

Inspiring innovation, collaboration and growth



2007-2008
ANNUAL REPORT





Table of Contents

Message from the Board Chair and Managing Director	1
Approved Projects Summary	4
Activity Statistics	11
Measures and Outcomes	12
Board of Directors	14
Financial Statements	16

Message from the Board Chair and Managing Director

Rural Alberta's Development Fund enjoyed its first full year of operation in 2007-2008. With the pressures of start-up behind it, the Board was able to focus its attention on refining policies, streamlining governance practices and carrying out its leadership role.



The Board of Directors had the opportunity during the year to review many projects and was happy to invest in 29 projects for a total of \$26.3 million. The Board approved its first project in March, 2007. A brief summary of each project is provided later in this annual report.

The range and diversity of the projects is a testament to the creative and collaborative nature of rural Albertans. It was gratifying to see so many individuals and communities come forward with new or innovative programming ideas. Each one holds the promise of improved growth, prosperity, and/or quality of life in rural Alberta. We thank everyone who took the time to apply.

The administration was able to solidify operations. These activities led to greater clarity regarding RADF's place in rural development and enabled additional supports to be provided to stakeholders.

From the outset, RADF has asked people to think out of the box, to partner with others and engage their community. It is also important to the Board of Directors in making funding decisions that projects have the potential to be self-sustaining once our involvement ends. All the projects RADF has funded to date contain these elements and, while it is too early to report on project outcomes, there have been many exciting developments.

For example, third year University of Alberta medical students who spent eight months during the fall and winter of 2007-2008 working in rural communities reported wonderful experiences. This experience occurred thanks to our first funded project, the Integrated Community Clerkship Program.

Hundreds of people responded to the Alberta Fish & Game Association's call for volunteer stewards to help preserve and protect 30,000 acres of wildlife habitat. The recruitment and training effort is supported by RADF.



Bob Clark

Virtual Learning and Business Centres in Three Hills and Hanna were very close to being operational by the end of March, 2008. These centres will serve all of east-central Alberta and were made possible in part through a RADF investment.

A central element in all the projects we have seen are community champions; men and women who through will, skill and infectious enthusiasm bring projects to life. They are the lifeblood that draws and rallies others to get involved. Rural Alberta is blessed to have people with this level of commitment.

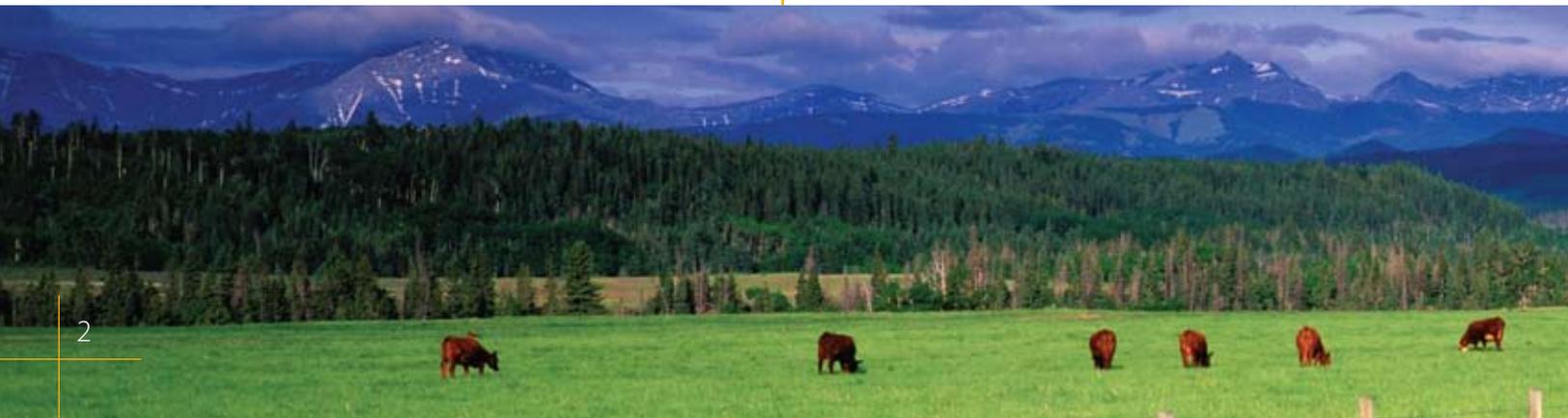
Board and staff have had a chance to meet many of these wonderful people at meetings, workshops, presentations and RADF hosted open houses. Open houses in 2007-2008 were held in conjunction with Board meetings in Red Deer, Grande Prairie and the Ukrainian Cultural Heritage Village east of Edmonton as

part of our first Annual General Meeting and the Grand Opening of our new office. These encounters emphasized to us the importance of RADF being more of a catalyst in rural development.

We learned that people value support and direction from us. They appreciate information sharing and consistent, clear communication. And they want to learn from the successes of others.

In the coming year, RADF will do its best to meet these expectations. We will also continue to evolve as a catalyst and leader in rural development so as to meet our goals and serve rural Albertans well. We will do more to assist communities and organizations to put ideas to paper and to crystalize their thinking. And we will continue to liaise closely with government departments and other organizations that have rural development mandates.

As an organization, we are looking forward to sharing more concrete results on our performance measures and outcomes. We are excited about reporting in detail on funded projects that will be fully implemented in 2008-2009.



In the spring and summer of 2008, we will be checking our program direction and progress as an organization through a series of regional discussions and a provincial forum. Regular discussion with community leaders, government and elected officials ensures that we continue to be relevant and focused. It is also a way to confirm that the help and support RADF offers is important to rural Albertans and rural Alberta.

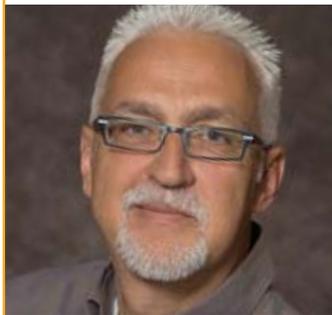
In March of 2008, the responsibility for rural development and the work of the RADF became the responsibility of the Honourable George Groeneveld, Minister of Agriculture and Rural Development. Both Mr. Groeneveld and his predecessor the Honourable Iris Evans, then Minister of Employment, Immigration and Industry, and their staff have been very supportive of RADF and its work. Special thanks are extended to Ray Prins, MLA, Lacombe-Ponoka, for his support and guidance. Our organization works closely with a number of government departments to ensure we are not duplicating or supplanting government activities in rural development. Of particular note is the help, assistance and counsel we received through the year from staff at Alberta Employment, Immigration and Industry. We look forward to a similarly positive relationship with staff at Alberta Agriculture and Rural

Development and continuing our relationship with staff in Alberta Finance and Enterprise.

Of course what makes it all work is the commitment, effort, knowledge and ability of Board and staff members. RADF has faced many challenges during its first 18 months of life. These challenges were overcome through hard work and composure. Today we have a very strong and dedicated team.

A tremendous asset to the Board and administration continues to be the contribution of Vice-Chair Fred Estlin and Board committees led by Chairs Jann Beeston (Program), Glenn Taylor (Government and Community Relations), Claudia Buck (Finance and Audit) and Jon Close (Governance). We thank them and all Board members and staff for their efforts and look forward to an even more exciting and fulfilling year in assisting rural Albertans to grow and prosper.

Bob Clark, Chairman of the Board
Terry Keyko, Managing Director



Terry Keyko



Approved Projects Summary

To the end of March, 2008 RADF's Board of Directors has approved 30 projects for a total of \$28.7 million in funding support.

The projects are diverse and benefit a large number of rural communities and Albertans. A snapshot of each project and the amount of RADF's investment is listed here. A more complete description is available at www.ruralalbertasfund.com



211 Community Links - \$200,000

The 211 Community Links project is spearheaded by the Canadian Mental Health Association in partnership with four other local groups. The program will provide referral information for southern Albertans on community, social, health and local services in their area. The project is expected to launch in October 2008.

Aboriginal Sport Capacity - \$1.04 million

The Aboriginal Sport Capacity project will enable Métis and First Nations recreation directors, coaches, teachers and other community leaders to work towards improving the quality of life for Aboriginal youth through healthy lifestyle options. The project is being developed by the Indigenous Sport Council of Alberta. The Council is in the midst of choosing several pilot communities. The program is expected to launch at the start of the 2008-2009 school year.

"We couldn't have done this without funding from RADF."

– T.J. Schwanky, Habitat Facilitator, Alberta Fish and Game Association



Agrivalue Investors Network - \$297,000

The Agrivalue Investors Network provides a system for connecting agri-businesses with potential investors. Once fully developed by AVNet, the Network will be a coaching and training resource for companies who are preparing to seek out investors.

The first Investor member event was held in Leduc in March 2008. AVNet forecasts 25 members signed up to the Network by November 2008.

Alberta Active / Creative Community Initiative - \$4.5 million

This unique project will improve the quality of life in rural Alberta by strengthening community leadership, collaboration and innovation in recreation, parks, culture, heritage and the arts. Residents will be helped to recognize local assets and maximize their potential benefits.

Headed by the Alberta Parks and Recreation Association, 10 communities across Alberta will be chosen for the initial pilot phase of the project with an additional 10 communities to be added in 2009.



Alberta First Nations Economic Development Model - \$1.2 million

The Alberta First Nations Industrial Initiatives Society will use RADF's support to plan and develop a business model for large economic ventures. Once completed, the model will be made available to all Alberta First Nations. The initiative, which is in the pre-feasibility development phase, is led by the Enoch First Nation and has the support of Alberta's First Nations communities and the Assembly of Treaty Chiefs.

"For the RADF to step up to the plate and help give us a boost to get us a little closer to improving our quality of life; I can't stress enough, it's been a godsend."

*– Chief Ronald Morin
Enoch Cree First Nation*

Boreal Education Strategy - \$260,000

RADF funding for this pilot project will enable the Inside Education Society of Alberta to provide – for the first time – its environment and natural resource education programs to Grade 4-12 students in remote parts of northern Alberta such as Fort McKay and La Crete. Through the program, students are taught the relationship between environmental responsibility and economic development. Twenty schools including six in Aboriginal communities are included in the pilot.

Building Land Management Tools - \$600,000

This project, led by the Alberta Terrestrial Imaging Centre in Lethbridge, will create new tools to translate photographic images into information useful for land management research, planning and decision-making in Alberta. Software development is focused on building tools that can monitor rangeland, wetlands and municipal areas using satellites. Among other things, users of the software will be able to do land survey work viewing satellite images from a personal computer.





Community Village - \$333,000

This project by the Community Village Society of the Peace Country brings together Peace Country non-profit organizations and social businesses to better coordinate, reach and serve aboriginal people, the homeless, the disadvantaged, youth at risk and those at risk of contracting HIV/AIDS. Located in Grande Prairie, the Society is currently engaged in a capital fundraising campaign and a marketing and awareness program to raise the project's profile.

Creating Pathways for Entrepreneurial Families - \$1.5 million

This project will result in rural, family owned and operated businesses having Alberta Business Family Institute programs, resources and expertise delivered closer to home. The main goal is to assist rural family enterprises develop and implement successful succession plans and other strategies. The first of three training hubs is expected to open in Camrose in May 2008.



Edmonton Area Countryside Project - \$1.2 million

This project involves the promotion of small rural tourism and agri-businesses such as bed & breakfasts and U-picks in the Edmonton region. RADF's support will provide the staff, material and training resources needed to help rural operators be market-ready and to draw more urban consumers to rural destinations.

Led by the Edmonton Regional Tourism Group, the project team is currently working on creating a land use definition for agri-tourism with Sturgeon County and developing a regional agri-tourism guide.

"This funding opens so many doors, allowing rural development and regional cooperation in the Capital region to continue to thrive."

- Tam Andersen, Edmonton Regional Tourism Group Chair

Finishing the Dream - \$2.5 million

This project will result in 12 south central Alberta communities gaining access to Alberta's SuperNet through Community Engagement Sites (CES). These sites will enable local residents to access broadband technologies, learning applications and support close to home. The project is being implemented by the South Central Rural Alliance, a coalition of area municipalities and educational institutions. The first CES location is expected to be ready in the fall of 2008.



Forestry Training Program - \$820,000

This project offers front-line forestry workers new courses and training modules not available in Western Canada. New teaching resources will include innovative tools like forest hauler equipment simulators. Content and curriculum will be developed by the Woodlands Operations Learning Foundation in Slave Lake and offered to students via Northern Lakes College. Two state-of-the-art forestry equipment simulators and full training programs are expected to be in place by the summer of 2008.

Integrated Community Clerkship - \$2.4 million

This project involves third year Alberta medical students spending at least eight months learning about medical practice in rural communities from doctors already living and working there. Studies in other jurisdictions with similar programs show that longer exposure time in a rural setting leads to more students choosing to work there after graduation.

The University of Alberta has seven students participating in the first year of this project. Through the fall and winter of 2007-2008, these students are working with rural doctors in Hinton, Edson, St. Paul and Sylvan Lake. In April 2008 the University of Calgary is planning to send 10 students to High River, Pincher Creek, Sundre and Taber.

Junior Achievement Rural Leadership - \$580,000

RADF's support of this project will result in the very successful Junior Achievement program in Alberta being delivered in several rural communities across the province. In addition to staff and resources, the funding will result in the creation of Rural Leadership Councils and the recruitment and training of volunteers.

Rural Leadership Councils in Hinton, Lloydminster, Grande Prairie, St. Paul, Cochrane, High River, Drumheller and Strathmore are expected to be established by the fall of 2008.

Killam Regional Economic Development Initiative - \$234,000

This project will attract key agri-businesses into the Killam region. Potential value-added businesses will be identified and screened, with the most likely prospects approached and enticed through joint planning to locate in the area. An initial client contact process has begun and four potential clients are already on a short-list.

LINKages Rural Community Initiative - \$68,665

The LINKages Society of Alberta will use RADF's support to link seniors with young people in rural communities throughout Alberta. The goal is to increase the engagement of seniors while providing rural youth with leadership, communication, volunteer and life skills. Local seniors and youth organizations and agencies in rural Alberta will be given training, print resources and consultation support so they can operate the program independently.

"In general the reaction to the Creating Pathways program has been phenomenal"

*- Shuana Feth, Project Manager
Creating Pathways for Entrepreneurial Families*



Municipal Sustainability Planning - \$1.48 million

This project, managed by the Alberta Urban Municipalities Association, will arm rural communities with the skills and knowledge they need to develop effective municipal sustainability plans. These plans will maximize available resources and blueprint actions to be taken to move a community in its desired direction.

Older Adult Active Living Project - \$55,000

Funding provided to the Physical Culture Association of Alberta for this project will result in more physical activity and active living programming for older adults who live in rural seniors housing. A new 10-hour certification course will be developed and delivered as a pilot to 20 communities throughout rural Alberta.



Pre-Employment and Trades Related Initiative - \$350,000

This project is an innovative, flexible and cost-effective approach to providing pre-employment and trades-related training to students in east central Alberta communities. Courses will be run by Red Deer College or Lakeland College instructors but held in Battle River School Division facilities in the evenings, on weekends and during the summer months.

Recreational and Habitat Lands Access and Stewardship Training - \$100,000

RADF sponsorship will enable the Alberta Fish & Game Association to recruit and train volunteers to help preserve and protect its 30,000 acres of wildlife habitat in rural Alberta. The pilot phase of the project aims to recruit enough volunteer stewards for 20 of the Association's 80 properties. Training materials have now been produced and the response to initial training opportunities has been very good.

"The RADF money has meant we've been able to start the Integrated Community Clerkship program while still working on (securing) government funding."

– Dr. Jill Konkin, Associate Dean for Rural and Regional Health at the University of Alberta



Regional Barrier Free Transportation - \$600,000

This project will introduce a specialized transportation service to anyone who needs it within a broad geographic area surrounding Calgary. The new model, to be developed by the Calgary Regional Transportation Services Society, will allow rural seniors to age in place and persons with disabilities the choice to live and work in rural communities. If successful, the model could be adopted in other rural areas of the province.

Rosebud Capacity Building - \$450,000

RADF's investment in this project supports the Rosebud Economic Development Committee to increase economic, educational, cultural and social sustainability in Rosebud and area. Composed of 12 community organizations, the Committee is a unique concept in rural Alberta. It acts as a single coordinating body for the fundraising and planning needs of local residents, businesses and organizations. A marketing coordinator is in place and a consultant is helping the group develop a land use plan.

Rural Safety Smarts – \$498,000

Support of this project will result in the development and integration of new computer technology into a farm safety program operated by the Alberta Farm Safety Centre in Raymond. This new initiative will double the program's number of instructors and reach an estimated 50,000 rural students annually. Additional teachers and new program and student materials are expected to be in place by the end of 2008.

Sunchild E-Learning Community - \$220,000

This investment by RADF allows the Sunchild E-Learning Centre in Rocky Mountain House to expand skills training for Aboriginal learners and develop new on-line programming that is in demand but not available elsewhere in Alberta. Sunchild expects to develop and have the first standardized high school level Cree language program in Canada ready to go by the start of the 2008-2009 school year.

"With the money from RADF we developed the program. We developed the online materials; we've developed the whole structure of the program. Without the funding none of that would have taken place."

*– Martin Sacher, CEO,
Sunchild E-Learning*

Three Little Pigs Housing Cooperative - \$213,280

RADF's support enables the Bonnyville Affordable Housing Association to develop an innovative affordable housing co-op model. The Association is working with local businesses and industry members to incorporate green technologies in housing design to reduce utility and maintenance costs. The project is being designed in a way that will make it easily adopted and adapted by other communities. A design firm has been brought on board and is in the process of developing three to five prototype models.



Tomorrow's Promise Today - \$1.5 million

Virtual Learning and Business Centres in the Three Hills Municipal Library and the Hanna Learning Centre will be the result of RADF's support of this project. A joint venture of the Town of Three Hills, the Hanna Learning Centre and the Three Hills Library Board, these centres will give residents in east-central Alberta better access to and expanded value from Alberta's SuperNet. Full services may be available as soon as April 2008. The project website is www.clicthreehills.com

Unmanned Vehicle Centre of Excellence - \$3.0 million

RADF's funding supports the growth of an unmanned vehicle systems industry in southern Alberta and on-going development of Canada's first Unmanned Vehicle Centre of Excellence in Medicine Hat. Managed by the Canadian Centre for Unmanned Vehicle Systems, the project team is currently working with Transportation Canada to develop standardized unmanned vehicle regulations.

Virtual Incubator Services Throughout Alberta - \$453,000

This project will assist rural communities to set up business incubators or enhance ones they already have in place. The Business Link, a province-wide business information service centre, is currently conducting a province-wide survey of existing resources and needs. Rural incubators will eventually be established that match the services, resources and benefits of those found in large urban centres.

Warner Hockey School - \$534,000

This project will enable the hockey school program in Warner to become self-sustaining. A new student program will be created that features off-ice training and special treatment services like massage and physiotherapy. These services will be made available to the surrounding community. Plans call for new staff members to be in place for the start of the 2008-2009 school year.

Westwind Rodeo Academy - \$1.53 million

This Friends of Westwind Rodeo Academy project will enable a rodeo school at Cardston High School to become self-sustaining. The Academy combines education, horsemanship and rodeo to give high school students the opportunity to focus on their passion while completing high school. RADF funding will also support introduction of an equine therapy program to help children and adults with special needs.

Activity Statistics

(for the year ended March 31, 2008)

Expressions of Interest

Received	179
Capital only	42
Approved to full application stage (Approved – 29; Declined – 11; Withdrawn – 4; Under review – 10)	54

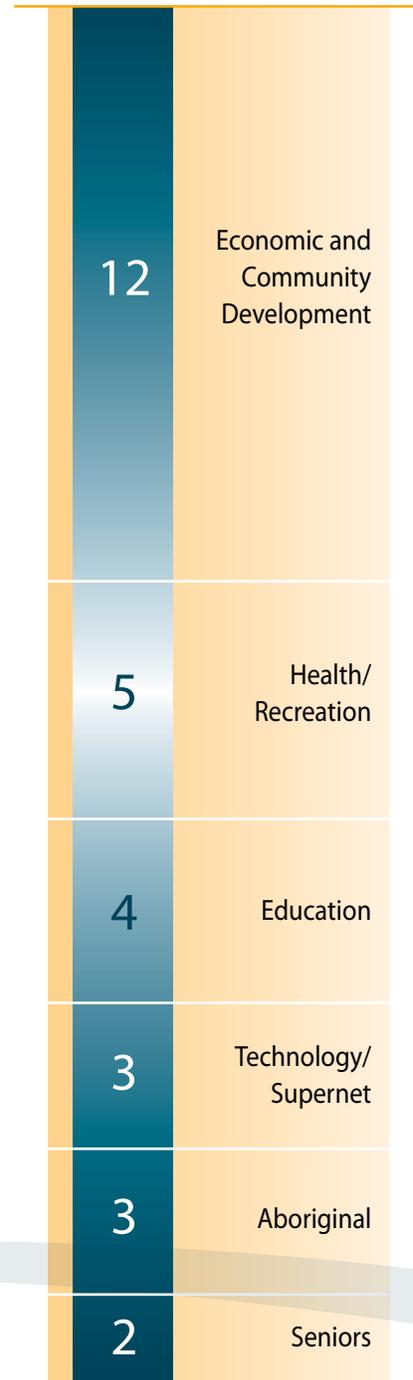
Total funding requested	\$188 million
Total value of projects	\$414 million
Total funding requested, capital only	\$100 million
Total value of projects, capital only	\$215 million



Funded Proposals

(by type of project)

Total: 29



Measures and Outcomes

A focused set of outcome measures were developed as part of Rural Alberta's Development Fund's contractual obligations with the Government of Alberta. These were accepted by the Minister of Employment, Immigration and Industry and will be reported on annually beginning in 2008/09.



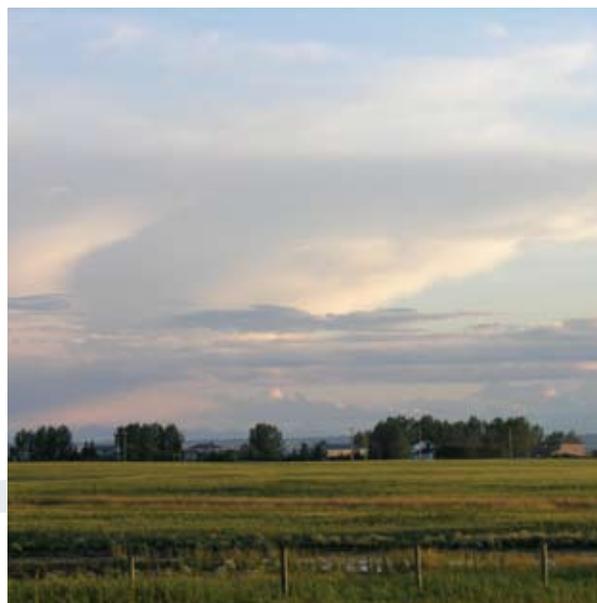
The outcome measures are derived from the bottom up. That is, specific outputs that contribute to various outcomes will be measured on a project-by-project basis. These will be reported in aggregate as 'the ultimate benefit' of the \$100M in funding RADF will commit to approved projects.

Outcomes are focused heavily on RADF's vision:

Rural Alberta has vibrant and sustainable communities where rural and urban families, individuals, organizations, businesses, and governments are vital contributors to the growth, prosperity and quality of life of Albertans.

Outcomes align with the four pillars of RADF's business plan and will answer the following question, 'What is the realized benefit of the \$100M invested as expressed by rural Albertans?' There are three long-term key outcomes:

1. **90-95%** of the communities impacted by RADF approved projects will experience an **improvement to their quality of life.**
2. **90-95%** of all projects approved by RADF will **increase community capacity.**
3. **95-100%** of all projects approved by RADF will **generate a positive economic impact** in excess of the direct contribution of RADF and the fund recipients.



Target Outcome Reporting Template

The following outcome targets represent the cumulative average for all approved projects fully implemented by the end of the reporting period. None of RADF's approved projects were completely implemented before the end of March 2008. Therefore, the first outcome target is listed as the end of 2008/09. RADF will measure outcomes on a fiscal year (year ending March 31) and report on them in October of each year.

Key Outcome	Outcome Target					
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Percentage of communities impacted by RADF approved projects that experience an improvement to their quality of life.	N/A	N/A	65-75%	75-85%	85-90%	90-95%
Percentage of RADF approved projects that increase community capacity.	N/A	N/A	65-75%	70-80%	80-90%	90-95%
Percentage of approved projects that generate a positive economic impact in excess of the direct contribution of RADF and fund recipients.	N/A	N/A	80-85%	85-90%	90-95%	95-100%

2007/08 Management Performance Targets

In addition to good fiscal management of RADF's budget, a number of management and organizational performance targets have been established. Below are the 2007/2008 targets and results.

2007/2008 (year ending March 31, 2008)		
Performance Measure	Target	Actual
Number of Expressions of Interest approved to go to proposal stage	60	54
Number of Proposals Approved/ Projects Funded	51	29
Proposal Approval Rate	85%	54%
Investment Committed	\$45M	\$26.3M
Investment Allocated	\$20M	\$6.7M
Fund Investment Return Prior to Allocation	4.36%	4.10%

Board of Directors

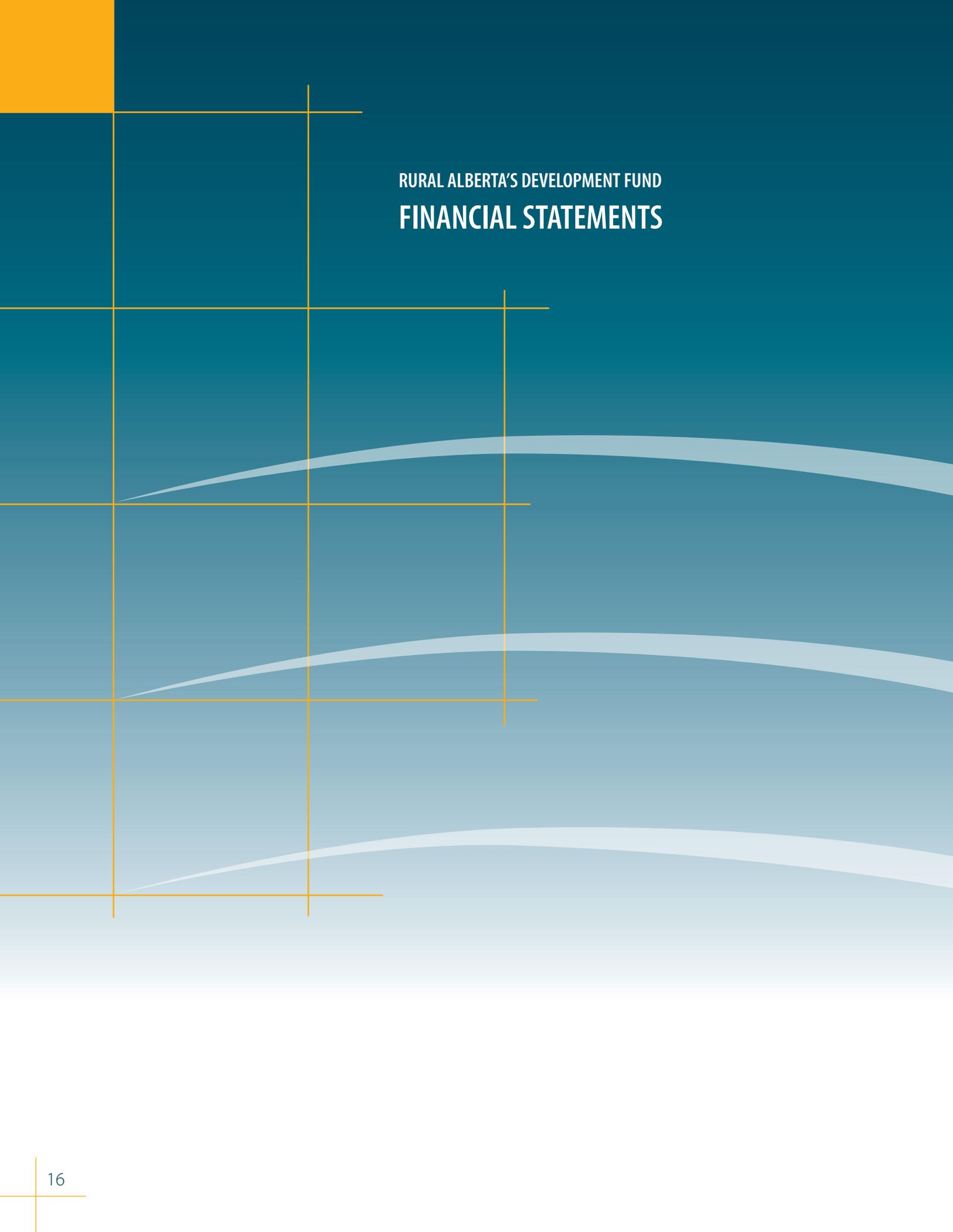


*Front row (l. to r.) Marie Logan, Fred Estlin, Claudia Buck, Susan Aris, Eva Urlacher
Back row (l. to r.) Jann Beeston, Glenn Taylor, Alden Armstrong, Bob Clark (Chair), Ken Nicol, Jon Close.
Missing from photo: Brad Ferguson.*

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 |

The page features a dark teal background with a grid of thin orange lines. Three light blue wavy lines curve across the middle of the page. In the top left corner, there is a solid orange square.

RURAL ALBERTA'S DEVELOPMENT FUND
FINANCIAL STATEMENTS



KPMG LLP
Chartered Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

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, 2008 and the statements of operations and cash flows for the year then ended. 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 conduct our audit in accordance with the 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, 2008 and the results of its operations and its cash flows for the year 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

Edmonton, Canada
June 20, 2008

Statement of Financial Position

March 31, 2008

	2008	2007
Assets		
Current assets:		
Cash	\$ 80,301	\$ 49,786,401
Short-term term deposits (note 2)	42,803,687	-
Accrued interest receivable on term deposits	753,842	-
GST recoverable	36,840	9,043
Prepaid rent	-	7,420
	43,674,670	49,802,864
Capital assets (note 3)	116,621	40,377
Deferred rental expense (note 4)	327,529	-
Long-term investments (note 5)	52,696,992	50,052,001
	\$ 96,815,812	\$ 99,895,242
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 787,272	\$ 199,784
Deferred revenue (note 6)	96,028,540	99,695,458
	96,815,812	99,895,242
Commitments (note 7)		
Subsequent events (note 8)		
	\$ 96,815,812	\$ 99,895,242

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director
 Fred Estlin


 _____ Director
 Brad Ferguson

Statement of Operations

Year ended March 31, 2008

	2008	2007
Revenue:		
Grant revenue	\$ 6,997,868	\$ 304,542
Grants paid	6,997,868	-
	-	304,542
Investment income (note 5)	1,685,437	558,376
	1,685,437	862,918
Expenses:		
Wages and benefits	638,986	126,677
Consulting fees	245,954	301,532
Board administration and honoraria	248,891	176,077
Professional fees	125,568	82,282
Advertising	90,478	78,283
Office and general	62,501	23,254
Travel	56,031	18,754
Rent	57,799	-
Recruitment	35,630	26,985
Telephone	23,079	5,318
Amortization of capital assets	21,167	956
Insurance	4,233	4,737
Repairs and maintenance	1,049	447
Bank charges	466	-
Non-recoverable GST	22,995	8,195
Fund investment costs	50,610	9,421
	1,685,437	862,918
Excess revenue, being net assets, beginning and end of year	\$ -	\$ -

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2008

	2008	2007
Cash provided by (used in):		
Operations:		
Excess revenue, being net assets	\$ -	\$ -
Items not involving cash:		
Rent expense	57,799	-
Amortization of capital assets	21,167	956
Change in non-cash operating working capital:		
Increase in accrued interest receivable on term deposits	(753,842)	(9,043)
Increase in gst recoverable	(27,797)	-
Increase in accounts payable and accrued liabilities	594,908	192,364
Increase (decrease) in deferred revenue	(3,666,918)	99,695,458
	<u>(3,746,886)</u>	<u>99,879,735</u>
Investments:		
Investment in short-term term deposits	(42,803,687)	-
Increase in long-term investments	(2,644,991)	(50,052,001)
Addition to capital assets	(97,411)	(41,333)
Costs associated with rental arrangement	(385,328)	-
	<u>(45,931,417)</u>	<u>(50,093,334)</u>
Increase (decrease) in cash position	(49,678,303)	49,786,401
Cash position, beginning of year	49,786,401	-
Cash position, end of year	<u>\$ 108,098</u>	<u>\$ 49,786,401</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

Year ended March 31, 2008

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) Change in accounting policies:

On April 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants Handbook Section 3855 "Financial Instruments - Recognition and Measurement" and Section 3861 "Financial Instruments - Disclosure and Presentation" and the related CICA Handbook changes. The adoption of these new standards resulted in changes to the method of accounting for financial instruments. In accordance with the transitional provisions for financial instruments, the comparative financial statements have not been restated as a result of the adopting the new standards.

Notes to the Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(a) Change in accounting policies (continued):

Prior to adopting of the new standards, the Fund measured its investments at cost, net of any adjustment for other-than-temporary impairment. Other financial instruments were measured at cost. Under the new standards, all financial instruments are initially recognized at fair value and subsequently measured based on their classification. The new standards require all financial assets and financial liabilities, including derivatives, to be carried at fair value except the following, which are carried at amortized cost using the effective interest method: loans and receivables, securities designated as held-to-maturity and other financial liabilities. Changes in fair value of held-for-trading financial assets and financial liabilities are recorded in the statement of operations when no revenue restrictions exists, otherwise, the change is recorded as deferred revenue. Changes in the fair value of available-for-sale financial assets are recorded in net assets until realized, at which time the cumulative change is recognized in the statement of operations except when similar revenue restrictions exist. The classification of financial instruments depends on the purpose for which the financial instruments were acquired or incurred and their characteristics. The held-to-maturity classification is applied only if the asset has specific characteristics and the entity has the ability and intent to hold the asset until maturity. Upon adoption, the Fund elected to recognize investments on a trade-date basis and transaction costs recognized as expense immediately. The Fund also adopted the following classifications:

- Unless otherwise noted, all financial assets are classified as held-for-trading.
- Term deposits and accounts receivable are classified as loans and receivables.
- Accounts payable and accrued liabilities are classified as other financial liabilities.

The Fund does not invest in or use derivative financial instruments. Derivatives may be embedded in other financial instruments (the "host instrument") or other contracts (the "host contract"). Prior to the adoption of the new accounting standards, such embedded derivatives were not accounted for separately from the host instrument or host contract. The Fund has reviewed all contractual arrangements and have not identified embedded derivatives. The Fund has also elected to not apply the requirements of Section 3855 for contracts to buy or sell non-financial items, including any derivatives which may be embedded within these contracts.

Upon adoption on April 1, the adjustments attributable to the re-measurement of financial assets were an increased in the carrying value of the long-term investments of \$162,314 with a corresponding increase in deferred revenue.

1. Significant accounting policies (continued):

(b) Capital assets:

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

Asset	Rate
Furniture and fixtures	5 years
Computer	3 years

(c) 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, including amortization of capital assets, are incurred.

Notes to the Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(d) Financial instruments and investments:

The Fund has designated cash and investments as held-for-trading financial assets. All other financial assets are classified as loans and receivables. All financial liabilities are classified as other financial liabilities. The Fund has elected to not apply the requirements of Section 3855, Financial Instruments - Recognition and Measurement for contracts to buy or sell non-financial items, including any derivatives which may be embedded within these contracts.

Transaction costs are recognized immediately in the statement of operations. Financial instruments are recorded on a trade date basis.

The fair values of the Fund's financial instruments do not differ significantly from their carrying values unless otherwise noted. The fair values of the investments represent the year end estimated market bid prices based upon publicly available index services.

(e) Risk management and fair value:

The risks that arise from transacting financial instruments include credit risk, liquidity risk, and price risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices. The Fund does not use derivative financial instruments to alter the effects of these risks. The Fund manages these risks through the use of prudent risk management policies and practices.

Changes in interest rates and credit ratings are the main cause of change in the fair value of Fund's investments resulting in a favourable or unfavourable variance compared to book value. Credit risk is mitigated by investing in only high grade bonds and debentures issued by government and government backed entities and by financial institutions. Interest rate risk is mitigated by managing maturity dates and payment frequency. All investments held by the Fund are issued in Canadian dollars.

(f) 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.

2. Short-term term deposits:

The term deposits bear interest at rates ranging from 3.79% to 4.87% with maturities ranging from April 7, 2008 to August 25, 2008. Cash on deposit earns interest at a rate of bank prime rate less 2.5%.

3. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Furniture and fixtures	\$ 105,108	\$ 12,015	\$ 93,093	\$ 15,914
Computer	33,636	10,108	23,528	24,463
	\$ 138,744	\$ 22,123	\$ 116,621	\$ 40,377

The funding for capital assets is provided by way of the grant fundings previously received [see note 1(c)] and the subsequent income earned from this funding.

4. Deferred rental expense:

The Fund leased 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 was \$1. Subsequent to this initial lease period, the Fund entered into a seven year lease with The Friends of the Ukrainian Cultural Heritage Village Society for the same premises. Under the terms of the leasing agreement, the basic rent is the costs incurred by the Fund relating to construction of usable space in an existing building of the Society.

The Fund completed the construction during the year at a cost of \$385,328 which included non-recoverable goods and services taxes. As these costs are in exchange for basic rent, the costs are deferred and being amortized to rental expense over the shorter of the lease term or the period the Fund will operate (see note 1(c)). Accordingly, the rental expense for the current year is \$57,799.

At March 31, 2007, \$7,420 relating to these construction costs were included in accounts payable and prepaid rent.

Notes to the Financial Statements (continued)

Year ended March 31, 2008

5. Long-term investments:

	2008 Fair value	2007 Cost
Government and government back bonds with interest rates from 3.95% to 5% with maturity dates from December 2008 to December 2011, principal amount of \$22,800,000	\$ 23,210,018	\$ 22,922,162
Financial institution bonds with interest rates from 3.47% to 4.75% with maturity dates from September 2008 to January 2016, principal amount of \$26,573,000	26,650,110	26,628,397
	49,860,128	49,550,559
Bankers Acceptances maturing from April 4, 2008 to May 23, 2008	2,386,789	265,151
Accrued interest	463,304	236,111
Cash	370	180
Investment fee payable	(13,599)	-
	\$ 52,696,992	\$ 50,052,001

The Fund is operating under a five year mandate with an intention to have all monies committed within three years. Accordingly, there is no intention or ability to hold all bonds to maturity. The fair value of bonds at March 31, 2007 was \$49,713,216.

Approximately 27% of the bonds mature in less than a year, 21% mature in two years, 22% mature in three years and 30% mature thereafter.

Investment income is comprised of the following:

	2008	2007
Appreciation of fair market value of investments	\$ 146,913	\$ -
Interest	4,707,160	558,376
	4,854,073	558,376
Less amounts deferred (note 6)	3,168,636	-
	\$ 1,685,437	\$ 558,376

6. Deferred revenue:

Deferred revenue at year end is as follows:

	Grant	Investment	Total
Balance, July 17, 2006	\$ -	\$ -	\$ -
Funding received	100,000,000	558,376	100,558,376
Expense	(304,542)	(558,376)	(862,918)
Balance, March 31, 2007	99,695,458	-	99,695,458
Change in accounting policy [note 1(a)]	-	162,314	162,314
Deferral of investment income	-	3,168,636	3,168,636
Grant expenditures	(6,997,868)	-	(6,997,868)
Allocation for prior year administration expenses	304,542	(304,542)	-
	93,002,132	3,026,408	96,028,540
Balance, March 31, 2008	\$ 93,002,132	\$ 3,026,408	\$ 96,028,540

7. Commitments:

To March 31, 2008, the Fund has approved 30 projects for a total of \$28,718,759. Agreements for 23 of these 30 projects are in place by March 31, 2008 for a total of \$19,506,839 of which \$6,997,868 has been advanced at March 31, 2008. Subsequent to year end, the Fund has approved an additional 10 projects for a total of \$19,836,625.

The Fund has entered into a contractual commitment for the management of the communications function of the Fund through to September 30, 2008. The contractual commitment to September 30, 2008 is \$75,000 (2007 - \$48,000).

8. Subsequent events:

Subsequent to year end, the Board of Directors approved the participation of the Fund in a group retirement savings plan for the employees of the Fund. The Fund will match employee contributions to the retirement savings plan up to a maximum of 5% of the employees' salaries. The participation of the Fund in this plan will be accounted for as a defined contribution pension plan.

9. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted per the current year.

Schedule of Salary and Benefits Disclosure

Year ended March 31, 2008

	Salaries and honoraria (1)	Benefits and allowances (2, 3)	Total
Chair:			
Clark, Bob	\$ 19,975	\$ -	\$ 19,975
Vice Chair:			
Estlin, Fred	23,675	-	23,675
Board Members:			
Aris, Susan	8,600	-	8,600
Armstrong, Alden	2,375	-	2,375
Beeston, Jann	10,440	-	10,440
Buck, Claudia	13,190	-	13,190
Close, Jon	6,275	-	6,275
Ferguson, Brad	6,275	-	6,275
Logan, Marie	7,338	-	7,338
Nicol, Ken	7,215	-	7,215
Taylor, Glenn	10,975	-	10,975
Urlacher, Eva	9,087	-	9,087
	125,420	-	125,420
Managing Director	160,745	35,880	196,625
Employees reporting to managing director	394,730	47,631	442,361
	555,475	83,511	638,986
	\$ 680,895	\$ 83,511	\$ 764,406

- (1) Salary includes regular base pay, lump sum payments, gross honoraria, and other remuneration.
- (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.





**RURAL
ALBERTA'S**
DEVELOPMENT FUND

1.877.940.7233
www.ruralalbertasfund.com