

**World Wildlife Fund Canada - Fonds
mondial pour la nature Canada and
World Wildlife Fund Canada
Foundation - Fondation du fonds
mondial pour la nature Canada**

Combined Financial Statements
June 30, 2012



October 9, 2012

Independent Auditor's Report

To the Members of World Wildlife Fund Canada - Fonds mondial pour la nature Canada and World Wildlife Fund Canada Foundation - Fondation du fonds mondial pour la nature Canada

We have audited the accompanying combined financial statements of World Wildlife Fund Canada - Fonds mondial pour la nature Canada and World Wildlife Fund Canada Foundation - Fondation du fonds mondial pour la nature Canada (hereafter collectively, WWF-Canada), which comprise the combined statement of financial position as at June 30, 2012 and the combined statements of operations and changes in fund balances, specific operating funds and changes in fund balances and cash flows for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Basis for qualified opinion

In common with many charitable organizations, World Wildlife Fund Canada - Fonds mondial pour la nature Canada derives revenues from fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues other than planned giving, was limited to the amounts recorded in the records of World Wildlife Fund Canada - Fonds mondial pour la nature Canada. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses and cash flows from operations for the years ended June 30, 2012 and June 30, 2011, current assets as at June 30, 2012 and June 30, 2011 and net assets at both the beginning and end of the June 30, 2012 and June 30, 2011 years. Our audit opinion on the combined financial statements for the year ended June 30, 2011 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the combined financial statements present fairly, in all material respects, the financial position of WWF-Canada as at June 30, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

WWF-Canada

Combined Statement of Financial Position

As at June 30, 2012

(in thousands of dollars)

	2012 \$	2011 \$
Assets		
Current assets		
Cash and cash equivalents	5,458	6,328
Fixed income securities (note 4)	3,428	3,410
Accounts receivable (note 5(b))	693	500
Prepaid expenses and other assets	364	388
	<u>9,943</u>	<u>10,626</u>
Investments (note 6)	10,581	10,669
Property and equipment - net (note 7)	714	1,104
	<u>21,238</u>	<u>22,399</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	904	1,022
Fund Balances		
Operating funds		
Unrestricted	770	1,612
Restricted	7,198	6,725
	<u>7,968</u>	<u>8,337</u>
Capital funds		
In trust and other capital (note 8)	10,761	10,862
Planned giving	891	1,074
Property and equipment	714	1,104
	<u>12,366</u>	<u>13,040</u>
	<u>21,238</u>	<u>22,399</u>

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these combined financial statements.

WWF-Canada

Combined Statement of Operations and Changes in Fund Balances

For the year ended June 30, 2012

(in thousands of dollars)

					2012	2011
	Operating funds \$	In trust and other capital \$	Planned giving \$	Property and equipment \$	Total \$	Total \$
Revenue						
Donations						
Individuals	10,767	-	1,782	-	12,549	12,688
Corporations	4,112	-	-	-	4,112	3,698
Foundations	1,480	-	-	-	1,480	1,034
Other non-profit	255	-	-	-	255	380
Government	221	-	-	-	221	316
WWF family (note 5(a))	2,334	-	-	-	2,334	2,887
Product sales, event promotions and fees	2,005	-	-	-	2,005	1,292
Investment earnings	189	537	-	-	726	574
	21,363	537	1,782	-	23,682	22,869
Expenses						
Program implementation	12,310	-	-	-	12,310	11,757
Research and grants	1,350	-	-	-	1,350	1,008
Raising awareness	3,625	-	41	-	3,666	3,207
Lobbying	142	-	-	-	142	16
	17,427	-	41	-	17,468	15,988
Total conservation expenses	17,427	-	41	-	17,468	15,988
Fundraising and administration (notes 10 and 11)	6,381	52	94	-	6,527	5,932
Amortization of property and equipment	-	-	-	498	498	557
	23,808	52	135	498	24,493	22,477
Excess (deficiency) of revenue over expenses for the year	(2,445)	485	1,647	(498)	(811)	392
Fund balances - Beginning of year	8,337	10,862	1,074	1,104	21,377	19,334
Assumption of Global Arctic Programme (note 12)	-	-	-	-	-	810
Net change in unrealized appreciation of fixed income securities and investments	4	(236)	-	-	(232)	841
Interfund transfers	2,072	(350)	(1,830)	108	-	-
Fund balances - End of year	7,968	10,761	891	714	20,334	21,377

The accompanying notes are an integral part of these combined financial statements.

WWF-Canada

Combined Statement of Specific Operating Funds and Changes in Fund Balances

For the year ended June 30, 2012

(in thousands of dollars)

							2012	2011	
	Arctic \$	Climate and energy \$	Oceans \$	Fresh water \$	Footprint reduction \$	Global conservation \$	General \$	Total \$	Total \$
Revenue									
Donations									
Individuals	992	1	183	32	-	197	9,362	10,767	10,050
Corporations	1,423	492	476	285	1,091	101	244	4,112	3,698
Foundations	232	130	375	577	-	3	163	1,480	1,034
Other non-profit	-	54	12	1	-	11	177	255	380
Government	-	-	218	-	-	3	-	221	316
WWF family	1,984	-	315	30	-	5	-	2,334	2,879
Product sales, event promotions and fees	-	77	139	50	118	-	1,621	2,005	1,292
Investment earnings	56	-	6	1	-	-	126	189	167
	4,687	754	1,724	976	1,209	320	11,693	21,363	19,816
Expenses									
Program implementation	3,327	1,645	3,122	1,803	1,501	324	588	12,310	11,757
Research and grants	757	45	108	46	196	167	31	1,350	1,008
Raising awareness	-	-	-	-	-	-	3,625	3,625	3,158
Lobbying	-	4	93	-	-	1	44	142	16
	4,084	1,694	3,323	1,849	1,697	492	4,288	17,427	15,939
Total conservation expenses	4,084	1,694	3,323	1,849	1,697	492	4,288	17,427	15,939
Fundraising and administration	-	-	-	-	-	-	6,381	6,381	5,766
	4,084	1,694	3,323	1,849	1,697	492	10,669	23,808	21,705
Excess (deficiency) of revenue over expenses for the year	603	(940)	(1,599)	(873)	(488)	(172)	1,024	(2,445)	(1,889)
Fund balances - Beginning of year	2,038	948	1,617	967	772	293	1,702	8,337	6,945
Assumption of Global Arctic Programme	-	-	-	-	-	-	-	-	810
Net change in unrealized appreciation of fixed income securities and investments	-	-	-	-	-	-	4	4	(7)
Interfund transfers									
Operating	969	548	1,018	649	316	402	(3,902)	-	-
Property and equipment	(4)	-	-	(1)	-	-	(103)	(108)	(175)
Planned giving	-	-	-	-	-	-	1,830	1,830	2,326
Transfer from the Foundation	-	-	18	36	29	1	266	350	327
	3,606	556	1,054	778	629	524	821	7,968	8,337
Fund balances - End of year	3,606	556	1,054	778	629	524	821	7,968	8,337
Unrestricted	-	-	-	-	-	-	770	770	1,612
Restricted	3,606	556	1,054	778	629	524	51	7,198	6,725
	3,606	556	1,054	778	629	524	821	7,968	8,337

The accompanying notes are an integral part of these combined financial statements.

WWF-Canada

Combined Statement of Cash Flows For the year ended June 30, 2012

(in thousands of dollars)

	2012 \$	2011 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(811)	392
Non-cash items		
Amortization of property and equipment	498	557
Donated property and equipment	-	(3)
Change in non-cash working capital items		
Accounts receivable	(193)	72
Prepaid expenses	24	(216)
Accounts payable and accrued liabilities	(118)	196
	<hr/>	<hr/>
	(600)	998
Investing activities		
Purchase of property and equipment	(108)	(171)
Purchases of fixed income securities - net	(14)	(6)
Purchases of investments - net	(148)	(513)
	<hr/>	<hr/>
	(270)	(690)
Financing activities		
Assumption of Global Arctic Programme	-	810
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents during the year	(870)	1,118
Cash and cash equivalents - Beginning of year	<hr/>	<hr/>
	6,328	5,210
Cash and cash equivalents - End of year	<hr/>	<hr/>
	5,458	6,328
Supplementary information		
Items not affecting cash		
Net change in unrealized appreciation of fixed income securities and investments	232	(841)
Increase (decrease) in operating funds	4	(7)
Increase (decrease) in trust and other capital	(236)	848

The accompanying notes are an integral part of these combined financial statements.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

1 Basis of presentation

These combined financial statements represent the combined financial statements of the individual entities, World Wildlife Fund Canada - Fonds mondial pour la nature Canada (the Fund) and World Wildlife Fund Canada Foundation - Fondation du fonds mondial pour la nature Canada (the Foundation), collectively WWF-Canada. The Fund is a national registered charity formed to collect, manage and disburse funds through suitable bodies or individuals for the conservation of fauna, flora, forests, landscape, water, soils and other natural resources in Canada and elsewhere, by research and investigation, education at all levels, information and publicity, coordination of efforts, cooperation with other interested parties and all other appropriate means. The Foundation is a registered Canadian charitable foundation and is the legal body responsible for administering assets donated to be held in trust and other capital funds designated by the board of directors.

Audited financial statements for each of these entities, as at and for the year ended June 30, 2012, are available. These combined financial statements are also presented on a summarized basis in the annual reports.

2 Conservation goals

WWF-Canada's top priorities are climate, water and people:

- Climate change creates the world's biggest conservation challenges, both on land and at sea. Canada has a responsibility and the opportunity to help lead the way in mitigation, adaptation, and the creation of a sustainable and prosperous green economy.
- Water, the lifeblood of our planet, is the world's richest source of biodiversity and essential to every human community. Water is also Canada's biggest global endowment. We have the opportunity now to set new world standards for the care of freshwater and ocean ecosystems.
- People, because what we do as individuals and together matters to all other species and to the planet. Canada's diverse citizenship connects us to every corner of the planet. The world matters to Canada and Canada matters to the world.

WWF-Canada's priority conservation goals are the following:

Arctic

The world's first and most tangible impact of climate change is the loss of Arctic sea ice. Northern communities and species are already at risk. WWF-Canada aims to secure an international ice refuge that protects high Arctic habitat for ice dependent species and anchors a protected area network that contributes to conserving at least 50 per cent of Arctic ecosystems through innovative governance reforms. WWF-Canada also aims to change the policies and practices in the Arctic from exploitation to stewardship by enabling resilience-based ecosystem management, establishing best practices for shipping, fishing, and hydrocarbon development, and promoting sound governance.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

Climate and energy

Climate change is the biggest conservation challenge facing the world today. The answer to climate change is about transforming how we produce energy and how we use it. WWF-Canada is working to ensure Canada has a plan to meet its needs through renewable energy and catalyzing a shift to electric vehicles.

Oceans

Canada has three oceans and more coastline than any other country in the world. In the face of increasing demands on natural resources and declines in ocean health, WWF-Canada aims to catalyze a transition to sustainable seafood, smart oceans management, and sustainable ocean economies to ensure all three of Canada's oceans remain ecologically rich and economically prosperous.

Fresh water

Canada ranks among the world's top nations in terms of renewable water supply. Water is in increasing demand, and Canada's uses increasingly conflict with nature's needs. WWF-Canada is committed to protecting and restoring natural flow and water quality to secure healthy waters in Canada's rivers, using its accomplishments to catalyze lasting change in water policy globally.

Footprint reduction

WWF-Canada is committed to mobilizing Canadians' desire for change by offering solutions and actions that we all can take - as individuals and as businesses, at home and at work. In this way we will ensure a living planet, for people and nature.

Global conservation

Like many Canadians, WWF-Canada is part of a family that reaches around the world. Integrated with WWF-Canada's work in Canada, WWF-Canada provides Canadian leadership and support for global programs and initiatives important to Canada and Canadians.

3 Summary of significant accounting policies

These combined financial statements have been prepared by WWF-Canada's management in accordance with Canadian generally accepted accounting principles.

Revenue recognition

WWF-Canada follows the restricted fund method of accounting for contributions:

- Restricted contributions specifically earmarked for conservation projects are allocated to the appropriate fund when received, or recognized in the general fund if they relate to a conservation project that does not fit under a priority program.
- Unrestricted contributions are recognized as revenue of the general fund when received.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

Investment income is recognized as revenue when earned. Other revenue (including product sales, event promotions and fees) is recognized when the service is provided or the goods are sold.

Funds

- Operating funds

The operating funds include both restricted and unrestricted amounts.

- Restricted operating funds represent WWF-Canada's priority conservation goals (note 2).

Certain conservation programs are not undertaken until an appropriate level of specific funds or pledges has been received. WWF-Canada plans on the basis that specific funds on hand or pledges secured must exceed the related expenditure planned for the next six months. Normally, funds received are expended within 12 months, but sometimes funds received relate to multi-year programs and commitments and are held for more than 12 months.

- The general operating fund represents unspent discretionary revenues and restricted contributions for conservation projects that do not fit under a priority program. To the extent they are not required to support general operations, discretionary revenues are transferred as required to fund a variety of projects within each conservation program.

- Capital funds

- In trust and other capital

The in trust and other capital funds represent assets donated to be held in trust and other capital funds designated by the board of directors (note 8).

- Planned giving fund

The planned giving fund represents amounts received from bequests through the planned giving program, which have not been used to fund ongoing conservation programs.

All bequests received through this program are initially recorded in the planned giving fund. Funds restricted by donors for specific programs are transferred to the respective restricted operating fund. Each year the directors determine the amount to be allocated to the general operating fund.

- Property and equipment fund

The property and equipment fund represents the net investment in WWF-Canada's property and equipment as described in note 7. Amounts required for the purchase of property and equipment or representing donated property and equipment are transferred from the general operating fund to the property and equipment fund.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and WWF-Canada's designation of such instruments.

WWF-Canada classifies its financial instruments as follows:

Assets/liabilities	Category	Measurement
Cash and cash equivalents	held-for-trading	fair value
Fixed income securities	available-for-sale	fair value
Accounts receivable	loans and receivables	amortized cost
Investments	available-for-sale	fair value
Accounts payable and accrued liabilities	other financial liabilities	amortized cost

The carrying values of accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

For fixed income securities and investments classified as available-for-sale, the annual change in fair value is recorded as an adjustment to the respective fund balance. Realized gains and losses on disposition of these investments, and any investment income earned thereon, are recorded in operations as investment earnings. Transaction costs and investment management fees associated with the acquisition and disposal of these fixed income securities and investments are expensed as incurred. The purchase and sale of fixed income securities and investments are accounted for using trade-date accounting.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with initial maturities of three months or less.

Property and equipment

Amounts required for the purchase of property and equipment are transferred from the general fund to the property and equipment fund.

Property and equipment acquired for specific international projects are expensed immediately. Artwork is capitalized but not amortized as its value appreciates. Donated property and equipment are recorded at their estimated fair value at the date of acquisition. If a fair value cannot be reasonably determined, the donated asset is recorded at nominal value.

Property and equipment held for regular operations are capitalized and amortized as follows:

Furniture and fixtures	straight-line over 3 - 8 years
Leasehold improvements	straight-line over the term of the lease
Computer software	straight-line over 2 years
Computer hardware	straight-line over 3 years
Office equipment	straight-line over 3 years

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Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

Donated materials and services

Donated materials and services (donations in-kind other than donated property and equipment) are not recognized in the combined statement of operations. Donations of media space, television time and legal services are disclosed in the notes to the combined financial statements at an approximation of fair value. WWF-Canada also benefits from substantial services in the form of volunteer time. As the value of these services cannot be readily determined, they are not recorded in these combined financial statements.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the date of the combined statement of financial position. Investments are translated at the rate prevailing at the date of purchase. Revenue and expenses are translated at the rates prevailing at the time of the respective transaction.

Allocation of expenses

WWF-Canada manages its operations along departmental lines to achieve the greatest effectiveness and productivity. Departments contribute to, and produce output of, more than one function, and support functions provide services to all departments. When presenting the financial results, various allocations are made on an appropriate and consistent basis to reflect the estimated cost of activities contributing to WWF-Canada's goals and results.

Actual costs are allocated on the following bases:

- Marketing and fundraising expenses

The marketing and fundraising departments support multiple purposes, including education, raising conservation awareness, footprint reduction and fundraising. Based on the content and the intent of the communication, a portion is allocated to raising conservation awareness.

- Communication expenses

The communications department is primarily focused on promoting conservation program goals and strategies, messaging and issues. Costs are allocated based on an estimate of time spent.

- General support expenses

Human resources costs are based on staff headcount.

Finance and administration and information technology costs are based on an estimate of the level of services rendered to support conservation and fundraising.

Facilities and infrastructure costs are based on an estimate of the square footage used by each function.

General management costs are based on an estimate of time spent.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

Use of estimates

The preparation of combined financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as at the combined statement of financial position date and certain revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting standards for not-for-profit organizations

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. WWF-Canada is currently considering the impact of the adoption of these standards.

4 Fixed income securities

Fixed income securities consist of bonds and money market instruments. As at June 30, 2012, the maturity dates of these securities ranged between June 2013 and September 2017, with interest rates varying between 1.90% and 3.60%.

5 Related party transactions

- a) During the year, WWF-Canada received funding for various projects from WWF family members, as shown below. The related disbursements are recorded as grants or program implementation expenses.

	2012	2011
	\$	\$
International	144	348
Netherlands	1,436	1,627
United Kingdom	275	280
United States	414	253
Switzerland	-	74
Poland	7	48
Denmark	10	-
Sweden	31	190
Germany	-	67
Norway	17	-
	<hr/>	<hr/>
	2,334	2,887

As a result of the National Organization Agreement between WWF-Canada and World Wide Fund for Nature International (WWF International) dated June 6, 1995, a fee is paid by WWF-Canada to WWF International, headquartered in Gland, Switzerland, for services and benefits primarily related to conservation program implementation and awareness. The fee amounted to \$1,585 (2011 - \$1,768).

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

- b) At June 30, 2011, WWF-Canada had amounts owing from various WWF family members for project funding and reimbursable expenses amounting to \$131 (2011 - \$144). These amounts are included in accounts receivable.

6 Investments

	2012 \$	2011 \$
Fixed income securities (a)	4,077	3,947
Equity shares	4,941	5,174
Equity pooled funds	1,563	1,548
	<u>10,581</u>	<u>10,669</u>

- a) Fixed income securities consist of bonds and money market instruments. As at June 30, 2012, the maturity dates of these securities ranged between June 2013 and June 2108, with interest rates varying between 0.56% and 9.98%.

Included in investments are amounts, which will have to be settled in US dollars, of CA\$3,509 (2011 - CA\$3,432) at year-end.

7 Property and equipment

	2012		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and fixtures	839	584	255
Leasehold improvements	1,333	1,223	110
Computer software	191	176	15
Computer hardware	1,321	1,012	309
Office equipment	134	126	8
Artwork	17	-	17
	<u>3,835</u>	<u>3,121</u>	<u>714</u>
	2011		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and fixtures	831	523	308
Leasehold improvements	1,333	1,104	229
Computer software	180	143	37
Computer hardware	1,232	739	493
Office equipment	134	114	20
Artwork	17	-	17
	<u>3,727</u>	<u>2,623</u>	<u>1,104</u>

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

8 In trust and other capital funds

Details of the in trust and other capital funds are as follows:

	2012 \$	2011 \$
Signatures Fund	372	375
Canadian Conservation Trust	3,688	3,722
200 Canadians Trust	1,880	1,897
"1001" Nature Trust	2,244	2,265
Beryl Ivey Fund	999	1,009
Brocklehurst-Jourard Education Fund	912	921
The Kenneth M. Molson Fund for Endangered Birds	170	172
The Sobey Fund for Oceans	496	501
	<hr/> 10,761	<hr/> 10,862

The funds are invested to produce income and preserve capital. Each year a payout based on a percentage of the average fair value of the investments for each of the funds for the previous two years is transferred to the operating funds. In 2012 and 2011, the percentage of 3.5% was paid out.

Signatures Fund

This fund represents money received from WWF International to be made available for building a larger membership base. Income is available to help offset the administrative costs of WWF-Canada. The capital can be used for special fundraising activities at the discretion of the board.

Canadian Conservation Trust

This fund was started with funds received for a Rainforest Campaign and has been supplemented over the years with unrestricted bequests and capital contributions. The Trust also includes allocations, as determined annually by the board, of the monies from bequests to the planned giving program of WWF-Canada, net of the planned giving expenses. Income is available to help offset conservation program costs. The capital can be used for special projects at the discretion of the board.

200 Canadians Trust

This permanent endowment represents the contributions from individuals concerned about conserving Canada's natural heritage. Income is available to help offset the administration costs of WWF-Canada. Individuals may join only when there are openings and by contributing \$5 to the Trust.

"1001" Nature Trust

This permanent endowment originated as a WWF International program to further the cause of conservation. Individuals may join by making a one-time contribution of US\$25 of which 50% is forwarded to WWF International. The balance is invested in the Trust to provide income to help offset administrative expenses. Subsequent donations are added to the Trust and income thereon is also available to help offset administrative expenses of WWF-Canada.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

Beryl Ivey Fund

The Beryl Ivey Fund was established as a permanent endowment in 2008, with a gift from the estate of long-time WWF-Canada supporter and former board member, Beryl Ivey. Income from the fund is to be directed to the support of conservation projects in the Carolinian Zone of southwestern Ontario.

Brocklehurst-Jourard Education Fund

This fund represents a donation from the estate of Marilyn Anne Brocklehurst-Jourard set up as a permanent endowment, which provides income to be contributed to the WWF-Canada Education program. This program is for children aged four to 14, and concentrates on protection and preservation of wildlife and wildlife habitat.

The Kenneth M. Molson Fund for Endangered Birds

This permanent endowment was established in 1997 and received annual contributions for five years through to 2001. Further monies were contributed through a 50% match from the Fund. Income is available for endangered bird projects.

The Sobey Fund for Oceans

The Sobey Fund for Oceans was established as a permanent endowment in 2011, with a donation from the Donald R. Sobey Foundation. Income from this fund will be used to support the Oceans Program, Atlantic Region of WWF-Canada and focuses on harnessing leadership and innovation for the sustainable use of our oceans. Specifically, the income will provide opportunities for students to gain work experience at WWF-Canada, and in collaboration with Dalhousie University, ocean conservation scholarships.

9 Donations in-kind

WWF-Canada received donations of media space and television time in support of its conservation programs as well as donations of legal services throughout the year. The approximate fair values of these donations, which are not recorded in the combined statement of operating funds, are as follows:

	2012	2011
	\$	\$
Raising awareness		
Climate change	3,513	2,118
Fundraising and administration		
Operating	251	334

For the current year, donations for legal services provided amounted to \$245. Prior year comparatives are not available.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2012

(in thousands of dollars)

10 Allocation of expenses

When presenting the financial results, various allocations are made on an appropriate and consistent basis to reflect the estimated cost of activities contributing to WWF-Canada's goals and results (see note 3 for allocation bases).

The fundraising and administration expenses reported in the combined statement of operations are reported after the following allocations:

	2012 \$	2011 \$
Marketing, fundraising and communication costs allocated to raising awareness	3,666	3,207
General support costs allocated to program implementation	1,194	1,272

11 Fundraising and administration

Fundraising and administration expenses are comprised of fundraising of \$5,511 (2011 - \$4,856) and administration of \$1,016 (2011 - \$1,076).

12 Assumption of Global Arctic Programme

As of July 1, 2010, WWF-Canada assumed responsibility for leadership of the Global Arctic conservation programme of the WWF Network from WWF International. The Global Arctic Programme is a multi-party, multi-stakeholder, initiative comprising several members of the WWF Network and serves as a focal point for Arctic conservation issues and the WWF Network's combined Arctic conservation strategies. The donor restricted funds and the program obligations and liabilities associated with the Global Arctic Programme were transferred to WWF-Canada from WWF International. The financial transfer consisted of net assets of \$810. This was made up of cash and receivables of \$1,000 and short-term liabilities of \$190.

13 Lease commitments

WWF-Canada leases office equipment and premises under the terms of various lease agreements. Future annual payments under agreements presently in force are as follows:

	\$
2013	544
2014	265
2015	118
2016	96
2017	72
	<hr/>
	1,095
	<hr/>

WWF-Canada

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(in thousands of dollars)

14 Transactions with board members

The directors of WWF-Canada receive no remuneration from WWF-Canada in their roles as board members.

In addition, WWF-Canada has not made any payment for products or services to board members or companies in which a board member is an owner, partner or senior manager.

15 Financial risks

Investment risk management

WWF-Canada invests in fixed income securities, equity shares and equity pooled funds. The investment managers of WWF-Canada must adhere to the investment policies governing these investments, which are monitored by the Audit, Finance and Investment Committee. WWF-Canada's investing activities expose it to a variety of risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Market risk

WWF-Canada's investments are susceptible to market risk, which is defined as the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk and other price risk.

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other price risk is risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

WWF-Canada manages its market risk by monitoring the performance of the individual investments and compliance of the investment managers with the set investment policies.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises from WWF-Canada's cash and cash equivalents and accounts receivable, and indirectly through its fixed income securities and investments. WWF-Canada views the risk in this area to be insignificant given the counterparties involved.

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Liquidity risk

Liquidity risk is the risk WWF-Canada may be unable to meet obligations in a timely manner. This risk is managed through WWF-Canada's ongoing monitoring of cash flow requirements and by ensuring the investment managers are able to close out market positions in order to meet the liquidity requirements of WWF-Canada.

16 Capital management

WWF-Canada views its capital as the combination of its operating funds and the capital funds, which includes both discretionary and restricted funds. Restricted funds are designated by donors for specific conservation projects. Management believes it is in compliance with the restrictions of these funds.

WWF-Canada's objective in managing its capital is to safeguard its ability to continue as a going concern and fulfill its mandate (note 1). In order to meet these objectives, WWF-Canada monitors the level of working capital in both its restricted and unrestricted operating funds, to ensure the stability of its operations. WWF-Canada sets the amount of net asset balances in proportion to risk, manages the net asset structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

WWF-Canada's in trust and other capital funds are managed by investing the funds in a diversified portfolio of fixed income and equity securities, which is designed to earn an investment return, while still attempting to preserve the accumulated contributed capital.