

The Road Forward.

Rural Alberta Development Fund Annual Report 2010-2011

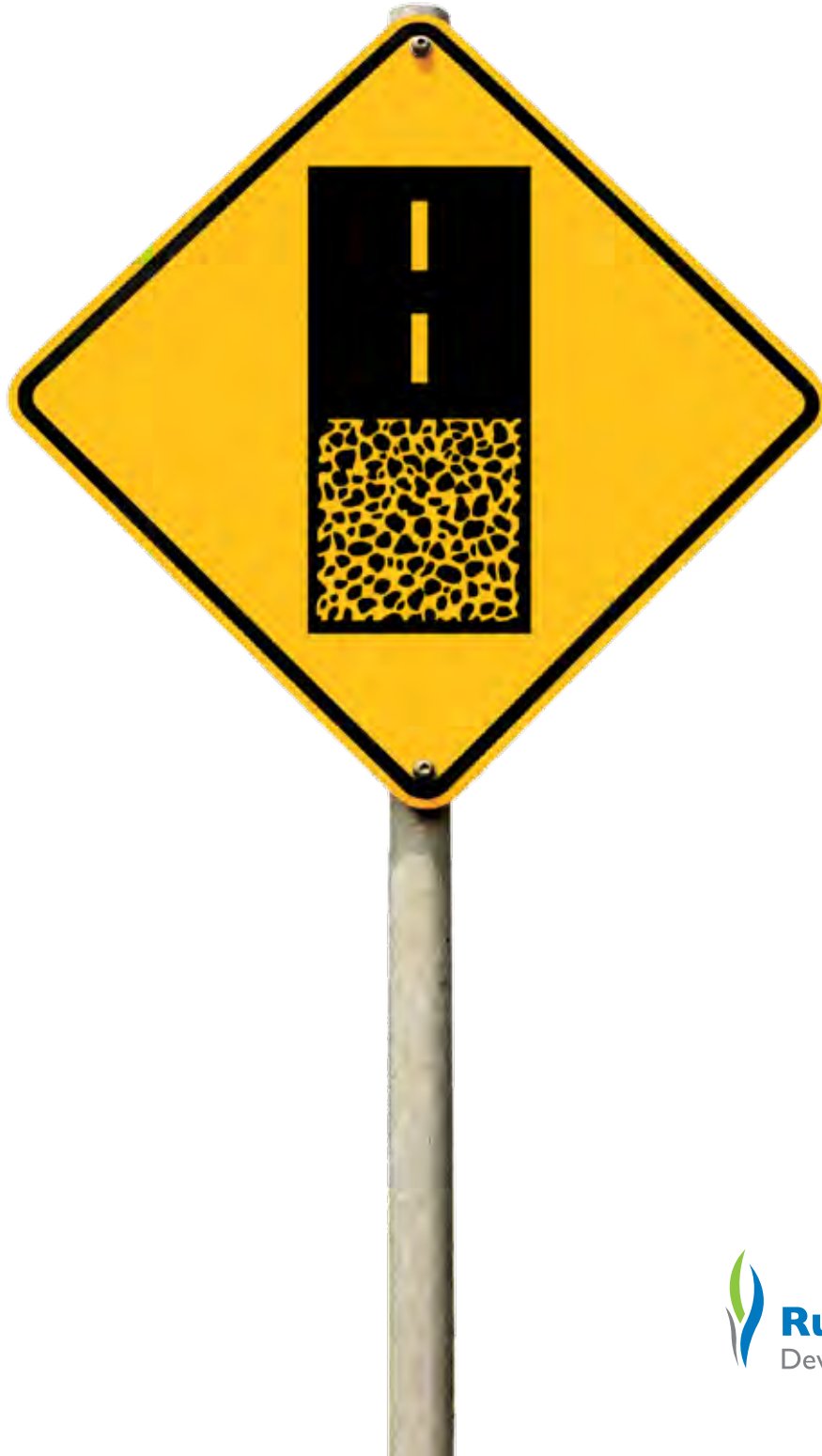
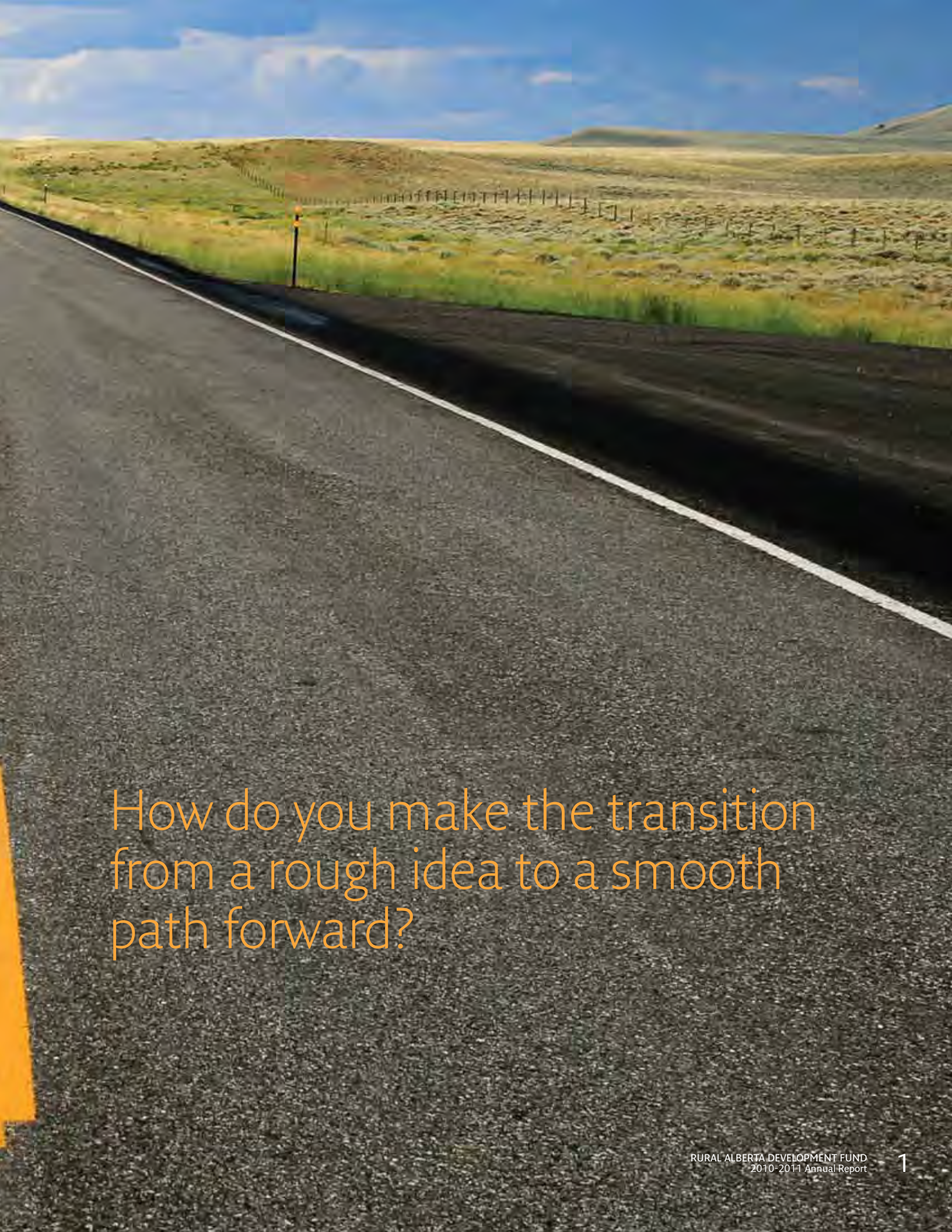




TABLE OF CONTENTS

Message from the Board Chair	2
Message from the Managing Director.....	3
Funded Projects for 2010/2011	5
Reflecting on our Achievements	6
Project Highlights.....	10
Tracking Measures	12
Big Sky Summit	13
Annual Financial Statements.....	14-22
RADF Board of Directors	23



How do you make the transition
from a rough idea to a smooth
path forward?



MESSAGE FROM THE BOARD CHAIR

Since our inception four years ago, Rural Alberta Development Fund has become a significant and strategic funder for rural communities. Our efforts to encourage innovative projects have generated momentum and collaboration among rural leaders, and we are delighted to be a catalyst for growth and progress that will benefit Albertans well into the future.

As of March 31, 2011, the RADF Board of Directors has approved 69 projects for a total of \$74,042,745 across our province.

These projects represent significant diversity, yet connect by an underlying theme of building community capacity, which is consistent with the needs identified by rural communities. We plan to continue this focus through to the end of our mandate.

To communicate our impact, RADF has focused on telling the stories of accomplishment through the eyes of our project proponents, showcasing the community leaders who had the courage to bring these big ideas to reality. Case studies featuring the Warner Girls Hockey School, Grande Prairie's Centre for Research and Innovation and the Northern Lights School District's Mobile Trades Program allowed Albertans to emotionally connect with our projects and become inspired to lead projects of their own. While heightening awareness of the work RADF does on behalf of the Government of Alberta, we have also provided lasting collateral for our project partners to use in their quest toward sustainability.

With four years behind us and a growing number of projects now fully completed, we are turning our attention to measuring the results and impact of these projects on Alberta's rural communities. Early evaluation of our program has produced tremendous learning, with 79% of project outcomes having been "met" or "partially met" and 21% of project outcomes providing insights into opportunities for improvement or program modification. Third-party, in-depth evaluations will continue through the next fiscal year, at which time we will be positioned to provide a comprehensive review of our program mandate and impact as a legacy to inform future rural development initiatives.

We have worked hard as a Board to ensure that 100% of our Fund is allocated by March 31, 2012, and 100% of our Fund is fully distributed by March 31, 2014. These are the timelines outlined in our Grant Agreement with the Government of Alberta, and we are on track in fulfilling these commitments toward value-based outcomes.

As newly appointed Chair, I am grateful for the work done by those who have previously filled this role, the entire RADF Board, as well as the Government of Alberta and the Hon. Jack Hayden, Minister of Agriculture and Rural Development. Collectively, the vision to accelerate innovation and progress in our rural communities is translating into tangible results. The task before us remains significant, but we remain committed and invested in our goal to promote growth, prosperity and quality of life in rural Alberta.

Jann Beeston
Chair



MESSAGE FROM THE MANAGING DIRECTOR

Fiscal 2010/11 was a year of focus for Rural Alberta Development Fund, and I compliment our entire team – Board and Management – for relentlessly pursuing the ambitious initiatives we set forth. With Hon. Minister Jack Hayden affirming our original mandate, we focused on the following five strategic priorities through the year, and made significant progress on all.

- **Stimulating High-Quality Expressions of Interest:** RADF became much more active and, as a result, shifted the culture of our organization toward working alongside community leaders in generating new project opportunities. This has translated into a revolving funnel of project opportunities valued at \$15-\$20 million per year.
- **Bulletproofing Financial Management Processes:** RADF developed an integrated financial management system allowing us to accurately forecast the timely depletion of our Fund, as well as our cash requirements on a monthly basis. This was an important initiative that ensures our financial processes remain timely and accurate as we reach the critical Fund distribution dates under our Grant Agreement.
- **Creating Emotional Connections:** As part of our repositioning strategy that increased our relevance and reach across Alberta, we shifted our marketing message away from RADF and toward our project proponents. Telling their stories has allowed us to inspire a new generation of rural Albertans and expand our “Big Sky” theme for idea generation.
- **Connecting with Decision-Makers:** We actively increased our direct and indirect communications with community, business and political leaders across rural Alberta to learn and understand how we can resonate even better within their communities.
- **Planning for the Future:** As independent evaluations of our projects, program and operations are completed, we have begun documenting the results and impact RADF has had across the province, including learning of what needs to be improved and augmented. This is the start to a larger discussion on a future mandate that will be done in collaboration with the RADF Board and the Government of Alberta throughout the next year.

Looking back, we have accomplished a lot over the past 12 months. The initiatives we undertook to further professionalize RADF have been well received in the marketplace, and we must continue to remain a high-performance organization that is a source of pride for the Government of Alberta and rural Albertans.

It is a pleasure to serve as Managing Director. Our team is a fantastic group of committed Albertans, and channeling their energy is a most rewarding task. They are inspired by the potential of rural Alberta and are motivated by the opportunity to deliver value on behalf of the Government of Alberta.



Brad Ferguson
Managing Director

In 2010/2011,
the Rural Alberta
Development Fund
gave the go-ahead for
three ambitious projects
by approving their funding
applications.



FUNDED PROJECTS FOR 2010/2011

FARM MASTERS: \$970,000

How do you prepare the next generation of farmers to succeed in a rapidly changing business landscape?

To be competitive in an era where farms are growing in size and complexity, those just starting out in the business require additional knowledge and skills to thrive. Yet any learning initiatives must ensure that geography and busy farm schedules are not obstacles.

The Farm Masters program, being delivered through the FarmOn Foundation, will provide a forum for young, emerging agri-entrepreneurs to access modern tools and resources to help them succeed.

RADF has contributed \$970,000 to this three-year project. These funds will be used to develop a web-based platform that will include business management, financial planning, hands-on skills training, marketing guidance and peer-to-peer networking.

FAMILY SERVICE DELIVERY FRAMEWORK IMPLEMENTATION: \$1.5 MILLION

How do you deliver services to enhance the well-being and healthy development of Treaty 8 children and families?

In 2003, the Chiefs of the Treaty 8 First Nations of Alberta mandated the Children's Agenda. The goal was to improve the health and well-being of children and their families by providing services in a culturally relevant, integrated manner.

The Family Service Delivery Framework is a plan that has been designed to address the challenges in delivering federally funded non-statutory services related to the Children's Agenda.

RADF has invested \$1.5 million into the implementation phase of this project. These funds will be used to test and evaluate the draft family service delivery framework in three First Nations communities. This trial will provide valuable lessons and insights — allowing the Framework to be refined prior to its introduction in all twenty-four Treaty 8 member communities.

RURAL CLUSTER DEVELOPMENT PROJECT: \$848,600

How do you stand out from the crowd? You create a cluster.

Business clusters form when a number of closely related businesses, suppliers and associations in a geographic region work collaboratively to promote their local industry – with the mutual goal of becoming more competitive on a national or global level.

In 2011, the Rural Alberta Development Fund invested in a project designed to promote the creation of business clusters throughout the province. The Rural Cluster Development Project will provide access to knowledge, resources and strategies needed to create a viable business cluster.

This project also ensures two years of funding for three specific clusters: Brooks Metal Manufacturing (The County of Newall and City of Brooks); Chinook County Regional Cluster Development and Tourism Strategy Project; and CARMA (Red Deer).

Reflecting on our achievements.

This year, we took the opportunity to highlight the success stories of three groups that have benefited from RADF funding.

By profiling their experiences on our website and in print, we hope to inspire other Alberta change agents to pursue their big sky ideas and apply for seed funding through RADF.



How do you capitalize on innovation?

Alberta's Peace Country is one of the most innovative regions in all of Canada. This region, with only 5% of Alberta's population, is responsible for 40% of the province's patent applications.

Despite this strong entrepreneurial spirit, the region wasn't fully capitalizing on its innovative potential. How could they benefit from this unique talent?

In late 2007, the Centre for Research and Innovation (CRI) was born – a partnership between the Peace Region Economic Development Alliance and the Grande Prairie Regional College. The mandate was to provide local resources, assistance and guidance to help bring ideas to life.

After reviewing CRI's determined plan, the Rural Alberta Development Fund contributed \$3.4 million to this ambitious project. It's paying off. In 2010, the Canadian Federation of Independent Business named Grande Prairie as the top entrepreneurial city in Canada.

"The CRI has worked with over 200 clients, assisted with over 100 Intellectual Property requests, helped commercialize 18 products and services and are helping with another 7 prototypes. New businesses are being developed and existing businesses are hiring new employees. The CRI has attracted over \$5 million in revenue — almost all of which has been expended at home, in the Peace Country."

Bruce Rutley
Director, CRI



How do you save a dying town in the middle of the Alberta prairies?

In 2001, the southern Alberta community of Warner's high school was in danger of closing due to dwindling attendance. Residents knew if their school left, businesses and infrastructure would soon follow. So enterprising residents hatched a plan.

Warner had just invested in converting a grain storage facility into a new ice rink in their hockey-crazy town. The idea of integrating hockey with their school curriculum was nothing new. But with few such programs catering to elite women's hockey, a women's hockey school had the potential to be a winner.

In 2008, the Rural Alberta Development Fund provided \$534,000 to help turn Warner's program into a sustainable project. These funds allowed Warner high school to hire top coaches, skilled trainers and an extensive support staff to take the program to the next level. The revitalized school has proven to be a game saver for Warner, and is now considered one of the best women's hockey schools on the continent.

"The Rural Alberta Development Fund gave us an input of money when we needed it most. For us to be side by side with the biggest centres, such as Calgary, Vancouver, Winnipeg, that is a testament to the RADF."

Laura Marie Doenz
Warner Change Agent

How do you improve sinking graduation rates?

In Northern communities like Lac La Biche, the temptation to take a good-paying job on the oil rigs comes early. As younger students watch their idols drop out, they think “Why not me?” With 28.1% of its students not completing high school, the Northern Lights School District felt it needed to do something.

District Superintendent Roger Nippard had the novel idea of combining education with practical skills, which could be transferred into a future career. Together with local organizations and community partners, the district purchased two fully equipped 53-foot mobile trade trailers that would be used to teach welding skills to students in Grades 7 to 12.

The Rural Alberta Development Fund provided the Mobile Trades Foundation Program with \$1,056,750 to hire journeyman welder instructors and a dedicated program coordinator. The program was an immediate hit. It has provided youth with marketable career skills suited to the region’s thriving oil and gas sector.

“It offers a unique, hands-on approach to learning that makes sense to the children and families of the Kikino Metis Settlement. They struggle for every grade but the trailer gives them 21st century real-life job experience. Those are our kids who will do well.”

Laurie Thompson,
Principal of Kikino School

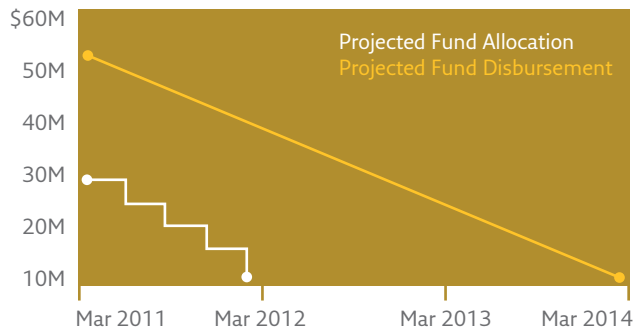


Project Highlights – Fully Completed Projects

Organization	Project Name	Project Description	Community	Approval Date
Alberta Fish & Game Association	Recreation and Habitat Lands Access & Stewardship Training	Project will recruit and train rural Albertans to help preserve and protect 30,000 acres of wildlife habitat throughout Alberta.	Edmonton	08-Jun-07
Alberta Native Friendship Centres Association	Common Ground Program	An Aboriginal community-driven initiative that utilizes traditional Aboriginal perspectives, customs, practices and protocols. It engages a broad and diverse group of stakeholders to collaboratively identify key community priorities, develop action plans and establish long-term relationship agreements.	Edmonton	17-Oct-08
Alberta Terrestrial Imaging Corporation	Building Land Management Tools	Project supports the Alberta Terrestrial Imaging Centre's efforts to create new tools to translate photographic images into information that is useful for land management research, planning and decision-making in Alberta.	Lethbridge	09-Nov-07
Alberta Urban Municipalities Association (AUMA)	Municipal Sustainability Planning	Project will arm rural communities with the skills and knowledge they need to develop effective municipal sustainability plans by maximizing available resources and blueprinting actions required to move a community in its desired direction.	Edmonton	08-Feb-08
Bonnyville Affordable Housing Association	Three Little Pigs Housing Co-operative	This project aims to develop an innovative and affordable housing co-op model. The Association will work with industry to incorporate green technologies in housing design to reduce utility and maintenance costs.	Bonnyville	09-Nov-07
Canadian Centre for Unmanned Vehicle Systems (CCUVS)	Canadian Centre for Unmanned Vehicle Systems (CCUVS)	CCUVS supports the growth of unmanned vehicle systems industry in southern Alberta. Canada's first Unmanned Vehicle Centre of Excellence in Medicine Hat will be developed.	Medicine Hat	07-Sep-07
Chiefs of Alberta Refinery Corporation	Alberta First Nations Refinery	This initiative will allow Alberta First Nations Industrial Initiatives Society to plan and develop a business model for large economic ventures. Once completed, the blueprint will be available to all Alberta First Nations.	Enoch	14-Dec-07
Chinook Arch Regional Library Systems	Rural Information Services Initiative (RISE)	Project to establish virtual meeting rooms with high-speed video internet access at 80 rural libraries and public locations. Designed to give rural residents more opportunities for online learning and skill development – while increasing access to public services like Service Canada and Service Alberta.	Strathmore	11-Apr-08
Community Village Society of the Peace Country	The Community Village	Project will bring together Peace Country non-profit organizations and social businesses to better coordinate, reach and serve Aboriginal people, the homeless, disadvantaged, at-risk youth and those at high risk of contracting HIV/AIDS.	Grande Prairie	19-Oct-07
County of Athabasca & Village of Boyle	Alberta Energy Corridor	This project will prepare the strategically located communities of Boyle and Athabasca to respond to emerging growth in the region by planning on multiple fronts, such as marketing, organizational and land-use.	Boyle	08-Dec-08
Friends of the Westwind Rodeo Academy	Westwind Rodeo Academy	Project will enable the rodeo school at Cardston High School to become self-sustaining. Academy combines education, horsemanship and rodeo to give Grade 10-12 students the opportunity to focus on their passion while completing high school.	Cardston	08-Feb-08
Inside Education Society of Alberta	Boreal Education Strategy	Will enable Inside Education Society of Alberta to provide its environment and natural resource education programs to Grade 4-12 students in remote parts of northern Alberta. The program teaches the relationship between environmental responsibility and economic development.	Edmonton	08-Feb-08
Junior Achievement of Southern Alberta	Junior Achievement Rural Expansion Project	This project will result in Junior Achievement programs being delivered in 12 rural communities across Alberta, while establishing Rural Leadership Councils. It will also help with the recruitment and training of volunteers.	Calgary	09-Nov-07
Killam & District Business Development Association	Killam Regional Economic Development Project	Project to attract key agri-businesses to the region. Value-added businesses will be identified and screened. Through joint planning, key prospects will be approached and enticed to locate in the area.	Killam	11-May-07
LINKages Society of Alberta	LINKages Rural Community Initiative	Project will link seniors with young people in rural communities throughout Alberta, with the goal of increasing engagement of seniors while providing rural youth with leadership, communication, volunteer and life skills.	Calgary	14-Dec-07
Physical Culture Association of Alberta	Older Adult Instructor Training Project	This project will result in more physical activity and active living programming for older adults living in rural seniors' housing. A 10-hour certification course will be developed and delivered as a pilot to 20 communities throughout rural Alberta.	Edmonton	08-Feb-08
Sunchild E-Learning	Sunchild E-Learning Community Project	The Sunchild E-Learning Centre will expand skills training for Aboriginal learners, enabling their students to more easily find and keep suitable employment.	Rocky Mountain House	11-May-07
Town of Three Hills	Tomorrow's Promise Today	Project to increase broadband services in rural Alberta by creating Virtual Learning and Business Centres in Three Hills Municipal Library and the Hanna Learning Centre.	Three Hills	14-Apr-07
University of Alberta & University of Calgary	Integrated Community Clerkship	Project involves third-year medical students from U of A and U of C spending at least 8 months in rural communities to learn about medical practice from rural doctors. Program aims to encourage med students to work in rural communities after graduation.	Edmonton	09-Mar-07
Vauxhall Academy of Baseball	Vauxhall Academy of Baseball	Project will result in a permanent, self-sustaining sports academy at Vauxhall High School, while also developing a fitness and treatment program available to the public.	Vauxhall	11-Apr-08
Warner Community Hockey School	Warner Hockey School	This project will enable the hockey school in Warner to become self-sustaining. The school combines education and hockey to give elite, young female players the opportunity to focus on their passion while completing high school.	Warner	19-Oct-07

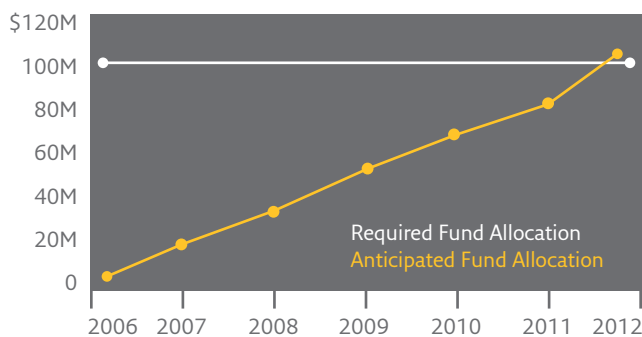
Funding Amount	RADF Pillar	Outcomes
\$ 100,000	Learning & Skill Development	Increased the awareness of recreational opportunities in rural areas across Alberta. Promoted stewardship of important habitats. Trained over 100 volunteer stewards.
\$ 272,330	Community Capacity	Increased understanding and acceptance among diverse populations and groups. Developed action plans and utilized a diverse group of stakeholders to implement the plans. Provided province-wide access to a Common Ground Facilitator's Toolkit and resources to support concept sustainability.
\$ 582,119	Economic Growth	Expanded research program. Increased partnerships. Created high quality positions.
\$ 1,479,200	Community Capacity	Increased local capacity for municipal sustainability planning and implementation in areas of leadership, planning and development. Increased community capacity, allowing Alberta municipalities to develop and implement municipal sustainability plans.
\$ 213,280	Community Capacity	Created a housing prototype that incorporates a cooperative community development structure to construct green, sustainable and attainable homes in rural Alberta. Created strong partnerships between Government, financial institutions, private business, educational providers, community agencies and individual stakeholders.
\$ 3,000,000	Economic Growth	Established infrastructure to support training and development. Delivered a range of integrated industry support services and research and development solutions. Expanded learning and skill development. Fostered economic growth in southeast Alberta.
\$ 1,200,000	Economic Growth	Created a business planning template suitable to First Nations endeavours. Designed to attract economic development.
\$ 3,646,688	Community Capacity	Increased availability of library services. Established a sustainable community-based video conference network. Served as a model for similar projects across province. Increased social capital and community capacity.
\$ 333,300	Community Capacity	Increased access to social services. Promoted a greater sense of belonging in society among affected individuals.
\$ 244,300	Economic Growth	Diversified the regional economy through the attraction of investment, new businesses and industry. Increased number of jobs available to local residents. Encouraged youth to live and work in the region.
\$ 1,529,900	Learning & Skill Development	Developed a sustainable rodeo sports performance program division. Created an equine-assisted psychotherapy division. Started a recreational equine activities division. Developed a private sector client base.
\$ 260,000	Learning & Skill Development	Expanded natural resources and environmental education programming in Alberta's boreal region. Enhanced programming available to teachers and school career counselors. Increased the exposure of the boreal forest program to Aboriginal schools and incorporated traditional knowledge throughout programming.
\$ 580,000	Learning & Skill Development	Established viable and sustainable Junior Achievement centres and programming in rural Alberta. Attracted and retained volunteers from local communities. Increased high school completion rates and interest in post-secondary education.
\$ 234,269	Economic Growth	Attracted agricultural businesses to the region. Created media materials for use in future business development efforts.
\$ 68,265	Community Capacity	Increased number of intergenerational programs (IGP) in rural Alberta. Improved access to IGP educational materials throughout rural Alberta. Created IGP and IGP network opportunities in rural Alberta communities.
\$ 55,000	Learning & Skill Development	Increased physical activity of independent and dependent older adults living in rural Alberta. Provided optimal best practices training for practitioners and volunteers involved with seniors' housing throughout rural Alberta.
\$ 220,000	Aboriginal/Community Capacity	Increased access to native language curriculum (Cree) for Aboriginal students. Improved Aboriginal language skills (literacy).
\$ 1,500,000	Community Capacity	Increased broadband infrastructure in east-central Alberta and improved access to new opportunities. Helped foster a culture of use for broadband service.
\$ 725,008	Rural Health Delivery	Strengthened the relationship between rural communities and provincial faculties of medicine. Placed medical students in rural communities as part of their exposure to rural family medicine. Improved collaboration between the two provincial faculties of medicine.
\$ 1,501,125	Community Capacity	Created a sustainable elite player developmental baseball program. Increased academic achievement at the high school. Improved health delivery by offering medical/therapy services not typically available in small, rural communities.
\$ 534,000	Community Capacity	Developed a sustainable hockey school program at Warner high school. Increased enrolment at a high school faced with closure.

Tracking Measures



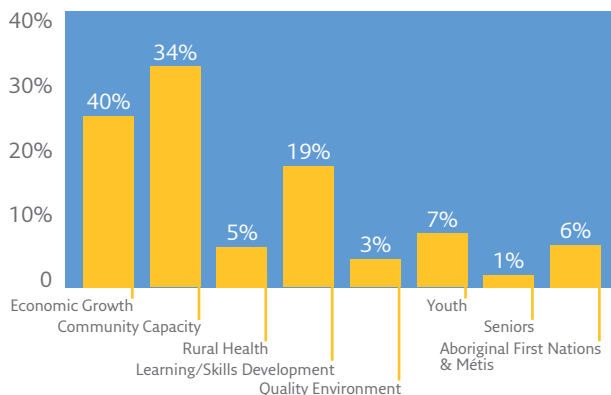
RADF ALLOCATION AND DISBURSEMENT

Based on our current and anticipated volume of Expressions of Interests, RADF is forecasting that 100% of the Fund is allocated by March 31st, 2012 and 100% of the Fund is fully dispersed by March 31st, 2014. This is in accordance with our Grant Agreement with the Government of Alberta.



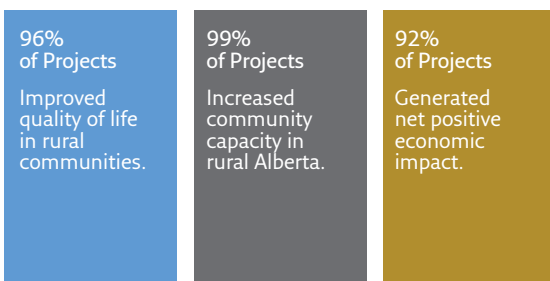
RADF PROJECT FUNDING COMMITMENTS

By March 31, 2012, we anticipate that over \$100 million will be allocated to innovative projects throughout Rural Alberta. This is above our \$100 million requirement thanks to a prudent investment strategy over the past three years of market turmoil.



DISTRIBUTION OF RADF PROJECT OUTCOMES

The vast majority of RADF funded projects target outcomes in three or more priority sectors. To date, economic growth and community capacity building projects dominate the anticipated and realized project outcome categories. This is consistent with the distribution occurring in Expressions of Interest as well as in our research on critical needs in Rural Alberta.



RADF PROJECT OUTCOMES

RADF is consistently exceeding performance target for its three critical metrics:

Improved quality of life (95% – 100%)
 Increased community capacity (95% – 100%)
 Positive economic impact (90% – 95%)

It is anticipated that future projects will trend in parallel to these outcomes.



Big Sky Summit

New outreach initiative proves a resounding success.

On April 4, 2011, the Rural Alberta Development Fund hosted its first-ever Big Sky Summit at Edmonton's Shaw Conference Centre. The goal of this one-day event was to engage, inform and inspire stakeholders from across the province. Over 420 delegates were treated to a wide cross-section of engaging speakers, including author Eric Saperston, community activist Bill Strickland and MLA Doug Griffiths.

The Summit also provided an opportunity for RADF to launch a new series of case studies called "Small Town, Big Sky" that profiles innovative projects and the communities who made them possible. Representatives from three RADF-funded projects shared their experiences and insights on how rural ingenuity can flourish with the right support.

"I found the speakers and showcased projects very inspiring and I came away motivated. The day has stimulated many new ideas for me."

Jennifer Ford

Coordinator
Buffalo National Park Foundation & Buffalo Adventures

"Out of all the industry and conference events I have been to in recent memory, nothing spoke to me quite like the group of speakers you had at the Big Sky Summit."

Jodie Pruden

Executive Director
Alberta Energy Corridor



INDEPENDENT AUDITORS' REPORT

To Rural Alberta Development Fund

We have audited the financial statements of Rural Alberta Development Fund which comprise the statement of financial position as at March 31, 2011, the statements of operations and net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Rural Alberta Development Fund as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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 financial statements taken as a whole.



Chartered Accountants
Edmonton, Canada
June 24, 2011

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2011, WITH COMPARATIVE FIGURES FOR 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 803,183	\$ 2,719,204
Short-term deposit (note 2)	611,514	-
GST recoverable	112,684	86,531
Prepaid expense	48,782	15,728
Amounts recoverable	-	104,958
	1,576,163	2,926,421
Capital assets (note 3)	59,087	137,661
Deferred rental expense (note 4)	-	187,848
Investments (note 5)	49,783,765	66,769,906
	\$ 51,419,015	\$ 70,021,836
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 212,416	\$ 5,593,440
Deferred revenue	51,206,599	64,428,396
	51,419,015	70,021,836
Commitments (note 6)		
	\$ 51,419,015	\$ 70,021,836

See accompanying notes to financial statements.

On behalf of the Board:


Jann Beeston
Director


Claudia Buck
Director

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2011, WITH COMPARATIVE FIGURES FOR 2010

	2011	2010
Revenue:		
Deferred revenue recognized	\$ 13,221,797	\$ 20,603,595
Investment income (note 5)	3,588,956	1,375,802
	16,810,753	21,979,397
Expenses:		
Grant expenditures	14,451,890	19,992,344
Wages, salaries and benefits	882,668	780,473
Consulting fees	394,266	391,441
Rent (note 4)	283,257	75,116
Advertising	188,026	73,123
Board administration and honoraria	119,358	234,094
Network infrastructure	78,851	60,200
Bank and fund management fees	75,783	54,799
Legal, accounting and insurance	102,065	92,692
Amortization of capital assets	64,684	45,430
Travel	59,594	120,294
Non-recoverable GST	26,154	24,448
Conference	25,481	-
Office	25,119	14,595
Loss on disposal of capital assets	17,997	-
Printing	15,560	18,062
Training	-	2,286
	16,810,753	21,979,397
Excess revenue, being net assets, beginning and end of year	\$ -	\$ -

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2011, WITH COMPARATIVE FIGURES FOR 2010

	2011	2010
Cash flows from operating activities:		
Cash received:		
Investment income received	\$ 1,938,062	\$ 2,292,122
Cash paid:		
Grants paid, net of recoveries	(19,753,363)	(14,603,787)
Payments to employees and suppliers	(2,122,134)	(1,921,869)
	(19,937,435)	(14,233,534)
Cash flows from investing activities:		
Maturity (purchase) of investments, net	18,637,035	(1,992,508)
Investment in short-term term deposit	(611,514)	-
Maturity of short-term term deposits	-	19,008,171
Purchase of capital assets	(4,107)	(91,570)
	18,021,414	16,924,093
Increase (decrease) in cash position	(1,916,021)	2,690,559
Cash position, beginning of year	2,719,204	28,645
Cash position, end of year	\$ 803,183	\$ 2,719,204

During the year, the Fund received \$18,073,000 related to the maturity of bonds (2010 - \$13,400,000).

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

Rural Alberta 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

(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 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 December 31, 2014) are to be refunded to the Province.

Accordingly, the grant is deferred until qualified expenditures, including amortization of capital assets, are incurred. Effective July 6, 2010, the Fund's term was extended from June 30, 2013 to December 31, 2014.

Investment income is recognized as revenue when earned.

(c) Grant expenditures:

The Fund has entered into agreements wherein the Fund provides grants to proponent organizations to complete projects consistent with the purposes of the Fund. Projects comprise phases which set out deliverables required of the proponent and funding amounts to be provided by the Fund. The Fund recognizes grant expenditures in the statement of operations in the year in which proponents have completed, to the Fund's satisfaction, deliverables for a project phase.

(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 and exchanges.

(e) 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 or invest in derivative instruments for speculative purposes. The Fund manages these risks through the use of prudent risk management policies and practices and implementation of an established asset mix strategy to diversify concentration to any specific financial instrument risk.

Changes in interest rates, credit ratings and other market factors are the main cause of change in the fair value of bonds 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 with a credit rating of BBB/Baa or better and diversifying the securities between government, government backed and corporate issuers. 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.

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.

Other market factors relate primarily to the changing value of the equity securities in the market. Management does not believe that it is practical or cost effective to hedge this risk but rather limits its exposure to equity markets by limiting the amount of monies allocated to equities within the investment portfolio and limiting the amount of monies allocated to any individual equity.

A portion of the bond and equity 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, 2011 by \$65,000.

Liquidity risk is primarily managed through the laddering of maturity dates, payment frequency of interest receipts, and ensuring that the equity capital markets are reasonably liquid. Further, the Fund projects cash flow needs and ensures sufficient funds are maintained in demand-type instruments to meet any immediate and shorter term cash demands. In addition, management establishes cash flow needs through the budget process, which is approved by the Board.

(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.

(g) 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 effectively the deferred revenue, representing those monies received through a one-time grant from the Province of Alberta net of the expenditures incurred as the Fund executes its purpose.

2. Short-term deposit:

The term deposit earns interest at a rate of 0.750% with a maturity date of September 16, 2011. \$50,000 of the term deposit has been pledged as security for business credit cards.

3. Capital assets:

	2011			2010
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 49,272	\$ 32,465	\$ 16,807	\$ 57,259
Computer	130,113	87,833	42,280	80,402
	\$ 179,385	\$ 120,298	\$ 59,087	\$ 137,661

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 and rent expense:

The Fund leased 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 was 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 were in exchange for basic rent, the costs were deferred and amortized to rental expense over the shorter of the lease term or the period the Fund will operate (see note 1(b)).

The Fund surrendered the lease effective October 31, 2010 at which time the remaining deferred rent of \$149,315 was expensed. Accordingly, included in rent expense is \$187,848 (2010 – \$62,615) related to this arrangement.

During fiscal 2010, 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. Subsequent to the execution of the lease agreement, the anticipated change to the Fund's terms and conditions did not occur. The Fund cancelled the lease arrangement effective July 19, 2010 and the \$67,839 costs of termination are included in rent expense.

5. Investments:

	2011	2010
Government and government backed bonds with coupon rates from 2.20% to 4.40% with maturity dates from June 2011 to March 2014, principal amount of \$6,511,200	\$ 6,561,799	\$ 12,506,894
Corporate bonds with coupon rates from 3.13% to 6.90% with maturity dates from May 2011 to November 2014, principal amount of \$12,404,175	12,472,361	8,409,433
Foreign issued bonds with coupon rates from 1.11% to 6.75% with maturity dates from May 2011 to February 2012, principal amount of \$2,226,733	1,973,704	4,167,039
Financial institution bonds with coupon rates from 3.97% to 5.07% with maturity dates from September 2011 to March 2017, principal amount of \$8,298,969	8,297,749	11,105,022
	29,305,613	36,188,388
Canadian equities	10,854,835	-
U.S. equities	4,573,089	-
Cash and cash equivalents	4,759,456	12,246,651
Accrued interest	290,772	387,836
Bankers Acceptances	-	12,747,884
Commercial paper	-	5,199,147
	\$ 49,783,765	\$ 66,769,906

Initially, the Fund operated under a five year mandate with an intention to have all monies committed within three years. During fiscal 2010 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.

Approximately 58% of the bonds mature in less than a year, 30% mature in two years and 12% mature in three years. Of the total investments, 75% is of a demand or liquid nature or matures in the next fiscal year. Based on March 31 fair value, the investment portfolio's weighted average rate of return approximates 4.3% (2010 – 4.4%). Changes in market interest rates will cause change in the fair value of Fund's investment portfolio and weighted average rate of return. Investment income reported on the statement of operations is comprised of the following:

	2011	2010
Appreciation (reduction) of fair market value of investments	\$ 1,650,894	\$ (806,801)
Interest and dividends on investments, term deposits and cash	1,971,103	2,226,903
Loss realized on maturity of investments	(33,041)	(44,300)
	\$ 3,588,956	\$ 1,375,802

6. Commitments:

	2011/12	2012/13	2013/14	Total
Projects approved for funding with agreements in place	\$ 13,581,678	\$ 5,725,016	\$ 347,100	\$ 19,653,794
Consulting Agreements	138,700	–	–	138,700
Lease	46,860	47,641	38,660	133,161
Total	\$ 13,767,238	\$ 5,772,657	\$ 385,760	\$ 19,925,655

Since inception to March 31, 2011, the Fund has approved 69 (2009 – 66) projects for a total of \$74,042,745 (2010 – \$70,742,026). Agreements for 69 (2009 – 59) of these 69 projects are in place as of March 31, 2011 for a total of \$74,042,745 (2010 – \$65,485,765) net of amounts recoverable of which \$54,388,951 (2010 – \$39,937,061) has been advanced at March 31, 2011. Subsequent to year end, the Fund has approved an additional 2 projects for a total of \$2,097,410.

The Fund has entered into a lease for office space which expires December 31, 2013. The Fund is responsible for its proportionate share of building operating costs for the leased premises.

7. Comparative figures:

Certain 2010 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, 2011, WITH COMPARATIVE FIGURES FOR 2010

	Salaries and honoraria ⁽¹⁾	Benefits and allowances ^(2,3)	2011 total	2010 total
Board Members:				
Armstrong, Alden	\$ 4,475	\$ –	\$ 4,475	\$ 5,450
Beeston, Jann ⁽⁴⁾	7,513	–	7,513	7,650
Buck, Claudia	5,875	–	5,875	9,275
Butikofer, Marc	4,950	–	4,950	6,300
Clark, Bob ⁽⁵⁾	–	–	–	20,875
Close, Jon	1,950	–	1,950	5,925
Ferguson, Brad ⁽⁶⁾	1,975	–	1,975	16,350
Logan, Marie	3,525	–	3,525	3,350
Nicol, Ken	4,150	–	4,150	7,000
Ryder, Keith ⁽⁷⁾	6,363	–	6,363	5,525
Taylor, Glenn ⁽⁸⁾	8,500	–	8,500	7,325
Urlacher, Eva	3,850	–	3,850	6,175
	53,126	–	53,126	101,200
Managing Director ⁽⁹⁾	78,534	9,349	87,883	183,866
Chief Executive Officer ⁽¹⁰⁾	97,041	6,715	103,756	–
Employees reporting to managing director	643,321	47,708	691,029	596,607
	818,896	63,772	882,668	780,473
	\$ 872,022	\$ 63,772	\$ 935,794	\$ 881,673

⁽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 and professional memberships.

⁽³⁾ Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including travel and car allowances.

⁽⁴⁾ Chair from February 2011 to present.

⁽⁵⁾ Stepped down as Chair March 2010.

⁽⁶⁾ Chair from April 2010 to July 2010.

⁽⁷⁾ Vice Chair from August 2010 to present.

⁽⁸⁾ Vice Chair from April 2010 to July 2010, chair from August 2010 to January 2011.

⁽⁹⁾ The Managing Director left the Fund effective March 2010. The new Managing Director commenced employment on October 1, 2010.

⁽¹⁰⁾ The Chief Executive Officer commenced employment on April 1, 2010 and was terminated effective July 2010.

RADF BOARD OF DIRECTORS 2010-11



Alden Armstrong, Paddle Prairie, AB – A former chair of the Métis Settlements General Council. Alden knows first-hand the challenges facing rural communities, but he understands their opportunities as well. He's had hands-on experience promoting partnerships that benefit rural and urban Albertans.



Jann Beeston, Hanna, AB – She has been actively involved in initiating and developing programs, resources and partnerships throughout her career. With her diverse background and experiences, she connects, engages and mentors people, creating effective management teams. Through learning initiatives and voluntary sector development, Jann works towards building capacity in rural communities.



Claudia Buck, Grande Prairie, AB – Claudia has a solid background in finance, business, management and governance. She is keenly interested in regional development and has held positions of responsibility in all aspects of project development, assessment, reporting, policy development, research and promotion.



Marc Butikofer, Island Lake South, AB – Marc is an economic and community development consultant. A Royal Military College graduate, he has extensive experience in strategic planning, marketing, leadership training, community and economic development.



Marie Logan, Lomond, AB – Marie has received numerous awards for her dedication to enhancing the lives of rural Albertans. She is committed to ensuring youth development and education initiatives are given the attention they require.



Ken Nicol, Coalhurst, AB – A retired associate professor at the University of Lethbridge and local farmer, Ken has first-hand understanding of the needs of rural Albertans. A consummate author, Ken has written numerous books, articles and research papers on various agricultural issues that are inherent in rural settings around the world.

RADF BOARD OF DIRECTORS 2010-11 (cont'd)



Keith Ryder, Stettler, AB – Keith has extensive business and municipal government experience. A former school trustee, town councillor and mayor in Stettler, he is well-known for his communication skills, consensus building and understanding of rural challenges.



Glenn Taylor, Hinton, AB – Glenn is the current mayor of Hinton. He has developed strong regional associations, and has contributed to the first eco-industrial park being built in Canada. He is committed to developing the economic, health care, cultural and educational base of the Town of Hinton and its regional neighbours.



Eva Urlacher, Cold Lake, AB – Eva is an award recipient for her long-term understanding of and commitment and dedication to her community. She is experienced in the management and operation of a number of interests, including the business operation of two companies and a hobby farm.

Board Observers



Jamie Curran, Edmonton, AB – Assistant Deputy Minister Rural, Regulatory, Information and Technology Sector, Agriculture & Rural Development, Government of Alberta.



Justin Riemer, Edmonton, AB – Assistant Deputy Minister of the Enterprise Division, Department of Finance and Enterprise, Government of Alberta.





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