used for administrative expenses and to support approved projects;
- a minimum of \$100 million must be spent on approved projects;
- approved projects cannot include loans, loan guarantees or equity positions; and
- any unspent grant monies at the end of the five year term (being June 30, 2012) are to be refunded to the Province.

Accordingly, the grant and subsequent interest and other income earned has been deferred. These receipts are recorded as revenue in the period in which qualifying expenditures are incurred.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(d) Investments:

Investments are carried at the lower of cost and market. These investments are written down to their estimated realizable value when this amount is less than cost, and management believes the impairment in value is other than temporary. The written down value becomes cost.

RURAL ALBERTA'S DEVELOPMENT FUND

FINANCIAL STATEMENTS

2. Equipment:

	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 16,506	\$ 592	\$ 15,914
Computer	24,827	364	24,463
	\$ 41,333	\$ 956	\$ 40,377

3. Long-term investments:

Corporate and government bonds with interest rates from 3.47% to 5% with maturity dates from April 2007 to January 2016 (market value \$50,214,658)	\$ 49,815,890
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The Fund is operating under a five year mandate with an intention to have all monies committed within three years. It is not the intention, therefore, to hold the bonds to maturity. On this basis, bonds are held for trading purposes.

4. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items. Fair value of investments is market value which is the last bid price quoted on public exchanges.

(b) Credit risk:

The Fund invests in only high grade bonds and debentures to minimize the credit risk. The portfolio consists of government, government backed and financial institution issued bonds and debentures.

RURAL ALBERTA'S DEVELOPMENT FUND

FINANCIAL STATEMENTS

Notes to the Financial Statements (continued)

Period ended March 31, 2007

5. Deferred revenue:

Under the terms of the Agreement with the Province of Alberta the one time grant of \$100 million dollars and interest and other income is restricted. Unspent funds at the termination of the Agreement are to be returned to the Province. Deferred revenue at year end is as follows:

	Grant	Investment	Total
Current year receipts and accrued receivables	\$ 100,000,000	\$ 558,376	\$ 100,558,376
Administrative expenses	(304,542)	(558,376)	(862,918)
	\$ 99,695,458	\$ -	\$ 99,695,458

6. Commitments:

The Fund has entered into a contractual commitment for the management of the communications function of the Fund through to September 30, 2007. The contractual commitment to September 30, 2007 is \$48,000.

7. Subsequent events:

The Fund announced their approval and commitment of \$4.554M to five projects on May 25, 2007.

Integrated Community Clerkship	\$ 2,400,000
Tomorrow's Promise Today	1,500,000
Killam Regional Economic Development Initiative	234,000
Sunchild E-Learning Community	220,000
211 Community Links	200,000
	\$ 4,554,000

8. Lease with Minister of Infrastructure and Transportation:

The Fund leases its premises under an operating lease arrangement with The Minister of Infrastructure and Transportation. The rent for the five month period to June 30, 2007 is \$1. Subsequent to this initial lease period, the Fund has entered into a seven year lease with The Friends of the Ukrainian Cultural Heritage Village Society for the same premises.

The Fund has committed up to \$300,000 for construction costs for the leased space. These construction costs are in exchange for rental use. Funds will be advanced based on actual costs incurred by the Society. At year end, \$7,420 is included in accounts payable.

Upon commencement of the lease period, these costs will be amortized to rental expense. The amortization period will be July 1, 2007 to June 30, 2012.

RURAL ALBERTA'S DEVELOPMENT FUND

FINANCIAL STATEMENTS

Schedule of Salary and Benefits Disclosure

Period ended March 31, 2007

	Salaries and honoraria (1)	Benefits and allowances (2, 3)	Total
Co-chairs:			
Clarke, Bob	\$ 29,674	\$ -	\$ 29,674
Estlin, Fred	32,514	-	32,514
Board Members:			
Aris, Susan	7,739	-	7,739
Armstrong, Alden	4,400	-	4,400
Beeston, Jann	9,714	-	9,714
Buck, Claudia	6,995	-	6,995
Close, Jon	4,681	-	4,681
Ferguson, Brad	9,694	-	9,694
Logan, Marie	4,494	-	4,494
Nicol, Ken	4,266	-	4,266
Taylor, Glenn	8,740	-	8,740
Urlacher, Eva	7,685	-	7,685
Managing Director	81,173	19,506	100,679
Employees reporting to managing director	24,021	2,977	26,998
	\$ 235,790	\$ 22,483	\$ 258,273

- (1) Salary includes regular base pay, lump sum payments, gross honoraria, other remuneration, and reimbursement for direct expenses including travel, meals, accommodation, administration and related costs.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada pension plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- (3) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including travel and car allowances.





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