



CANADIAN WILDLIFE FEDERATION
FÉDÉRATION CANADIENNE DE LA FAUNE

Financial Statements

For the year ended February 29, 2012

Canadian Wildlife Federation
Financial Statements
For the year ended February 29, 2012

Contents

Independent Auditor's Report	1
Financial Statements	
Balance Sheet	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Financial Statements	14
Schedule of Expenses	21

Independent Auditor's Report

To the Members of the Canadian Wildlife Federation

Report on the Financial Statements

We have audited the accompanying financial statements of the Canadian Wildlife Federation, which comprise the balance sheet as at February 29, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Wildlife Federation as at February 29, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that in our opinion, the accounting principles in Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants
June 9, 2012
Ottawa, Ontario

Canadian Wildlife Federation Balance Sheet

(Tabular amounts expressed in thousands of dollars)

February 29 **2012** **2011**

(With comparative amounts as at February 28, 2011)

Assets

Current

Cash and cash equivalents (Note 1)	\$	1,520	\$	2,202
Accounts receivable		221		298
Prepaid expenses		220		301
		1,961		2,801
Investments (Note 2)		6,265		6,184
Restricted investment (Note 3)		200		200
Capital assets (Note 4)		2,225		2,303
Deferred donor acquisition costs (Note 5)		457		394
		\$ 11,108		\$ 11,882

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6)	\$	1,405	\$	1,821
Current portion of magazine publications obligations		315		306
Deferred revenue (Note 7)		125		-
		1,845		2,127
Magazine publications obligations		106		110
		1,951		2,237

Net assets

Restricted for endowment purposes (Notes 3 and 8)		200		200
Internally restricted reserves (Note 8)				
Invested in capital assets		2,225		2,303
Invested in deferred donor acquisition costs		457		394
Capital assets replacement		250		250
Working capital		3,323		3,403
Programs		2,481		2,943
Net unrealized gain on investments (Note 2)		221		152
		9,157		9,645
		\$ 11,108		\$ 11,882

On behalf of the Board:

Dave Powell

President

John Ford

Treasurer

Canadian Wildlife Federation Statement of Changes in Net Assets

(Tabular amounts expressed in thousands of dollars)

For the year ended February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

	Internally Restricted Reserves									
	Restricted for Endowment Purposes	Invested in Capital Assets	Invested in Deferred Donor Acquisition Costs	Capital Assets Replace- ment	Working Capital	Programs	Net Unrealized Gain on Investments (Note 2)	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	\$ 200	\$ 2,303	\$ 394	\$ 250	\$ 3,403	\$ 2,943	\$ 152	\$ -	\$ 9,645	\$ 11,017
Excess (deficiency) of revenue over expenses for the year	-	(316)	(655)	-	-	-	69	414	(488)	(1,372)
Investment in capital assets	-	238	-	-	-	-	-	(238)	-	-
Investment in donor acquisition costs	-	-	718	-	-	-	-	(718)	-	-
Internal transfers	-	-	-	-	(80)	(462)	-	542	-	-
Balance, end of year	\$ 200	\$ 2,225	\$ 457	\$ 250	\$ 3,323	\$ 2,481	\$ 221	\$ -	\$ 9,157	\$ 9,645

Canadian Wildlife Federation Statement of Operations

(Tabular amounts expressed in thousands of dollars)

For the year ended February 29	2012	2011
(With comparative amounts for the year ended February 28, 2011)		
Revenue		
Magazine publications	\$ 558	\$ 641
Donations	12,357	10,508
Bequests	1,128	1,608
Royalties and commissions	16	20
Program revenue (Note 3)	375	383
Investment income (Note 2)	258	208
Other	153	88
	14,845	13,456
Expenses (Schedule)		
Programs		
Conservation / education programs (Note 12)	9,553	8,978
Magazine publications	661	711
Support services		
Fundraising (Note 12)	3,686	3,669
General and administrative	1,400	1,465
Magazine publications	33	5
	15,333	14,828
Deficiency of revenue over expenses for the year	\$ (488)	\$ (1,372)

Canadian Wildlife Federation Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

For the year ended February 29	2012	2011
<i>(With comparative amounts for the year ended February 28, 2011)</i>		
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	\$ (488)	\$ (1,372)
Adjustments for		
Amortization of capital assets	316	183
Amortization of donor acquisition costs	655	728
Net realized (gain) loss on non-current investments	18	(63)
Net unrealized (gain) loss on non-current investments (Note 2)	(69)	107
	432	(417)
Changes in non-cash working capital balances (Note 9)	(128)	208
	304	(209)
Cash flows from investing activities		
Acquisition of capital assets	(238)	(167)
Increase in accounts payable and accrued liabilities related to capital expenditures	-	(85)
Donor acquisition costs capitalized	(718)	(566)
Net proceeds on disposal (cost of acquisition) of non-current investments	(30)	567
	(986)	(251)
Decrease in cash and cash equivalents during the year	(682)	(460)
Cash and cash equivalents, beginning of year	2,202	2,662
Cash and cash equivalents, end of year (Note 1)	\$ 1,520	\$ 2,202

Canadian Wildlife Federation

Summary of Significant Accounting Policies

February 29, 2012

Nature of Business

The Canadian Wildlife Federation ("the Federation") is incorporated without share capital under Part II of the Canada Corporations Act to promote the quality and maintenance of Canadian wildlife and the environment. The Federation's legal name is Canadian Wildlife Federation Inc. and operates as Canadian Wildlife Federation. The Federation is a registered charity and as such is exempt from income taxes and may issue official receipts for income tax purposes to donors. It is a membership based organization which derives its funding from a broad base of members and supporters. The Federation publishes and distributes magazines focusing on wildlife issues which comprise a major part of its education program. It also publishes other educational and information material and sells nature materials designed to foster an awareness and understanding of conservation generally.

In addition, the Federation also undertakes research on specific conservation issues of the day as well as fulfilling an advocacy role on behalf of Canadians concerned about wildlife and the environment.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

Significant estimates include assumptions used in estimating the fair value of investments; in establishing the useful lives and related amortization of capital assets; in estimating the amount, amortization period and future benefit of deferred donor acquisition costs; and in estimating provisions for accrued liabilities.

Financial Instruments

The accounting standards for financial instruments require that financial assets and liabilities be classified according to their characteristics, management's intentions, or the choice of category in certain circumstances. Financial assets must be classified as either held-for-trading, held-to-maturity, available-for-sale or loans and receivables. Financial liabilities must be classified as held-for-trading or other liabilities. When initially recognized, financial assets and financial liabilities are recorded at fair value on the balance sheet. In subsequent periods, financial assets and financial liabilities classified as held-for-trading and financial assets classified as available-for-sale will be measured at fair value.

Canadian Wildlife Federation

Summary of Significant Accounting Policies

February 29, 2012

Financial Instruments
(continued)

Gains or losses arising from a change in the fair value of financial assets and financial liabilities classified as held-for-trading are recognized in operations as they occur and are segregated by the Federation as a separate component of results of operations and a separate internally restricted component of net assets until realized or as a component of deferred contributions if the change in fair value of a held-for-trading financial asset is restricted. Changes in the fair value of available-for-sale financial assets are recorded as a direct increase or decrease in net assets until realized or there is a decline in value that is considered other than temporary in which case the loss will be recognized in operations.

Items that are classified in the following categories will be measured at amortized cost with gains or losses recognized in operations when realized or there has been a decline in value that is considered other than temporary. These categories are loans and receivables, investments held-to-maturity and other liabilities.

The Federation's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and an operating line of credit.

Cash and cash equivalents, and investments are classified as held-for-trading and are recorded at fair value based on quoted market prices provided by the Federation's investment brokers.

Accounts receivable, accounts payable and accrued liabilities, and the operating line of credit are classified as loans and receivables or other liabilities. They are carried at amortized cost which is equivalent to fair value given their short-term maturities.

Unless otherwise noted, it is management's opinion that the Federation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Financial Instruments
Disclosures

The Federation has opted to disclose and present financial instruments under the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation in these financial statements instead of the more onerous CICA Handbook Sections 3862 and 3863, which is a permitted option for not-for-profit organizations in these standards. Sections 3862 and 3863 would require additional disclosures related to risks and how the organization manages those risks including extensive sensitivity analysis.

Canadian Wildlife Federation Summary of Significant Accounting Policies

February 29, 2012

Financial Risk Management

The Federation manages its investment portfolio based on the levels of its net assets set aside in its working capital reserve and its programs reserve. The total of these reserves is known as the 'bench mark'. Typical investments based on this 'bench mark' are described below:

- Cash reserves below the 'bench mark' are invested in short-term instruments. This achieves a balance between maximization of interest and liquidity of cash. A combination of money market and fixed income investments would typically be used in this situation.
- Cash reserves above the 'bench mark' are invested in typically longer-term instruments. These instruments would weigh the permissible level of risk to the Federation's resources in relation to expected returns. At all times, the Federation would invest and manage these funds as would a prudent investor. A combination of income funds and balanced conservative funds would typically be used in this situation.

In addition, the Federation's cash is held in Canadian chartered banks.

The Federation is not involved in any hedging relationships and does not hold or use any derivative financial instruments for trading purposes.

Exchange Risk

The Federation is exposed to exchange risk due to transactions during the year in U.S. dollars.

Interest Rate Risk

The Canadian government, provincial and corporate bonds and other fixed income investments held by the Federation, as set out in Note 2 to these financial statements, bear interest at fixed rates so the Federation is exposed to the risk resulting from interest rate fluctuations.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from exchange risk or interest rate risk), whether those changes are caused by factors specific to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The maximum loss due to price risk is represented by the fair value of the investment portfolio as set out in Notes 1 and 2 to these financial statements.

Canadian Wildlife Federation Summary of Significant Accounting Policies

February 29, 2012

**Financial Risk
Management**
(continued)

Investment Credit Risk

Investment credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Federation is exposed to investment credit risk through cash and cash equivalents, bonds and fixed income securities, as set out in Notes 1 and 2 to these financial statements. Credit risk arising from these investments is generally limited to the fair value of these investments.

Investment Concentration Risk

Investment concentration risk is the risk that an investment portfolio will have greater exposure due to a concentration in securities with similar characteristics or subject to similar economic, political or other conditions. Investment concentration risk is mitigated by ensuring that the portfolio limits geographic allocations as well as limits individual entity holdings.

Liquidity Risk

Liquidity risk is the risk of being unable to generate sufficient cash and cash equivalents in a timely and cost effective manner to meet the spending requirements of the Federation. The Federation mitigates liquidity risk by limiting its investments to financial instruments that are publicly traded in active markets and thereby readily liquidated if necessary.

Other Credit Risk

The Federation's other credit risk is primarily attributable to its accounts receivable. The accounts receivable are managed and analyzed on an ongoing basis. The Federation is of the opinion that its exposure to bad debts is not significant.

Transaction Costs

Transaction costs, if any, related to the Federation's financial instruments are charged to operations as incurred.

Revenue Recognition

The Federation follows the deferral method of accounting for contributions. Restricted contributions, including government contributions, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including donations, bequests, royalties and commissions, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Canadian Wildlife Federation Summary of Significant Accounting Policies

February 29, 2012

Revenue Recognition (continued)	<p>Magazine publications fees are initially recorded as magazine publications obligations on the balance sheet and the revenue derived therefrom is recognized over the term of the related magazine subscription.</p> <p>Fair value changes for investments are recorded as investment income and recognized as revenue in the statement of operations, or as a component of deferred contributions if the investment income is restricted, as appropriate.</p> <p>Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. The balance of investment income is unrestricted and recognized as revenue.</p>
Foreign Currency	<p>Transactions during the year in U.S. dollars have been converted in the accounts to Canadian dollars at the exchange rate effective on the transaction date. All monetary assets in U.S. dollars have been converted to Canadian dollars at the exchange rates in effect at year end. Gains or losses resulting therefrom are included in the determination of excess (deficiency) of revenue over expenses for the year.</p>
Contributed Services	<p>Contributed services which are used in the normal course of the Federation's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if their fair value can be reasonably estimated. Contributed services are not recognized in these financial statements.</p> <p>In addition, the Board of Directors volunteer their time to assist the Federation in carrying out its service delivery activities. Because of the difficulty of determining the fair value of these services, they are also not recognized in these financial statements.</p>
Cash and Cash Equivalents	<p>Cash and cash equivalents are defined as bank balances; demand deposits; and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Normally only non-equity investments with a maturity of 90 days or less from their date of acquisition would be considered a cash equivalent, otherwise they would be considered an investing activity. In addition, bank overdrafts would only be considered a cash equivalent if they are repayable on demand and form an integral part of the Federation's cash management, whereby the bank balance fluctuates frequently from positive to overdrawn, otherwise they would be considered a financing activity.</p>

Canadian Wildlife Federation Summary of Significant Accounting Policies

February 29, 2012

Capital Assets

Capital assets are recorded at cost. Donated capital assets are recorded at fair value on the date of the contribution, when it can be reasonably determined. Amortization for the 2012 fiscal year is based on the estimated useful life of the asset and is provided as follows:

Building and building improvements	40 years straight-line basis
Computer equipment	3 years straight-line basis
Office equipment	5 years straight-line basis
Office furniture	10 years straight-line basis

The Federation reviews the useful life of its capital assets on an ongoing basis considering events or changes in circumstances. As a result, as at March 1, 2011, the useful life of computer equipment has been changed from 5 years to 3 years. The impact of this change in accounting estimate has been accounted for prospectively without restatement of prior period amounts. The impact of this change in accounting estimate is set out in Note 4 to these financial statements.

Donor Acquisition Costs

Costs to acquire new donors are amortized over a three year period, which represents the expected future benefits of these costs, using the sum of the years' digits method.

Expense Allocations

The Federation engages in conservation / education, magazine publications and fundraising programs. The costs of each program include expenses that are directly related to providing the programs as well as indirect costs allocated among specific programs. The Federation also incurs general and administrative expenses directly related to the support of these programs. The Federation's general and administrative support expenses are not allocated to programs as an indirect cost.

Both the conservation / education and fundraising programs include the use of the same materials, brochures and mailings. The cost of materials and brochures used directly by the conservation / education programs and the fundraising program is included in each program. Some of the materials and brochures included in fundraising campaigns are also mailed to individuals who have been identified as beneficiaries of the conservation / education programs. A portion of the cost of these specific materials and brochures have been allocated from the fundraising programs to the conservation / education programs based on the estimated percentage of space of print dedicated to conservation / educational information in the specific material mailed.

Canadian Wildlife Federation Summary of Significant Accounting Policies

February 29, 2012

Future Changes in Accounting Standards

The Canadian Institute of Chartered Accountants (CICA) has announced that all Canadian reporting entities, subject to certain exceptions which include not-for-profit organizations, will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The Federation, at its option, may adopt IFRS.

The CICA has also announced that effective for years beginning on or after January 1, 2012 Canadian private sector not-for-profit organizations (i.e. those not controlled by government entities) will have a new financial reporting framework and that early adoption will be permitted.

For organizations that do not adopt IFRS but rather adopt the new not-for-profit standards the existing not-for-profit accounting standards will remain, supplemented by the new private enterprise standards. The new private enterprise standards include recognition, measurement and presentation changes and simplifications in many areas as well as reduced required disclosures in the financial statements whereas IFRS would require to some extent different and expanded recognition, measurement, presentation and disclosure standards.

The Federation expects to adopt the new not-for profit standards but has yet to determine the accounting options it may choose to adopt and the potential impacts of doing so.

Canadian Wildlife Federation Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

1. Cash and Cash Equivalents

	<u>2012</u>	2011
Cash	\$ 378	\$ 612
Money market funds	<u>1,142</u>	<u>1,590</u>
	<u>\$ 1,520</u>	<u>\$ 2,202</u>

Cash accounts are held in two financial institutions and bear interest. At year end, money market funds bear interest at 1.15% (2011 - 1.20%). The investments in money market funds can be readily liquidated if necessary and are therefore considered to be a cash equivalent. The carrying value of money market funds reflects their current market value.

The Federation has available an undrawn operating line of credit with its bank in the amount of \$500,000 (2011 - \$500,000) at an interest rate of bank prime plus 0.75% (2011 - prime plus 0.75%).

2. Investments

Investments are comprised of fixed income Canadian government, provincial and corporate bonds, other fixed income securities and Canadian preferred shares. The effective weighted interest rate of the investments is 1.41% (2011 - 2.36%). These investments are marketable securities and can be readily liquidated if necessary. However the investments are presented on the balance sheet as non-current assets to more appropriately present the Federation's financial risk management policy as set out in the summary of significant accounting policies. The carrying value of investments reflects their current market value.

Throughout the fiscal year, net unrealized gains and losses resulting from the application of the financial instruments standards described in the summary of significant accounting policies amounted to a net unrealized gain of \$69,000 (2011 - \$107,000 loss) which is recorded in investment income in the statement of operations.

The cumulative net unrealized gain at February 29, 2012 is \$221,000 (2011 - \$152,000) which is presented as an internally restricted reserve in the balance sheet and the statement of changes in net assets.

Canadian Wildlife Federation Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

3. Environment Canada Agreement

The Federation has an agreement with Environment Canada whereby both organizations contribute funding to be used towards the development of a wildlife awareness initiative. Included in program revenue is \$100,000 (2011 - \$100,000) of contributions from Environment Canada related to this agreement. This agreement expires March 31, 2012. Environment Canada has indicated to the Federation its intention to renew this agreement in the 2013 fiscal year.

In 2004, the Federation received a \$100,000 contribution that was required to be set aside along with \$100,000 of the Federation's own funds, to be used at such time that further funding is no longer available. These restricted investments are in money market funds and at year end bear interest at a rate of 1.15% (2011 - 1.20%). The interest earned on these restricted investments can be used as received to further fund this initiative.

4. Capital Assets

	2012			2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 168	\$ -	\$ 168	\$ 168	\$ -	\$ 168
Land held for program development	250	-	250	250	-	250
Building and building improvements	2,065	576	1,489	2,049	525	1,524
Computer equipment	699	574	125	662	445	217
Office equipment	351	233	118	541	482	59
Office furniture	197	122	75	412	327	85
	\$ 3,730	\$ 1,505	\$ 2,225	\$ 4,082	\$ 1,779	\$ 2,303

Several years ago, land was donated to the Federation for which fair value was not reasonably determinable. Therefore no value is included above with respect to this donated land.

During the 2012 fiscal year the cost and accumulated amortization of fully amortized and obsolete computer equipment, office equipment and office furniture were removed from the Federation's records in the amount of \$590,000 (2011 - \$nil).

In addition, as set out in the summary of significant accounting policies, the Federation changed its accounting estimate of the useful life of its computer equipment effective March 1, 2011. The impact of this change in accounting estimate resulted in a \$105,000 increase in amortization expense for the year ended February 29, 2012.

Canadian Wildlife Federation Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

5. Deferred Donor Acquisition Costs

	<u>2012</u>	<u>2011</u>
Cost	\$ 1,915	\$ 2,644
Less: Accumulated amortization	<u>1,458</u>	<u>2,250</u>
Net book value	<u>\$ 457</u>	<u>\$ 394</u>

Each year the cost and accumulated amortization of fully amortized acquisitions are removed from the Federation's records which for 2012 was \$1,447,000 (2011 - \$1,091,000).

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include \$109,000 Canadian (2011 - \$116,000 Canadian) denominated in U.S. dollars.

7. Deferred Revenue

Deferred revenue as at February 29, 2012 consists of specific program funding received of \$125,000 (2011 - \$nil) which had not yet been expended in accordance with the basis for which the funding was received. The Federation expects to expend these funds during its 2013 fiscal year.

8. Capital Disclosures

The Federation's capital disclosures are in accordance with CICA Handbook Section 1535, Capital Disclosures, which establishes standards for disclosure of information related to an entity's objectives, policies and procedures for managing capital.

The Federation's capital is comprised of its net assets which as at February 29, 2012 totaled \$9,157,000 (2011 - \$9,645,000). Of the Federation's capital, \$2,225,000 (2011 - \$2,303,000) is internally restricted to fully finance the Federation's investment in its capital assets and \$457,000 (2011 - \$394,000) is internally restricted to fully finance the Federation's investment in its deferred donor acquisition costs. As set out in Note 3 to these financial statements, \$200,000 (2011 - \$200,000) of the Federation's capital is set aside for endowment purposes. As at February 29, 2012 the Federation's other internally restricted net assets totaled \$6,054,000 (2011 - \$6,596,000) as presented in the Federation's balance sheet and in accordance with the policy approved by the Federation's Executive Committee as further described herein.

Canadian Wildlife Federation Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

8. Capital Disclosures (continued)

The Federation's objectives when managing its other internally restricted net assets are to maintain its ability to:

- operate efficiently;
- meet its disbursement quota requirement as determined by the Canada Revenue Agency;
- provide liquidity for growth opportunities;
- have funds available for cyclical expenditures (i.e. expenditures not recurring annually);
- have funds available for unexpected increases in expenditures or decreases in revenues;
- and
- provide a constant and predictable membership fee structure.

The amounts allocated to these other internally restricted net assets is determined in reference to unrestricted net assets otherwise available for allocation. The purpose of each component of the Federation's other internally restricted net assets including the order in which amounts are set aside is as follows:

- The Capital Asset Replacement Reserve is to provide funds, if any, which are available to allow for replacement of capital assets.
- The Working Capital Reserve is to provide funds, if any, which are available should there be unforeseen disruptions in fundraising activities.
- The Programs Reserve is to provide for funds, if any, which are available to allow for the continuance of conservation programs.

Since the Federation's investments have been classified as held-for-trading financial assets, all changes in fair value are recognized in operations as they occur. However the Federation segregates the unrealized portion of the fair value changes existing at February 29, 2012 of \$221,000 (2011 - \$152,000) as a separate component of internally restricted net assets entitled net unrealized gain on investments. Therefore the Federation's other internally restricted reserves are not impacted until the net gains or losses are realized.

Further, the Federation has magazine publications obligations related to magazine subscriptions which are deferred revenue at February 29, 2012 totaling \$421,000 (2011 - \$416,000) and other deferred revenue of \$125,000 (2011 - \$nil) for specific programs. These funds are available to finance the Federation's subsequent years' operations.

The Federation's financial risk management policies, as set out in the summary of significant accounting policies, have been established to assist the Federation in meeting the objectives set out herein by ensuring the Federation's capital invested in financial markets is not at risk and the Federation has sufficient liquidity. The Federation also has an undrawn operating line of credit in the amount of \$500,000 (2011 - \$500,000) as set out in Note 1 to these financial statements, which is available to provide liquidity. The Federation Executive Committee does not establish quantitative return on capital criteria other than as set out in these financial risk management policies.

Canadian Wildlife Federation Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

8. Capital Disclosures (continued)

The Federation is not subject to externally imposed requirements on its capital except as set out in Note 3 to these financial statements with respect to its net assets restricted for endowment purposes.

In addition, as set out in Note 10 to these financial statements, the Federation controls The Canadian Wildlife Foundation ("the Foundation") which has not been consolidated in these financial statements. As such the net assets referred to in this note exclude the Foundation.

9. Statement of Cash Flows

Changes in non-cash working capital balances consist of changes in the following accounts which represents a source (use) of cash from operating activities:

	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ 77	\$ (91)
Prepaid expenses	81	(18)
Accounts payable and accrued liabilities excluding amounts related to capital expenditures	(416)	428
Deferred revenue	125	-
Magazine publications obligations Current and non-current	5	(111)
	<u>\$ (128)</u>	<u>\$ 208</u>

10. The Canadian Wildlife Foundation

The Canadian Wildlife Foundation ("the Foundation") manages funds, in trust, for the use and benefit of the Federation and such other organizations whose objectives are compatible with those of the Foundation or the Federation. Pursuant to the by-laws of the Foundation, the Foundation is to pay, transfer, or assign to the Federation, any part or all of the Foundation's unrestricted assets, or proceeds thereof, including the net earnings derived therefrom, upon request by the Federation. The Foundation is incorporated without share capital under Part II of the Canada Corporations Act. The Foundation is a registered charity and as such, is exempt from income taxes and may issue income tax receipts to donors.

The Foundation has not been consolidated in these financial statements. Financial statements of the Foundation are available on request. A summary of the Foundation's assets, liabilities, fund balances, revenues and expenses for the year ended February 29, 2012 with comparative amounts for the year ended February 28, 2011 follows.

Canadian Wildlife Federation Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

10. The Canadian Wildlife Foundation (continued)

	2012			2011	
	General Fund	Restricted Funds	Endowment Funds	Total	Total
Assets	\$ 1,868	\$ 292	\$ 227	\$ 2,387	\$ 2,492
Liabilities	\$ 34	\$ -	\$ -	\$ 34	\$ 29
Fund balances					
Externally restricted	-	254	227	481	544
Internally restricted	1,047	-	-	1,047	1,006
Operating	487	-	-	487	399
Net unrealized gain on investments	300	38	-	338	514
	1,834	292	227	2,353	2,463
	\$ 1,868	\$ 292	\$ 227	\$ 2,387	\$ 2,492
Revenue	\$ 118	\$ 15	\$ 2	\$ 135	\$ 133
Investment revenue (loss)	(81)	(8)	-	(89)	344
Expenses	(59)	(97)	-	(156)	(185)
Excess (deficiency) of revenue over expenses for the year	(22)	(90)	2	(110)	292
Fund balances, beginning of year	1,856	382	225	2,463	2,171
Fund balances, end of year	\$ 1,834	\$ 292	\$ 227	\$ 2,353	\$ 2,463

The Restricted Funds of \$254,000 (2011 - \$319,000) include the Canadian Wildlife Fund in the amount of \$73,000 (2011 - \$159,000). The Canadian Wildlife Fund was established by the Federation to fund various conservation programs.

The Foundation's General Fund includes an internally restricted balance which represents its permanent capital in the amount of \$1,047,000 (2011 - \$1,006,000). The increase in permanent capital was \$41,000 (2011 - \$38,000) as a result of memorial donations and life membership fees received from the Federation.

The Foundation's investments have been classified as held-for-trading financial assets. All changes in fair value are recognized in the Foundation's operations as they occur. The Foundation segregates the unrealized portion of the fair value changes existing at year-end as a separate component of fund balances.

Canadian Wildlife Federation Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

10. The Canadian Wildlife Foundation (continued)

In addition, from time to time, the Federation and Foundation provide funding for each other's programs. There was no funding by either organization for both 2012 and 2011 fiscal year.

Certain administrative expenses of the Foundation are paid for by the Federation and charged to the Foundation. These transactions are in the normal course of operations and are measured at the exchange value, which is the actual amount of expenses incurred by the Federation on behalf of the Foundation. The Federation also provides general and administrative services which have not been fully charged to the Foundation.

Balances due to and from the Foundation that result from these transactions are interest free and are payable on demand. There were no significant amounts payable or receivable for 2012 or 2011.

11. Employee Benefits

The Federation participates in a defined contribution plan providing pension benefits to eligible employees. The expense for the plan for the year is \$121,000 (2011 - \$96,000) which represents the Federation's required current contributions to the plan for the year.

12. Fundraising Expenses

Fundraising expenses reported in the statement of operations of \$3,686,000 (2011 - \$3,669,000) are reported after the allocation of \$684,000 (2011 - \$1,756,000) to the conservation / education programs representing the cost of materials, brochures and mailings that are co-mailed with the Federation's direct mail campaigns.

13. Comparative Amounts

In certain limited instances, 2011 amounts presented for comparative purposes have been reclassified to conform to the financial statement presentation adopted for the current year.

Canadian Wildlife Federation Schedule of Expenses

(Tabular amounts expressed in thousands of dollars)

For the year ended February 29, 2012

(With comparative amounts for the year ended February 28, 2011)

	Programs		Support Services			Total 2012	Total 2011
	Conservation / Education Programs	Magazine Publications	Fund- Raising	General and Adminis- trative	Magazine Publications		
Printing, publication, distribution, reports and websites	\$ 4,588	\$ 457	\$ 2,007	\$ 8	\$ 33	\$ 7,093	\$ 7,782
Salaries, benefits and related expenses	2,829	138	240	708	-	3,915	3,677
Occupancy	141	-	18	18	-	177	205
Communications and data processing	218	66	515	355	-	1,154	1,079
Conferences, projects and events, annual convention, and other meetings	1,527	-	-	192	-	1,719	920
Amortization of capital assets (Note 4)	217	-	50	49	-	316	183
Amortization of donor acquisition costs	-	-	655	-	-	655	728
Other	33	-	201	70	-	304	254
	\$ 9,553	\$ 661	\$ 3,686	\$ 1,400	\$ 33	\$ 15,333	\$ 14,828