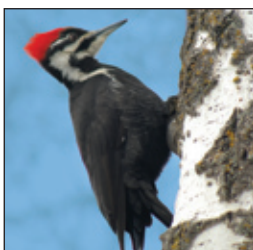


2009-2010 Annual Report



Inspiring innovation,
collaboration and
growth



**RURAL
ALBERTA'S**
DEVELOPMENT FUND

www.ruralalbertasfund.com



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Message from the Board Chair

In three years, Rural Alberta's Development Fund has gone from an idea to a significant player in Alberta's rural development. Agriculture, rural development, business, culture, sports, education, technology, employment, municipal sustainability, health, community services. . . .no matter what the need, Rural Alberta's Development Fund has been there to help turn great ideas into great success for rural Alberta.

We invested another \$18.8 million in 16 worthwhile projects during the year. A brief summary of each project is provided later in this annual report. Since opening for business in October, 2006, we have invested \$74.1 million in 67 different rural projects. The projects we have funded are very diverse, involve thousands of people and benefit tens of thousands more.

Our program funding has touched every corner of the province. . . .and is creating a legacy of lasting value. We are able to say that with confidence because many of the earlier projects we funded are now producing solid evidence that their programs are having real and very positive impacts on Albertans.

Witness the towns of Vauxhall and Warner, where sports academy programs we funded have revitalized the local schools and the communities-at-large. Another example is our help in creating virtual meeting rooms with high speed video internet access at 81 rural libraries. On a practical level it has already saved people hundreds of travel hours and tens of thousands of dollars in expenses. Another great success story: hundreds of families with rural businesses have been helped to transfer assets, ownership and leadership to sons, daughters and other young people. Our funding kick-started this program, which produces the net result of more young people staying and building futures in rural Alberta.



The Rural Information Services Initiative was funded in 2008 and provides high speed communications and internet access to 81 rural libraries across southern Alberta.



The Warner Hockey School received funding for physical therapy and training programs that are used by school participants and Warner area residents.

We are measuring our return on investment against project and economic achievement plans. Evaluation of expected outcomes in these plans is reaping valuable data. Almost 80 percent are showing that outcomes are being achieved. Economic data received from 47 projects shows that for every dollar we invest, 65% more is being leveraged by project proponents. We are expecting more good news in 2010-2011. You can read more about this in this report's Measures and Outcomes section.

Changes

This past year saw some key leadership changes in our organization. Terry Keyko, RADF's first Managing Director and the man largely responsible for putting the administrative elements of the organization together, left in February. Bob Clark, one of the 'founding fathers' of RADF and its first chairman, resigned at the end of March. Glenn Taylor, who has been on the Board since its inception, is the incoming Chair. As the outgoing and incoming Chairs, we are both pleased that the transition to new leadership has been smooth. As the incoming Chair, I would like to thank Bob for his tremendous leadership over the past four years. Both Bob and Terry will be missed.

At the Board level, there was considerable debate about changing our strategic direction to ensure a future role for RADF after its contract ends. We shared our thinking with Government of Alberta and key stakeholders and after further debate, determined that it would be in the best interests of rural Albertans to satisfy our original mandate and distribute the balance of our funds. We will be working hard in the next year to solicit quality funding applications, approve more innovative projects, and provide more evidence that our investments are having a positive, lasting impact on rural communities.

Our company works closely with a number of organizations with rural development mandates to ensure we are not duplicating efforts. Of particular note are the working relationships we have had with George Groeneveld, former Minister of Alberta Agriculture and Rural Development and his staff and the Hon. Iris Evans, Minister of Finance and Enterprise and her staff. Special thanks to them and to Ray Prins, MLA for Lacombe-Ponoka and our other Board observers for their support and guidance.

Cabinet changes in the spring of 2010 resulted in the Hon. Jack Hayden becoming Minister of Agriculture and Rural Development and the Hon. Ted Morton becoming the new Minister of Finance and Enterprise. We look forward to building a positive working relationship with them and their staffs.

The RADF Board and staff members have been and continue to be instrumental to RADF's success. RADF's ability to help rural Albertans grow and prosper is largely due to their governance and administrative skills, guidance and wisdom. My appreciation goes out to them all.



Bob Clark



Glenn Taylor



Bob Clark, Outgoing Chair



Glenn Taylor, Incoming Chair



RADF's investment in the Rural Artistic Initiatives program enabled more Albertans to take advantage of arts training and programming in rural communities.

Rural Alberta's Development Fund

Funded Projects



"RADF funding is huge. It has allowed us to move to the next step which is to develop Creative Campus into a truly regional program. This means that our whole region will come together to develop a huge communications model that can then be used elsewhere."

*Janet Russell, Business Manager
Yellowhead Regional Arts Society*

From the beginning of April 2009 to the end of March 2010 RADF's Board of Directors approved 16 projects for a total of \$18.8 million in funding support. One project was withdrawn by the applicant after it received funding approval. A snapshot of the other 15 projects and the amount of RADF's investment is listed here. The projects are diverse and benefit a large number of rural communities and Albertans. A more complete description is available at www.ruralalbertasfund.com

Aboriginal Leadership Best Practices Project - \$1.3 million

RADF funding allowed the Banff Centre for Continuing Education, through its Nexen Chair in Aboriginal Leadership, to develop a new, hands-on community-based Aboriginal leadership training program. This program brings together five Aboriginal community partners and a host of stakeholders and community supporters to build a toolbox of skills and educational materials for rural Aboriginal leaders. Leaders are able to take these skills back to their communities to foster sustained, self-determined social and economic development. An awareness campaign has been launched to find 20 Aboriginal young adults who will work closely with partner groups and then share their best practices and learnings with other Aboriginal communities in Alberta.

Partners in this project include Mikisew Group of Companies, Blackfoot Crossing Historical Park, Alberta Indian Investment Corporation, Métis Nation of Alberta and Métis Crossing.

Bio-Economy Incubator Initiative - \$1 million

RADF money helped support the needs of bio-industries that are being attracted to the Drayton Valley area. A 'Bio-Mile' Centre of Excellence is in development. The centre will foster the creation of new technologies by offering skills development and training, supporting business incubation and providing applied research on the commercialization of bio-based products. The project is the first bio-economy and applied research consortium in Alberta.

This project is led by the Town of Drayton Valley with the support of partners like the Northern Alberta Institute of Technology, Tekle Technical Services Inc., Otoka Energy Inc (USA), Weyerhaeuser Canada, Cluster Industrielle Biotechnologie 2021 (Germany), the University of Alberta and many local businesses.

Canadian Badlands Tourism Development Centre Program - \$5 million

Funding from RADF helped the Canadian Badlands Tourism Development Centre create a single point of contact for tourism resources, information and development in southeastern Alberta. This project is in the process of developing 17 short, intermediate and long-term tourism programs, expanding and enhancing four primary and four secondary tourism hubs, and enhancing access to tourism destinations across the region. Consultants have now been contracted for all 17 programs and work on the majority of them is well underway.

This project is a partnership between Canadian Badlands Ltd. and 57 communities spread throughout southeastern Alberta.

Composite Train Grading Project - \$235,000

The Forestburg-based Battle River Railway (BRR) is using RADF funding to bring improved marketing opportunities to grain producers in east-central Alberta. This is being done through new technology and advanced programming in composite train grading, identity preservation and tracking. Composite train grading allows regional farmers to customize grain shipments to best meet customer requirements, thereby optimizing the grain's value. The BRR rail line runs through Camrose, Kelsey, Rosalind, Heisler, Forestburg, Galahad and Alliance.

Project partners include regional seed cleaning plants, the Canadian Wheat Board, the Canadian Grain Commission, CN Rail, West Central Road and Rail, and the Prince Rupert Rail Terminal.

Habitat For Humanity – Northern Development Project - \$150,000

RADF's grant allowed Habitat for Humanity – Edmonton Society to develop a rural program for north-central Alberta communities. This non-profit group will provide the knowledge, resources and infrastructure that local communities need to establish their own Habitat for Humanity programs. Skills learned by participating communities will allow them to build affordable housing using the original model, which has been very successful in larger urban environments. This project prompted the communities of Wetaskiwin, Hinton and Barrhead to schedule Habitat for Humanity building projects for 2010.

Along with Habitat for Humanity – Edmonton Society, the communities of Edson, Fairview and Whitecourt are partners in this project.

"RADF's support has allowed us to expand our reach into the northern communities and spread the word."

*Steve McIsaac, Executive Director
Inside Education Society of Alberta*





High Level Community Outreach Project - \$450,150

With RADF's sponsorship, High Level's Community Outreach Centre successfully expanded its programs and services to provide day programming in addition to its existing overnight shelter services to people who are homeless. The now 24-hour Community Outreach Centre has introduced daytime services that include health screenings, addiction counseling and employment assistance.

This project is led by the Ten Thousand Five Remedial House Society. The Society is a partnership between the Action North Recovery Centre, Alberta Alcohol and Drug Abuse Commission, Family and Community Social Services, High Level Native Friendship Centre, North Peace Tribal Council, Northwestern Regional Health Authority, Royal Canadian Mounted Police, Silver Birch Child and Family Services Authority, the Town of High Level, High Level Chamber of Commerce and a number of individual members of the community.

Learning Communities Project - \$3.1 million

The Learning Communities Project identifies and provides learning opportunities for people living in Aboriginal communities in northern Alberta. Over the next two years the initiative will create a system of student supports, community-based educational databases and access to e-learning opportunities. The goal is to provide educational services that respond to local interests and build on people's existing educational preparation and professional or life experience.

This project is a partnership between Athabasca University, the Athabasca Tribal Council, the Bigstone Cree Nation, the Métis Settlements General Council and the North Peace Tribal Council. A total of 23 Aboriginal communities will take part in the project.



"The development of this project and the announcement that Rural Alberta's Development Fund was supporting it has really increased awareness not only locally but across the province."

*Randal Nickel, Executive Director
Camrose Open Door Association*



"We've been able to exceed many of our goals thanks to the RADF funding. We estimated that we would probably have one participant in the summer months and a few more in the winter. We've actually had 24 individuals access some form of our programming so far."

*Clark McAskile, Executive Director
Ten Thousand Five
Remedial House Society*

Mobile Trades Foundation Program - \$1.1 million

In 2009, a mobile trades curriculum targeted at rural youth in grades seven, eight and nine was created with the assistance of a funding grant from RADF. The program introduces hands-on trades training to students at an early age to encourage those at risk of dropping out of school to consider a career path in the trades.

The Northern Lights School Division saw many students from the region participate in the first year of the program in 2009-2010. As part of the Mobile Trades Program, a specialty trailer loaded with state-of-the-art training and educational equipment visited schools in the region. Students enrolled in the Mobile Trades Program were able to access this trailer for an enhanced learning experience.

Northern Lights School Division, which encompasses the area from Wandering River through to Cold Lake, is the project lead. Project partners include Northern Alberta Development Council, Alberta Education, the Kikino Métis Settlement, Alberta Apprenticeship and Industry Training, CAREERS: the Next Generation and multiple industry partners.

NEXTGEN Online - \$993,160

Funds from RADF have enabled rural students to step inside industry and explore careers using innovative interactive portals and social media. This province-wide program targets rural junior and senior high school students and uses Alberta's SuperNet as an information access platform.

This project is led by a provincial organization based in Edmonton called CAREERS: The Next Generation. Implementation partners include Axia NetMedia Corporation, the Alberta Distance Learning Centre, the Alberta Professional Development Regional Consortia, 2learn.ca Education Society, Athabasca University, Chinook's Edge School Division and the First Nations (Alberta) Technical Services Advisory Group.





Pipestone Creek Dinosaur Initiative - \$1.89 million

RADF funding will help the Pipestone Creek Dinosaur Initiative position the Peace Region as Alberta's next great dinosaur destination. It will open the region to tourism, education and economic development while ensuring stewardship of a rich paleontological resource in northwest Alberta.

The resource is the Pipestone Creek Bone Bed, 30 kilometers southwest of the town of Wembley, which is considered one of the five richest dinosaur bone beds in the world and contains fossils approximately 70 million years old. A research team based out of Grande Prairie Regional College has been hired to meet the project's research goals. Additional funding has been secured to aid in the development of the bone bed area.

This initiative is a partnership between the County of Grande Prairie, Royal Tyrell Museum, Paleontological Society of the Peace, Peace Region Economic Development Alliance, Grande Prairie Regional College, City of Grande Prairie, Town of Wembley, Grande Prairie Chamber of Commerce, Grande Prairie Museum, Grande Prairie Regional Tourism Association, Community Futures Grande Prairie and Northern Alberta Development Council.

Rural Community Leadership Initiative - \$313,313

RADF funding helped to establish a rural community leadership training program for rural communities in Alberta that have populations of less than 10,000 people. A parallel program is being operated in Saskatchewan with the support of Saskatchewan investors. This non-denominational program is using online tools and the underutilized infrastructure and capacity of rural churches as a base for training local citizens in peer mentorship, crisis intervention and economic development.

This project is led by the Centre for Rural Community Leadership and Ministry. RADF's contribution to this project will see the program launched in Alberta through local community organizations in Camrose, Millet, New Brigid, Oyen and Wainwright. As the program evolves, it is expected more Alberta communities will join.

Rural Volunteer Leadership - \$881,125

A funding commitment from RADF is facilitating leadership and skills development training for rural Alberta's non-profit and voluntary sector organizations. This project is developing strong leaders and managers who have the capabilities, competencies and creativity to ensure that rural communities and organizations can continue to be sustainable while providing key services to Albertans.

This project is a partnership between Volunteer Alberta and Alberta Culture and Community Spirit's Community Development Branch, with support from the Community Learning Network, the Alberta Association of Agricultural Societies, and volunteer centres across the province.

"Partnerships like the one we have with RADF are very important, and not just in times of recession. As a rule, for not-for-profit organizations to maximize the level of service to the community it's much more efficient to pool resources with other partners in order to offer something of quality."

*Gerard Gibbs, Executive Director
Empress Theatre Society*

Rural Wind Energy Capacity Development - \$1.2 million

Lethbridge College is using \$1.2 million in RADF funding to establish southern Alberta as a world leader in the wind energy sector. This is being done by developing long term, durable training programs, educational products and stakeholder coalitions. Residents in the region will have opportunities to gain quality employment, diversify their incomes and support the emerging wind energy sector.

This project is being developed by Lethbridge College with partnership support from several Canadian and international energy companies.

Sports Coaching Development - \$380,000

An online and blended coaching education program for rural Alberta school sports and athletic coaches is being developed with help from RADF. The program addresses the needs of rural coaches by providing affordable, accessible and relevant educational experiences. It will properly prepare interscholastic coaches for their roles in sports and athletics in an educational setting. This is the first program of its kind in Canada.

This project is being led by the Alberta Schools' Athletic Association (ASAA) with assistance from its 276 rural member schools. The US National Federation of State High School Associations has provided in-kind support to help ASAA adapt the US program for introduction into Alberta schools.

STARS Critical Care & Transport Medicine Academy - \$577,676

As a further support to the Government of Alberta's commitment to the Alberta Shock Trauma Air Rescue Society (STARS), RADF has provided funding to help the organization develop an innovative model of delivering provincial educational opportunities to rural health professionals. Rural paramedics, nurses, physicians, respiratory therapists and others will now be able to more easily access advanced skills training in critical care and transport medicine.

Project partners include TransCanada, Grande Prairie Regional College, Alberta Health Services, TST Canada and Alberta's Aboriginal communities.

"The RADF money allowed us to get together with the mentors in the communities so that we could help set up our program in their communities. Without the funding none of that would have taken place."

*Martin Sacher, CEO
Sunchild E-Learning*



Rural Alberta's Development Fund

Completed Projects

Three projects funded by RADF were completed in 2009–2010. Each one achieved its goals and is featured here.

Alberta First Nations Economic Development Model

The Alberta First Nations Economic Development Model project inspired Alberta's First Nations to look at large projects and how they work, says Alberta First Nations Industrial Initiatives President Ken Horn. "We can't speak enough about where this project has taken us and what we've learned from it."

RADF gave the Alberta First Nations Industrial Initiatives Society \$1.2M to plan and develop a business model for large economic ventures. Now completed, this blueprint is available to all Alberta First Nations. A secure website provides templates on how a First Nation can take on large ventures.

"The ability to look at large projects has been a confidence booster for Alberta's First Nations," says Horn. "The level of detail that goes into these large projects is huge, so having the confidence to move forward with the appropriate skill sets and support shows these types of projects are not impossible but in fact viable options for communities to consider." Led by the Enoch Cree First Nation, the project was supported by Alberta's three Grand Treaty Chiefs and the majority of Alberta's First Nations communities.

The economic development model has led Alberta First Nations to partner with the Government of India's Engineering India Ltd. to begin work on planning and constructing a petroleum refinery. Horn says the refinery has the potential for a revenue of \$500 million to \$700 million a year.

"This is a big win for RADF," he says. "Their early-on support has allowed us to be on the level where we are at now. We wouldn't be at the table with various levels of government and foreign investors if it hadn't been for the grant from RADF."

Key outcomes of the project were:

- Creation of a business model for use by other First Nations that is easily adapted to any large economic initiative.
- Development of supporting studies, reports and processes to implement the business model effectively.
- Increased capacity in Alberta's First Nation communities to undertake, achieve and manage large economic projects.
- Enhanced learning, skill development, capacity and sustainability in Aboriginal communities.



"We wouldn't be at the table with various levels of government and foreign investors if it hadn't been for the grant from RADF."

*Ken Horn, President
Alberta First Nations Industrial Initiatives*

Older Adult Active Living Project

The Physical Culture Association of Alberta (PCAA) made good use of the \$55,000 in funding they got from RADF to develop a Purposeful Movement program. A new 10-hour certification course is now in place to encourage more physical activity and active living programming for older adults living in rural seniors' housing. The course is available to service providers, practitioners working with older adults, leaders and volunteers throughout rural Alberta.

PCAA's Executive Director Lesley McEwan credits RADF for making development of the program possible. "It enabled us to get the project off the ground and get it out there. People province-wide are now aware of the project, allowing us to move on to the training phase."

There are currently five trainers working across the province to bring Purposeful Movement to Alberta seniors. McEwan says they will be training an additional four staff to bring the program to northern communities. In addition, PCAA trainers will provide Purposeful Movement training to Grande Prairie Regional College staff and leaders in the fall of 2010.

PCAA conducted province-wide focus groups to determine the content and scope of the new program. An advisory committee of service providers and seniors steered the program development and a liaison worked with First Nations to incorporate Aboriginal feedback. A training manual was paired with a kit of suggested exercise equipment

Key outcomes of the project were:

- New training and resources for local people who are able and willing to provide more physical activity and active living programming for older adults living in rural seniors' housing.
- The physical activity needs of seniors within their own housing situations are better met.
- Improved well-being, function, health and independence for many older adults.

"RADF Funding enabled us to get the project off the ground and get it out there. People province-wide are now aware of the project allowing us to move on to the training phase."

*Lesley McEwan, Executive Director
Physical Culture Association of Alberta*





Three Little Pigs Housing Cooperative

RADF's \$213,000 in support enabled the Bonnyville Affordable Housing Association to develop an innovative affordable housing co-op model for rural Alberta communities. A Three Little Pigs Housing Cooperative Sustainable Housing Tool Kit and Business Plan is now available online at www.3littlepigshousing.com.

These resources are also being shared with interested communities and organizations through presentations and at affordable housing workshops. "So far we've been able to supply information to Camrose County and the Town of Grande Cache as well as many private developers," says Vic Stapleton, Chair of the Bonnyville Affordable Housing Association.

The Association worked with industry to incorporate green technologies in housing design to reduce utility and maintenance costs. Community input continues to be sought for model enhancements.

After running into several road blocks that have delayed construction, Stapleton says the Three Little Pigs Housing Cooperative is now successfully working with developers in the Bonnyville region to secure land where they can create Alberta's first sustainable eco-village.

"Without the Rural Alberta's Development Fund we could have never collected the information to publish the Tool Kit and Business Plan that will provide the structure to construct green, affordable, and sustainable housing for Albertans," says Stapleton.

Key outcomes of the project were:

- A model and toolkit were created to show how to develop an affordable housing cooperative in rural Alberta.
- Other Alberta communities are making use of the products.
- Industry was engaged in helping to incorporate green technologies in home construction.

"Without the Rural Alberta's Development Fund we could have never collected the information to publish the Tool Kit and Business Plan that will provide the structure to construct green, affordable, and sustainable housing for Albertans,"

*Vic Stapleton, Chair
Bonnyville Affordable Housing Association*

Activity Statistics

(for the year ended March 31, 2010)

NOTE: A moratorium on Expressions of Interest for a few months during 2009-2010 resulted in lower than normal totals.

Expressions of Interest

Received	116
Capital only	26
Approved to full application stage	8
Total funding requested	\$72 million
Total value of projects	\$125.5 million

Proposals

Total: 24 Reviewed

16*	Approved
8	Declined

* Includes a project that was withdrawn after funding approval was granted.

Board of Directors

Alden Armstrong	– Paddle Prairie
Jann Beeston	– Hanna
Claudia Buck	– Grande Prairie
Marc Butikofer	– Island Lake South
Jon Close	– Cochrane
Brad Ferguson	– Edmonton
Marie Logan	– Lomond
Ken Nicol	– Coalhurst
Keith Ryder	– Stettler
Glenn Taylor, Chair	– Hinton
Eva Urlacher	– Cold Lake

Funded Proposals

(by type of project)

Total: 16

4	Economic and Community Development
3	Technology/ SuperNet
3	Health and Recreation
2	Aboriginal
2	Education
2	Tourism






Measures and Outcomes

RADF's contractual obligations with the Government of Alberta include reporting on a set of performance and outcome measures. In 2009, RADF approved implementation of a unique evaluative framework developed by Howard Research and Management Consulting Inc.

Throughout 2009-2010, RADF has been working with the administrators of the various projects it has funded (proponents) to develop, gather and analyze qualitative and quantitative evaluative data. Each proponent reports data through project and economic achievement plans. Projects are expected to provide evidence to RADF of how and to what degree each outcome stated in their plans has been met.

The projects are making good progress toward significant achievement. Of the 199 expected outcomes identified across all projects, almost 80 percent of the outcomes have data to support evidence of success. The remaining outcomes did not have supporting data available for 2009 because, for the most part, the projects were in their start-up cycle.

Distribution of Projects by Theme

					
	Community Capacity	Economic Development	Education	Quality of Life	Rural Health
Number of Projects	33	26	16	9	3
Percentage of Projects*	56%	44%	27%	15%	5%

Note: Percentages do not total 100% as many projects contribute to more than one theme area.

Economic data were received from 47 projects (80%). These data indicate that for every dollar the RADF invests, projects are able to leverage another \$0.65 in additional funding for rural development.

As a matter of course, projects learnings are occurring and being captured to determine what are the:

- conditions for success and transferability of projects to other communities
- factors important in project management
- elements that create partnerships and networks
- important internal and external communications in project implementation
- impacts of funding in sustainability
- usefulness of ongoing evaluation

Some projects are offering unique insights into such areas as the role volunteerism plays in wildlife habitat stewardship, the importance of digital technology in increasing library services, and strategic approaches to attracting the economic benefits of tourism.

Baseline Data

Baseline data collected on community capacity and quality of life across Alberta indicate RADF is directing its funding into vital areas of rural development. The majority of rural Albertans experience a similar quality of life as their urban counterparts. However, even in rural Alberta where community support is high, some members of the population experience isolation, employment challenges, and access to basic amenities such as transportation.

Also, survey results support the notion that rural Alberta has a community capacity disadvantage relative to its urban counterparts. Community capacity in rural Alberta is significantly lower than in small urban or large urban Alberta. In addition, residents of rural communities indicated in the survey that their communities were less attractive as places to live and work when compared to the views of small urban communities. Northern rural communities scored lower on almost all aspects of community capacity and access to health and education services.

Performance Measurement Targets

The quantity of Expressions of Interests was down in 2009/2010. This was mainly due to a moratorium on Expressions of Interest for a few months. The number of proposals reviewed reflects a carryover from 2008-2009.

2009/2010 Performance Measure	Target	Actual
Number of Expressions of Interest approved to go to proposal stage	30	8
Proposals Reviewed	24	24
Proposals Approved for Funding	20	16
Proposal Approval Rate	83%	67%
Investment Committed	\$25,000,000	\$18,800,000
Investment Distributed	\$20,000,000	\$19,992,344
Fund Investment Return Prior to Allocation	3.05%	1.73%



Auditor's Report



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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, 2010 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 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, 2010 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' with a horizontal line underneath.

Chartered Accountants

Edmonton, Canada
May 28, 2010

Financial Statements

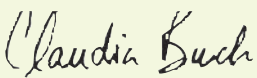
Statement of Financial Position


March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 2,719,204	\$ 28,645
Short-term term deposits (note 2)	-	19,008,171
Accrued interest receivable on term deposits	-	65,219
GST recoverable	86,531	62,083
Prepaid expense	15,728	6,229
Amounts recoverable	104,958	874,684
	2,926,421	20,045,031
Capital assets (note 3)	137,661	91,521
Deferred rental expense (note 4)	187,848	250,463
Investments (note 5)	66,769,906	65,628,499
	\$ 70,021,836	\$ 86,015,514
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,593,440	\$ 983,523
Deferred revenue (note 6)	64,428,396	85,031,991
	70,021,836	86,015,514
Commitments (note 7)		
	\$ 70,021,836	\$ 86,015,514

See accompanying notes to financial statements.

On behalf of the Board:


 Director
 Claudia Buck


 Director
 Glen Taylor

Financial Statements

Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Grant revenue	\$ 12,992,344	\$ 12,946,849
Grants paid	12,992,344	12,946,849
	-	-
Investment income (note 5)	1,987,053	2,103,930
	1,987,053	2,103,930
Expenses:		
Wages and benefits	780,473	843,537
Consulting fees	366,441	353,322
Board administration and honoraria	234,094	195,407
Travel	120,294	117,950
Professional fees	118,402	139,423
Rent	75,116	81,266
Advertising	73,123	154,986
Fund investment costs	54,424	50,374
Amortization of capital assets	45,430	33,063
Telephone	30,474	26,815
Office and general	28,046	43,148
Recruitment	25,000	28,921
Non-recoverable GST	24,448	25,243
Repairs and maintenance	4,612	830
Insurance	4,016	4,500
Training	2,286	4,586
Bank charges	374	559
	1,987,053	2,103,930
Excess revenue, being net assets, beginning and end of year	\$ -	\$ -

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess revenue, being net assets	\$ -	\$ -
Items not involving cash:		
Rent expense	62,615	77,066
Amortization of capital assets	45,430	33,063
Change in non-cash operating working capital:		
Decrease (increase) in accrued interest receivable on term deposits	65,219	688,623
Increase in GST recoverable	(24,448)	(25,243)
Increase in prepaid expense	(9,499)	(6,229)
Decrease (increase) in amounts recoverable	769,726	(874,684)
Increase in accounts payable and accrued liabilities	4,609,917	196,251
Decrease in deferred revenue	(20,603,595)	(10,996,549)
	(15,084,635)	(10,907,702)
Investments:		
Decrease in short-term term deposits, net	19,008,171	23,795,516
Purchase of investments, net of bond maturities	(1,141,407)	(12,931,507)
Addition to capital assets	(91,570)	(7,963)
	17,775,194	10,856,046
Increase (decrease) in cash position	2,690,559	(51,656)
Cash position, beginning of year	28,645	80,301
Cash position, end of year	\$ 2,719,204	\$ 28,645

During the year, the Fund received \$13,400,000 related to the maturity of bonds (2009 - \$11,800,000).

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2010

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) 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 the shorter of the period the Fund will operate (see note 1(b)) or the estimated useful life as follows:

Asset	Rate
Furniture and fixtures	5 years
Computer	3 years

1. Significant accounting policies: (continued)

(b) Revenue recognition:

The Fund follows the deferral method of accounting for contributions.

Under the terms of an Agreement as amended, 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 term (being June 30, 2013) 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. Effective April 3, 2009 and executed on May 12, 2009, the Fund's term was extended from June 30, 2012 to June 30, 2013.

(c) 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.

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies: (continued)

(d) Risk management and fair value:

The risks that arise from transacting financial instruments include credit risk, liquidity risk, and market risk. Market risk arises from changes in interest rates, foreign currency exchange rates and other market factors. 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, financial institutions and large publicly traded corporate entities. Credit risk associated with cash positions, short term deposits and bankers acceptances is mitigated by investing in short term or demand type instruments with large, nationally insured Canadian financial institutions, established money market funds and significant corporate entities. Further, to mitigate investing in high yield, lower grade investment instruments, the Fund has established an average rate of return target of 3.97% which management and the Board deem to be a reasonable and feasible target while minimizing risk. Interest rate risk is mitigated by managing maturity dates, payment frequency and maintaining a portion in short term accounts and instruments. A change in benchmark interest rates would result in a change in the fair value of the investment portfolio but exposure to loss is capped with management's intention to hold, when practicable, the investments to their maturity dates.

A portion of the bond investments held by the Fund are issued in US dollars which are subject to foreign currency risk. All other investments are issued in Canadian dollars. A one percent change in foreign exchange rates between the Canadian and US dollars would effect the fair value of the investment portfolio at March 31, 2010 by \$41,670.

1. Significant accounting policies: (continued)

(d) Risk management and fair value: (continued)

Liquidity risk is primarily managed through the laddering of maturity dates, payment frequency of interest receipts and ensuring sufficient funds are maintained in demand type instruments to meet any immediate cash demands. In addition, management establishes cash flow needs through the budget process which is approved by the Board.

The amounts recoverable represent overfunding of projects. Management is of the opinion that the likelihood of loss is remote.

(e) 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.

(f) Capital management:

The Fund's objectives when managing capital are, in part, outlined under the Fund's purpose which is to ensure the fiscally responsible expenditure of the Fund's financial resources to promote growth, prosperity and the quality of life in rural Alberta. The Fund's capital is the deferred revenue, representing those monies received through a one time grant from the Province of Alberta. As the Fund executes its purpose, these monies will be drawn down until their expiry or the Fund's set term of existence.

2. Short-term term deposits:

The term deposits bear interest at rates ranging from 0.76% to 2.10% with maturities ranging from April 6, 2009 to January 5, 2010.

Notes to Financial Statements (continued)

Year ended March 31, 2010

3. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Furniture and fixtures	\$ 112,272	\$ 55,013	\$ 57,259	\$ 72,072
Computer	126,005	45,603	80,402	19,449
	\$ 238,277	\$100,616	\$ 137,661	\$ 91,521

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

4. Deferred rental expense:

The Fund leases its premises under a seven year operating lease arrangement with The Friends of the Ukrainian Cultural Heritage Village Society. 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 of the leased space during 2008 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 amortized to rental expense over the shorter of the lease term or the period the Fund will operate (see note 1(b)). Accordingly, the rental expense for the current year is \$62,615 (2009 - \$77,066).

Financial Statements

5. Investments:

	2010	2009
Government and government backed bonds with coupon rates from 4.00% to 4.40% with maturity dates from May 2010 to December 2011, principal amount of \$12,186,169	\$ 12,506,894	\$ 21,059,558
Corporate bonds with coupon rates from 3.65% to 11.95% with maturity dates from June 2010 to November 2012, principal amount of \$8,226,385	8,409,433	10,667,721
Foreign issued bonds with coupon rates from 5.13% to 7.88% with maturity dates from November 2010 to February 2012, principal amount of \$4,713,529	4,167,039	3,886,811
Financial institution bonds with coupon rates from 3.75% to 4.92% with maturity dates from September 2010 to November 2011, principal amount of \$10,847,155	11,105,022	13,533,249
	36,188,388	49,147,339
Bankers Acceptances maturing from April 12 to 20, 2010	12,747,884	15,548,719
Accrued interest	387,836	515,170
Commercial paper maturing April 15, 2010	5,199,147	-
Cash and cash equivalents	12,246,651	417,271
	\$ 66,769,906	\$ 65,628,499

Initially, the Fund operated under a five year mandate with an intention to have all monies committed within three years. During the year the mandate was extended. Due to the Fund's initial set term of existence, there was no intention or ability to hold all bonds to maturity.

The maturity values of the bankers acceptances and commercial paper are \$12,458,000 and \$5,200,000 respectively.

Approximately 51% of the bonds mature in less than a year, 47% mature in two years and 2% mature in three years. Of the total investments, 73% is of a demand nature or matures in the next fiscal year. Based on March 31 fair value, the bond portfolio's weighted average rate of return approximates 4.4% (2009 4.6%). Changes in market interest rates will cause change in the fair value of Fund's bond portfolio and weighted average rate of return.

Notes to Financial Statements (continued)

Year ended March 31, 2010

5. Investments: (continued)

Investment income is comprised of the following:

	2010	2009
Appreciation (reduction) of fair market value of investments	\$ (806,801)	\$ 712,760
Interest on investments, term deposits and cash	2,226,903	3,389,184
Loss realized on maturity of investments	(44,300)	(47,714)
	1,375,802	4,054,230
Deferred investment revenue recognized (investment revenue deferred) (note 6)	611,251	(1,950,300)
	\$ 1,987,053	\$ 2,103,930

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 for investments	-	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)	-
Balance, March 31, 2008	93,002,132	3,026,408	96,028,540
Deferral of investment income (note 6)	-	1,950,300	1,950,300
Grant expenditures	(12,946,849)	-	(12,946,849)
Balance, March 31, 2009	80,055,283	4,976,708	85,031,991
Recognition of investment income (note 5)	-	(611,251)	(611,251)
Grant expenditures	(19,992,344)	-	(19,992,344)
Balance, March 31, 2010	\$ 60,062,939	\$ 4,365,457	\$ 64,428,396

Financial Statements

7. Commitments:

	2010/11	2011/12	2012/13	Total
Projects approved for funding with agreements in place	\$ 16,565,183	\$ 7,333,124	\$ 1,682,590	\$ 25,580,897
Consulting agreements	110,000	138,700	-	248,700
Total	\$ 16,675,183	\$ 7,471,824	\$ 1,682,590	\$ 25,829,597

Since inception to March 31, 2010, the Fund has approved 67 (2009 - 52) projects for a total of \$71,741,727 (2009 - \$55,377,923). Agreements for 59 (2009 - 47) of these 67 projects are in place as of March 31, 2010 for a total of \$66,485,466 (2009 - \$50,068,885) net of amounts recoverable of which \$38,177,861 (2009 - \$19,944,717) has been advanced at March 31, 2010. Subsequent to year end, the Fund has not approved any additional projects.

During the year, the Fund entered into a ten year premise lease with occupancy to commence August 1, 2010 in anticipation of a change to the Fund's terms and conditions (see note 1(b)). Subsequent to the execution of the lease agreement, the anticipated change to the Fund's terms and conditions did not occur. The Fund is now in negotiations with the lessor to cancel the lease arrangement. The costs for termination of the lease are not readily determinable, however; based on preliminary discussions with the lessor's representatives, management believes the costs of termination will not exceed \$80,000 which will be recorded as an expense at the time of settlement. Further, management believes alternatives remain concerning the premises which include assuming the lease obligation and sub letting the space to other parties which then may be assigned to the landlord with any potential discrepancy in lease rates paid by the Fund on a discounted cash flow basis.

Financial Statements

Schedule of Salary and Benefits Disclosure

Year ended March 31, 2010, with comparative figures for 2009

	Salaries and honoraria (1)	Benefits and allowances (2,3)	2010 total	2009 total
Chair:				
Clark, Bob	\$ 20,875	\$ -	\$ 20,875	\$ 21,563
Vice Chair:				
Ferguson, Brad	16,350	-	16,350	9,200
Board Members:				
Aris, Susan	-	-	-	200
Armstrong, Alden	5,450	-	5,450	4,788
Beeston, Jann	7,650	-	7,650	6,138
Buck, Claudia	9,275	-	9,275	8,175
Butikofer, Marc	6,300	-	6,300	1,850
Close, Jon	5,925	-	5,925	5,525
Estlin, Fred	-	-	-	7,637
Logan, Marie	3,350	-	3,350	5,325
Nicol, Ken	7,000	-	7,000	7,137
Ryder, Keith	5,525	-	5,525	1,975
Taylor, Glenn	7,325	-	7,325	7,250
Urlacher, Eva	6,175	-	6,175	4,750
	101,200	-	101,200	91,513
Managing Director	148,320	35,546	183,866	201,709
Employees reporting to managing director	550,205	46,402	596,607	641,828
	698,525	81,948	780,473	843,537
	\$ 799,725	\$ 81,948	\$ 881,673	\$ 935,050

- (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.
- (4) The Managing Director left the Fund effective March 2010.





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