

**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, 2014



October 10, 2014

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, 2014, 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 accounting standards for not-for-profit organizations, 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.

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

Basis for qualified opinion

In common with many not-for-profit organizations, WWF-Canada derives revenues from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of WWF-Canada. Therefore, we were not able to determine whether any adjustments might be necessary to excess of revenue, excess (deficiency) of revenue over expenses and cash flows from operations for the years ended June 30, 2014 and June 30, 2013, current assets as at June 30, 2014 and June 30, 2013 and net assets as at July 1 and June 30 for both June 30, 2014 and June 30, 2013 years. Our audit opinion on the combined financial statements for the year ended June 30, 2013 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

WWF-Canada

Combined Statement of Financial Position

As at June 30, 2014

(in thousands of dollars)

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	9,348	8,817
Investments (note 4)	16,326	14,294
Accounts receivable (note 5(b))	485	445
Prepaid expenses and other assets	356	337
	<u>26,515</u>	<u>23,893</u>
Property and equipment (note 6)	<u>343</u>	<u>345</u>
	<u>26,858</u>	<u>24,238</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>1,843</u>	<u>1,558</u>
Fund Balances		
Operating funds		
Unrestricted	1,000	940
Restricted	9,365	8,254
	<u>10,365</u>	<u>9,194</u>
Planned giving	897	1,277
Capital funds		
In trust and other capital (note 7)	13,410	11,864
Property and equipment	343	345
	<u>13,753</u>	<u>12,209</u>
	<u>26,858</u>	<u>24,238</u>
Commitments (note 11)		

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, 2014

(in thousands of dollars)

					2014	2013
	Operating funds \$	In trust and other capital \$	Planned giving \$	Property and equipment \$	Total \$	Total \$
Revenue						
Donations						
Individual	10,376	18	2,410	-	12,804	12,588
Corporations	4,106	-	-	-	4,106	3,939
Foundations	2,862	-	-	-	2,862	2,191
Other non-profit	240	-	-	-	240	229
Government	262	-	-	-	262	172
WWF family (note 5(a))	2,808	-	-	-	2,808	2,753
Product sales, event promotions and fees	1,454	-	-	-	1,454	1,872
Investment earnings	171	335	-	-	506	485
	<u>22,279</u>	<u>353</u>	<u>2,410</u>	<u>-</u>	<u>25,042</u>	<u>24,229</u>
Expenses						
Conservation						
Program implementation	11,154	-	-	-	11,154	10,910
Research and grants	3,527	-	-	-	3,527	2,416
Raising awareness	3,400	-	-	-	3,400	3,407
Lobbying	120	-	-	-	120	167
	<u>18,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,201</u>	<u>16,900</u>
Fundraising and administration (notes 9 and 10)	5,750	60	166	-	5,976	5,712
Amortization of property and equipment	-	-	-	173	173	399
	<u>23,951</u>	<u>60</u>	<u>166</u>	<u>173</u>	<u>24,350</u>	<u>23,011</u>
Excess (deficiency) of revenue over expenses before fair value changes on investments	(1,672)	293	2,244	(173)	692	1,218
Fair value changes on investments	5	1,638	-	-	1,643	1,128
Excess (deficiency) of revenue over expenses for the year	(1,667)	1,931	2,244	(173)	2,335	2,346
Fund balances - Beginning of year	9,194	11,864	1,277	345	22,680	20,334
Interfund transfers	2,838	(385)	(2,624)	171	-	-
Fund balances - End of year	<u>10,365</u>	<u>13,410</u>	<u>897</u>	<u>343</u>	<u>25,015</u>	<u>22,680</u>

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, 2014

(in thousands of dollars)

	2014							2013	
	Arctic \$	Climate and energy \$	Oceans \$	Fresh water \$	Footprint reduction \$	Global conservation \$	General \$	Total \$	Total \$
Revenue									
Donations									
Individuals	510	1	179	125	-	209	9,352	10,376	10,033
Corporations	1,505	206	499	858	559	3	476	4,106	3,939
Foundations	84	168	1,578	817	25	19	171	2,862	2,191
Other non-profit	68	10	29	-	-	-	133	240	229
Government	117	10	108	-	-	27	-	262	172
WWF family (note 5(a))	2,439	1	368	-	-	-	-	2,808	2,753
Product sales, event promotions and fees	-	25	-	65	-	-	1,364	1,454	1,872
Investment earnings	-	-	19	3	-	-	149	171	140
	4,723	421	2,780	1,868	584	258	11,645	22,279	21,329
Expenses									
Conservation									
Program implementation	3,510	1,130	2,931	1,279	701	615	988	11,154	10,910
Research and grants	2,641	30	166	265	31	389	5	3,527	2,416
Raising awareness	-	-	-	-	-	-	3,400	3,400	3,407
Lobbying	2	4	8	1	-	105	-	120	167
	6,153	1,164	3,105	1,545	732	1,109	4,393	18,201	16,900
Fundraising and administration (notes 9 and 10)	-	-	-	-	-	-	5,750	5,750	5,506
	6,153	1,164	3,105	1,545	732	1,109	10,143	23,951	22,406
Excess (deficiency) of revenue over expenses before fair value changes on investments	(1,430)	(743)	(325)	323	(148)	(851)	1,502	(1,672)	(1,077)
Fair value changes on investments	(11)	-	-	-	-	-	16	5	(49)
Excess (deficiency) of revenue over expenses for the year	(1,441)	(743)	(325)	323	(148)	(851)	1,518	(1,667)	(1,126)
Fund balances - Beginning of year	4,090	906	1,423	554	609	576	1,036	9,194	7,968
Interfund transfers (note 3)									
Operating	1,103	352	986	345	221	630	(3,637)	-	-
Property and equipment	(7)	-	-	-	-	-	(164)	(171)	(30)
Planned giving	75	-	1	540	-	-	2,008	2,624	2,017
Transfer from the Foundation	-	-	20	40	32	1	292	385	365
Fund balances - End of year	3,820	515	2,105	1,802	714	356	1,053	10,365	9,194
Unrestricted	-	-	-	-	-	-	1,000	1,000	940
Restricted	3,820	515	2,105	1,802	714	356	53	9,365	8,254
	3,820	515	2,105	1,802	714	356	1,053	10,365	9,194

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, 2014

(in thousands of dollars)

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	2,335	2,346
Non-cash items		
Amortization of property and equipment	173	399
Fair value changes on investments	(1,643)	(1,128)
Net change in non-cash working capital items		
Accounts receivable	(40)	248
Prepaid expenses and other assets	(19)	27
Accounts payable and accrued liabilities	285	654
	<hr/> 1,091	<hr/> 2,546
Investing activities		
Purchase of property and equipment	(171)	(30)
Disposition of investments - net	(389)	843
	<hr/> (560)	<hr/> 813
Increase in cash and cash equivalents during the year	531	3,359
Cash and cash equivalents - Beginning of year	<hr/> 8,817	<hr/> 5,458
Cash and cash equivalents - End of year	<hr/> <hr/> 9,348	<hr/> <hr/> 8,817

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

WWF-Canada

Notes to Combined Financial Statements

June 30, 2014

(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 June 30, 2014 and 2013 and for the years ended June 30, 2014 and 2013, are available.

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 is 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, 2014

(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

The combined financial statements of WWF-Canada have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accrual basis of accounting is used for reporting all revenue and expenses.

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 deferred and 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, 2014

(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 three to five 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.

- 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. The directors determine the amount to be allocated to the general operating fund each year.

- Capital funds

- In trust and other capital funds

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 7).

- Property and equipment fund

The property and equipment fund represents the net investment in WWF-Canada's property and equipment as described in note 6. 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, 2014

(in thousands of dollars)

Financial assets and liabilities

WWF-Canada initially measures cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities at fair value and subsequently at amortized cost.

WWF-Canada initially measures its investments on the combined statement of financial position at fair value. WWF-Canada has elected to subsequently measure its investments at fair value, with changes in fair value recorded in the combined statements of operations and changes in fund balances and specific operating funds and changes in fund balances. Transaction costs associated with the acquisition and disposal of the investments are expensed as incurred.

Financial assets, other than those measured at fair value, are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

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 operating funds 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 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

Leases, rent expense and deferred lease inducements

Leases are accounted for as operating leases wherein rental payments are initially recorded in rent expense and are adjusted to a straight-line basis over the term of the related lease. The difference between the straight-line rent expense and the rental payments, as stipulated under the lease agreement, is included in accounts payable and accrued liabilities.

Deferred lease inducements represent cash benefits WWF-Canada has received from landlords pursuant to lease agreements. Lease inducements received are amortized over the term of the related lease agreement. The unamortized portion of lease inducements is included in accounts payable and accrued liabilities.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2014

(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 and changes in fund balances. Donations of media space, television time and legal services are disclosed in the notes to the combined financial statements at an amount based on the information provided by the respective service providers. 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. 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, 2014

(in thousands of dollars)

Use of estimates

The preparation of combined financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the combined financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

4 Investments

	2014 \$	2013 \$
Fixed income securities (i)	7,419	7,219
Equity shares	8,284	7,075
Equity pooled funds	623	-
	<hr/> 16,326	<hr/> 14,294

- i) Fixed income securities consist of bonds and money market instruments. As at June 30, 2014, the maturity dates of these securities ranged between September 2014 and December 2108 (2013 - June 2014 and June 2108), with interest rates varying between 1.31% - 7.40% (2013 - 1.36% and 7.40%).

As at June 30, 2014, there are \$4,368 (2013 - \$3,954) included in investments which will have to be settled in US dollars.

5 Related party transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- a) The WWF family is related as they are under common significant influence through their relationship with World Wide Fund for Nature International (WWF International).

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.

	2014 \$	2013 \$
International	308	982
Netherlands	868	1,082
United Kingdom	564	170
United States	572	359
Sweden	378	126
Belgium	61	-
Switzerland	26	-
Germany	30	34
Singapore	1	-
	<hr/> 2,808	<hr/> 2,753

WWF-Canada

Notes to Combined Financial Statements

June 30, 2014

(in thousands of dollars)

As a result of the National Organization Agreement between WWF-Canada and 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 \$1,530 (2013 - \$1,439).

- b) At June 30, 2014, WWF-Canada had amounts owing from various WWF family members for project funding and reimbursable expenses amounting to \$203 (2013 - \$64). These amounts are included in accounts receivable.

6 Property and equipment

			2014	2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and fixtures	463	311	152	190
Leasehold improvements	1,368	1,336	32	25
Computer software	164	163	1	5
Computer hardware	774	639	135	104
Office equipment	143	137	6	4
Artwork	17	-	17	17
	2,929	2,586	343	345

During the year, fully depreciated assets no longer in use with an original cost of \$638 were written off.

7 In trust and other capital funds

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

	2014 \$	2013 \$
Signatures Fund	461	410
Canadian Conservation Trust	4,561	4,053
200 Canadians Trust	2,325	2,066
"1001" Nature Trust	2,817	2,477
Beryl Ivey Fund	1,271	1,113
Brocklehurst-Jourard Education Fund	1,131	1,005
The Kenneth M. Molson Fund for Endangered Birds	211	187
The Sobey Fund for Oceans	633	553
	13,410	11,864

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 2014 and 2013, a percentage of 3.5% was paid out.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2014

(in thousands of dollars)

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.

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.

WWF-Canada

Notes to Combined Financial Statements

June 30, 2014

(in thousands of dollars)

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.

8 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 value of these donations, based on the information provided by the respective service providers, which are not recorded in the combined statements of operations and changes in fund balances and specific operating funds and changes in fund balances, are as follows:

	2014 \$	2013 \$
Raising awareness		
Climate change	1,328	2,176
Fundraising and administration		
Operating	1,218	622

For the current year, donations for legal services provided amounted to \$56 (2013 - \$100).

9 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 statements of operations and changes in fund balances are reported after the following allocations:

	2014 \$	2013 \$
Marketing, fundraising and communication costs		
allocated to raising awareness	3,400	3,407
General support costs allocated to program implementation	1,018	1,109

10 Fundraising and administration

Fundraising and administration expenses are comprised of fundraising of \$5,070 (2013 - \$4,793) and administration of \$906 (2013 - \$919).

WWF-Canada

Notes to Combined Financial Statements

June 30, 2014

(in thousands of dollars)

11 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:

	\$
2015	372
2016	342
2017	321
2018	263
2019	275
Thereafter	<u>1,019</u>
	<u>2,592</u>

12 Transactions with Board members

The directors of WWF-Canada receive no remuneration from WWF-Canada as a result of 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.

13 Financial risks

Investment risk management

WWF-Canada invests in fixed income securities and equity shares. 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

WWF-Canada

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(in thousands of dollars)

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. WWF-Canada views the risk in this area to be insignificant given the counterparties involved.

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.