

**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, 2007

September 19, 2007

Auditors' 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 combined statement of financial position 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** (hereinafter, collectively, WWF-Canada) as at June 30, 2007, the combined statement of operations and changes in fund balances and the combined statement of specific operating funds and changes in fund balances for the year then ended. These combined financial statements are the responsibility of WWF Canada's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, WWF-Canada derives a portion of its revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation revenue, other than Planned Giving, was limited to the amounts recorded in the records of WWF-Canada and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over grants and expenses and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these combined financial statements present fairly, in all material respects, the financial position of WWF-Canada as at June 30, 2007 and the results of its operations and its cash flows and the changes in its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

WWF Canada

Combined Statement of Financial Position

As at June 30, 2007

	2007 \$	2006 \$
Assets		
Cash and interest earning deposits	5,806,902	1,702,142
Fixed income securities (market value - \$2,993,653; 2006 - \$3,911,257) (note 3)	3,043,649	4,020,918
Accounts receivable	613,172	315,884
Prepaid expenses	72,509	48,260
	<hr/> 9,536,232	<hr/> 6,087,204
Investments - at cost (market value - \$8,964,350; 2006 - \$8,587,595) (note 6)	7,206,418	7,266,621
Property and equipment - net (note 4)	594,845	548,510
	<hr/> 17,337,495	<hr/> 13,902,335
Liabilities		
Accounts payable and accrued liabilities	1,192,952	1,103,719
	<hr/> 16,144,543	<hr/> 12,798,616
Fund Balances		
Operating Funds		
Unrestricted (note 7(a))	1,415,412	671,505
Restricted (note 7(b))	5,539,786	3,168,772
	<hr/> 6,955,198	<hr/> 3,840,277
Capital Funds		
In Trust and Other Capital (note 8)	7,515,068	7,416,794
Planned Giving (note 9)	1,079,432	993,035
Property and Equipment (note 10)	594,845	548,510
	<hr/> 9,189,345	<hr/> 8,958,339
	<hr/> 16,144,543	<hr/> 12,798,616

Approved by the Board of Directors

_____ Director

_____ Director

WWF Canada

Combined Statement of Operations and Changes in Fund Balances

For the year ended June 30, 2007

					2007	2006
	Operating Funds \$	In Trust and Other Capital \$	Planned Giving \$	Property and Equipment \$	Total \$	Total \$
Revenue						
Individuals	10,088,534	40,000	2,158,865	-	12,287,399	10,679,407
Corporations	3,755,442	-	-	-	3,755,442	2,073,471
Foundations	2,675,848	-	-	-	2,675,848	1,941,493
Other non-profit	101,439	-	-	-	101,439	168,064
Government	770,533	-	-	-	770,533	934,155
WWF family	226,643	-	-	-	226,643	266,058
Earned revenues						
Sponsorship, marketing events, fees and sales	1,312,017	-	-	-	1,312,017	1,248,120
Investment earnings	274,259	743,821	-	-	1,018,080	670,130
	19,204,715	783,821	2,158,865	-	22,147,401	17,980,898
Grants and expenses						
Program implementation	6,704,840	-	-	-	6,704,840	6,504,858
Research and grants	2,774,835	-	-	-	2,774,835	2,340,078
Conservation awareness (note 11)	4,600,421	-	48,702	-	4,649,123	4,253,776
Lobbying	127,584	-	-	-	127,584	156,732
Total conservation expenditures	14,207,680	-	48,702	-	14,256,382	13,255,444
Fundraising and administration (notes 11 and 12)	4,092,254	43,691	73,053	-	4,208,998	3,708,953
Amortization	-	-	-	336,094	336,094	366,961
	18,299,934	43,691	121,755	336,094	18,801,474	17,331,358
Excess (deficiency) of revenue over grants and expenses	904,781	740,130	2,037,110	(336,094)	3,345,927	649,540
Fund balances - Beginning of year	3,840,277	7,416,794	993,035	548,510	12,798,616	12,149,076
Interfund transfers	2,210,140	(641,856)	(1,950,713)	382,429	-	-
Fund balances - End of year	6,955,198	7,515,068	1,079,432	594,845	16,144,543	12,798,616

WWF Canada

Combined Statement of Specific Operating Funds and Changes in Fund Balances

For the year ended June 30, 2007

	2007								2006	
	Climate Change \$	Greater Antilles \$	Mackenzie River Basin \$	North West Atlantic \$	Pacific \$	Policy, Planning & Partnerships \$	Species at Risk \$	General \$	Total \$	Total \$
Revenue										
Donations										
Individuals	160,059	18,500	202,762	230,708	100	118,306	65,974	9,292,125	10,088,534	8,693,337
Corporations	161,626	70,000	637,000	250,000	781,855	243,874	1,378,378	232,709	3,755,442	2,073,471
Foundations	194,354	293,839	258,000	153,867	936,371	564,000	212,548	62,869	2,675,848	1,941,493
Other non-profit	2,380	65	-	-	-	12,976	-	86,018	101,439	168,064
Government	-	196,805	48,135	2,000	62,000	15,000	446,593	-	770,533	934,155
WWF family (note 5)	18,984	-	30,163	146,065	-	5,556	14,911	10,964	226,643	266,058
Earned revenues										
Sponsorship	-	-	-	-	-	-	-	244,794	244,794	122,932
Product sales, promotions, fees	-	18,323	25	-	-	5,000	75,724	968,151	1,067,223	1,125,188
Investment earnings	-	-	-	-	-	-	-	274,259	274,259	200,434
	537,403	597,532	1,176,085	782,640	1,780,326	964,712	2,194,128	11,171,889	19,204,715	15,525,132
Grants and expenses										
Program implementation	495,466	358,028	1,194,147	892,325	1,498,549	1,807,383	458,942	-	6,704,840	6,504,858
Research and grants	-	454,801	205,616	-	109,293	489,200	1,515,925	-	2,774,835	2,340,078
Conservation awareness (note 11)	-	-	-	-	-	-	-	4,600,421	4,600,421	4,253,776
Lobbying	21,703	11,129	16,062	14,348	14,879	13,718	35,745	-	127,584	156,732
Total conservation expenditures	517,169	823,958	1,415,825	906,673	1,622,721	2,310,301	2,010,612	4,600,421	14,207,680	13,255,444
Fundraising and administration (notes 11 and 12)	-	-	-	-	-	-	-	4,092,254	4,092,254	3,586,600
	517,169	823,958	1,415,825	906,673	1,622,721	2,310,301	2,010,612	8,692,675	18,299,934	16,842,044
Excess (deficiency) of revenue over grants and expenses	20,234	(226,426)	(239,740)	(124,033)	157,605	(1,345,589)	183,516	2,479,214	904,781	(1,316,912)
Fund balances - Beginning of year	66,341	240,681	633,897	219,353	20,488	1,113,258	688,599	857,660	3,840,277	3,430,855
Interfund transfers										
Operating (note 7)	188,553	457,382	589,744	378,276	704,847	944,266	344,165	(3,607,233)	-	-
Property and Equipment (note 10)	-	-	-	-	-	-	-	(382,429)	(382,429)	(193,074)
Planned Giving (note 9)	-	-	-	-	-	-	-	1,950,713	1,950,713	1,494,310
Transfer from WWF Foundation	-	-	-	-	-	-	8,801	633,055	641,856	425,098
Fund balances - End of year	275,128	471,637	983,901	473,596	882,940	711,935	1,225,081	1,930,980	6,955,198	3,840,277
Unrestricted	-	-	-	-	-	-	-	1,415,412	1,415,412	671,505
Restricted	275,128	471,637	983,901	473,596	882,940	711,935	1,225,081	515,568	5,539,786	3,168,772
	275,128	471,637	983,901	473,596	882,940	711,935	1,225,081	1,930,980	6,955,198	3,840,277

WWF Canada

Notes to Combined Financial Statements

June 30, 2007

1 Basis of presentation

These financial statements represent the combined financial statements of the individual entities, World Wildlife Fund Canada (WWF-Canada) and World Wildlife Fund Canada Foundation (the Foundation). WWF-Canada is a national registered charity formed to raise and disburse funds for the purpose of promoting conservation of Canadian fauna, flora, forests, landscapes, water, soils and other natural resources by conducting scientific research and undertaking public awareness activities. 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, 2007, are available.

2 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. A statement of cash flows has not been presented, as it would not contain any additional useful information.

Revenue and expenditure recognition

WWF-Canada and the Foundation follow the restricted fund method of accounting for contributions. Restricted contributions relating to capital funds are recognized as revenue of the restricted fund to which they relate, when received. Restricted contributions specifically earmarked for conservation projects are allocated to the appropriate fund, when received. Investment income is recognized as revenue in the appropriate fund when earned. Unrestricted revenues are recognized as revenue of the General Fund, when received.

Investments

Investments are stated at cost. Gains and losses are recognized on the disposition of investments. If there is an other than temporary impairment in the value of an investment, it is written down to net realizable value. Each year a pay-out based on 5% of the average market value of the investments for each of the In Trust and Other Capital Funds for the previous two years is transferred to the Operating Funds for discretionary use and specific projects.

Financial instruments

The fair values of interest earning deposits, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short maturity. The fair values of fixed income securities and investments are disclosed in these combined financial statements.

Property and equipment

Amounts required for the purchase of property and equipment are transferred from the General Fund to the Property and Equipment Fund.

WWF Canada

Notes to Combined Financial Statements

June 30, 2007

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. 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

Donated materials and services

Donated materials and services (donations in kind) are not recognized in the combined statement of operations. Donations of media space and television time are disclosed in the notes to the combined financial statements at an approximation of fair market value. Donations of time by volunteers to assist WWF-Canada in carrying out its programs are not reflected in the notes because there is no objective basis to determine the fair value of these services.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the combined statement of financial position date. 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.

Use of estimates

The preparation of 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 may differ from those estimates.

3 Fixed income securities

Fixed income securities, which are stated at cost, consist of bonds and money market instruments. As at June 30, 2007, the maturity dates of these securities ranged between December 2008 and September 2011, with interest rates varying between 3.55% and 4.10%.

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Notes to Combined Financial Statements

June 30, 2007

4 Property and equipment

	2007		
	Cost	Accumulated	Net
	\$	amortization	Net
		\$	\$
Furniture and fixtures	438,224	340,958	97,266
Leasehold improvements	860,686	619,327	241,359
Computer software	247,357	226,500	20,857
Computer hardware	1,034,208	808,439	225,769
Office equipment	214,005	211,195	2,810
Artwork	6,784	-	6,784
	2,801,264	2,206,419	594,845

	2006		
	Cost	Accumulated	Net
	\$	amortization	Net
		\$	\$
Furniture and fixtures	400,401	325,100	75,301
Leasehold improvements	740,699	477,436	263,263
Computer software	223,781	219,373	4,408
Computer hardware	834,236	653,580	180,656
Office equipment	212,934	194,836	18,098
Artwork	6,784	-	6,784
	2,418,835	1,870,325	548,510

5 Related party transactions

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.

	2007	2006
	\$	\$
International	5,556	49,859
Netherlands	146,065	141,076
United Kingdom	30,163	-
United States	25,875	57,149
Norway	18,984	17,974
	226,643	266,058

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Notes to Combined Financial Statements

June 30, 2007

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 Family Services Fee is paid by WWF-Canada to WWF International, headquartered in Gland, Switzerland, for services primarily related to conservation program implementation and awareness. The fee amounted to \$1,134,289 (2006 - \$723,231).

6 Investments - at cost

	2007 \$	2006 \$
Fixed income securities	3,049,550	2,983,054
Equity shares	3,026,659	3,206,741
Equity pooled funds	1,130,209	1,076,826
	<u>7,206,418</u>	<u>7,266,621</u>

- a) Fixed income securities consist of bonds and money market instruments. As at June 30, 2007, the maturity dates of these securities ranged between February 2009 and December 2041, with interest rates varying between 4.0% and 8.5%.
- b) Included in investments are amounts that are subject to currency risk and which will be settled in U.S. dollars (CAN\$2,864,664 (2006 - CAN\$2,643,293)) at year-end.

7 Operating Funds

a) Unrestricted Operating Funds

These funds are used to support ongoing operations.

b) Restricted Operating Funds

Certain conservation programs are not undertaken until specific funds or pledges have been received. Normally, funds received are expended within twelve months but sometimes funds received relate to multi-year programs and commitments and are held for more than twelve months. Details of these restricted Operating Funds are as follows:

	2007 \$	2006 \$
Climate Change	275,128	66,341
Greater Antilles	471,637	240,681
Mackenzie River Basin	983,901	633,897
North West Atlantic	473,596	219,353
Pacific	882,940	20,488
Policy, Planning & Partnerships	711,935	1,113,258
Species at Risk	1,225,081	688,599
General - Education and other	515,568	186,155
	<u>5,539,786</u>	<u>3,168,772</u>

WWF Canada

Notes to Combined Financial Statements

June 30, 2007

Climate Change

Represents designated resources used in working with government, corporations and individuals to decrease greenhouse gas emissions and ensure the effects of climate change are as minimal as possible by improving energy efficiency, e.g., of buildings and major appliances, encouraging demand for clean, renewable power and increasing clean and “green” energy supply by promoting proactive companies that offer energy alternatives; and in developing ecoregional management plans for adaptation to the impacts that climate change is likely to have on habitat and species.

Greater Antilles

Represents designated resources used to develop and promote plans and measures to create marine protected areas in Cuba, advance sustainable fisheries and tourism through community initiatives, and to protect priority species within the region on behalf of the WWF network.

Mackenzie River Basin

Represents designated resources used to safeguard ecosystems in this northern region through partnerships with government agencies, industry and Aboriginal communities. The focus for much of this work is participation in the Mackenzie Valley Pipeline hearings process, to ensure conservation principles are embedded in the pipeline project, and in the implementation of the NWT Protected Areas Strategy through support of local communities in their land use planning.

North West Atlantic

Represents designated resources used in the Atlantic region to work with government, industry, fishers, scientists and local communities to protect priority habitats and species, reduce pollution in the marine environment, strengthen relevant government policies and programs, and advance sustainable use of ocean resources. The focus of the work is establishment of a network of marine protected areas in Atlantic Canada, the long-term restoration and protection of the Grand Banks, and reduction of cod, coral and right whale bycatch in fishing gear.

Pacific

Represents designated resources used in the Pacific region in working with conservation groups, First Nations, scientists, governments, industry and local communities to identify and promote establishment of a network of marine protected areas on the Pacific Coast, advance ecosystem based management in the Pacific North Coast region, identify and protect species at risk and work with selected forest sector companies to improve the sustainability of their operations.

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Notes to Combined Financial Statements

June 30, 2007

Policy, Planning & Partnerships

Represents designated resources primarily used to help regional programs deliver on goals by developing WWF Network alliances and other partnerships to address threats and opportunities that require action at national or international levels (e.g., global industries). This includes work with forest sector companies to advance sustainable forest management through Forest Stewardship Council (FSC) certification in Canada's commercial forest estate and increase market support for FSC wood products. Resources are also used to monitor, report and evaluate conservation program performance as well as address issues of emerging importance to WWF, such as conservation of freshwater ecosystems.

Species at Risk

Represents designated resources applied through the Endangered Species Recovery Fund to fund high-quality research and advocacy projects for the recovery of wildlife at risk, led by universities and conservation groups across Canada.

General - Education and other

Represents designated resources used to support WWF Canada's Schools for Wildlife program, which promotes conservation action by Canadian youth.

8 In Trust and Other Capital Funds

Details of the In Trust and Other Capital Funds are as follows:

	2007	2006
	\$	\$
Signatures Fund	329,353	318,180
Canadian Conservation Trust	3,269,776	3,313,345
200 Canadians Trust	1,668,873	1,613,211
"1001" Nature Trust	1,281,746	1,239,049
Brocklehurst-Jourard Education Fund	813,533	786,322
The Kenneth M. Molson Fund for Endangered Birds	151,787	146,687
	<hr/>	<hr/>
	7,515,068	7,416,794

The funds are invested to produce income and preserve capital. Each year a pay-out based on 5% of the average market value of the investments for each of the funds for the previous two years is transferred to the Operating Funds.

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 administrative costs of WWF-Canada. The capital can be used for special fundraising activities at the discretion of the Board.

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Notes to Combined Financial Statements

June 30, 2007

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 received from bequests to the Planned Giving program, 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 contribution 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 \$5,000 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\$25,000 of which 50% is forwarded to WWF International. The balance is invested in the trust to provide income to help offset administrative expenses.

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 fourteen, 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 WWF-Canada. Income is available for endangered bird projects.

9 Planned Giving Fund

All bequests received from the planned giving program are initially recorded in the Planned Giving Fund. Each year the directors determine the amount of monies to be allocated to the General Operating Fund. Any monies not allocated to the General Operating Fund are transferred to the Canadian Conservation Trust Fund in the Foundation.

WWF Canada

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10 Property and Equipment Fund

The Property and Equipment Fund represents the net investment in WWF-Canada's property and equipment as described in note 4. Amounts required for the purchase of property and equipment are transferred from the General Operating Fund to the Property and Equipment Fund.

11 Donations in Kind

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

	2007 \$	2006 \$
Conservation awareness		
Climate Change	2,875,558	2,699,474
Greater Antilles	-	50,498
Mackenzie River Basin	-	941,296
North West Atlantic	315,630	468,579
Pacific	-	476,130
Policy, Planning & Partnerships	-	140,162
Species at Risk	-	142,920
	<hr/>	<hr/>
	3,191,188	4,919,059
	<hr/>	<hr/>
Fundraising and administration - operating	354,577	130,539
	<hr/>	<hr/>

12 Fundraising and administration

Fundraising and administration expenses are comprised of fundraising of \$3,244,135 (2006 - \$2,774,014) and administration of \$964,863 (2006 - \$891,085).

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:

	\$
2008	641,354
2009	306,544
2010	177,094
2011	149,399
2012	102,635
	<hr/>
	1,377,026
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WWF Canada

Notes to Combined Financial Statements

June 30, 2007

14 Directors' remuneration

The directors of WWF-Canada and the Foundation receive no remuneration in their roles as directors.