



**AFRICAN WILDLIFE FOUNDATION®**

**Consolidated Financial Statements**

*For the Year Ended June 30, 2016*

*(With Summarized Financial Information for the Year Ended June 30, 2015)*



**and  
Report Thereon**



# **AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
African Wildlife Foundation, Inc.  
and Subsidiary

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the African Wildlife Foundation, Inc. and Subsidiary (collectively referred to as AWF), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the African Wildlife Foundation, Inc. and Subsidiary as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Continued**

***Report on Summarized Comparative Information***

We have previously audited AWF's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
October 28, 2016

# AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

## Consolidated Statement of Financial Position

As of June 30, 2016

(With Summarized Financial Information as of June 30, 2015)

	2016	2015
<b>ASSETS</b>		
Cash & cash equivalents	\$ 4,398,637	\$ 2,123,974
Investments	25,916,070	27,345,511
Pledges & bequests receivable	6,158,343	10,409,468
Public sector grants receivable	2,077,503	1,401,333
Advances to partners	6,176	326,822
Prepaid expenses & other assets	1,163,012	634,533
Accounts receivable	592,801	389,855
Loans receivable	5,957,648	5,386,970
Property & equipment, net	3,523,323	3,857,916
<b>TOTAL ASSETS</b>	<b><u>49,793,513</u></b>	<b><u>51,876,382</u></b>
<b>LIABILITIES</b>		
Accounts payable & accrued expenses	2,245,322	2,103,861
Refundable advances	972,026	1,549,686
Notes payable & lines of credit	6,250,000	5,518,750
Deferred rent & lease incentives	79,796	138,300
Deferred compensation liability	194,717	175,881
Annuities payable	46,233	74,860
<b>Total liabilities</b>	<b><u>9,788,094</u></b>	<b><u>9,561,338</u></b>
<b>NET ASSETS</b>		
Unrestricted net assets	27,938,617	27,851,685
Temporarily restricted net assets	8,954,487	11,351,044
Permanently restricted net assets	3,112,315	3,112,315
<b>Total net assets</b>	<b><u>40,005,419</u></b>	<b><u>42,315,044</u></b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 49,793,513</u></b>	<b><u>\$ 51,876,382</u></b>

# AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

## Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<b>OPERATING REVENUE &amp; SUPPORT</b>					
Gifts from individuals	\$ 7,602,005	\$ 1,128,666	\$ -	\$ 8,730,671	\$ 13,145,618
Legacy gifts	1,101,191	59,066	-	1,160,257	3,684,543
Corporate & foundation support	937,205	1,249,757	-	2,186,962	2,425,143
Public sector support	12,259,679	-	-	12,259,679	12,330,200
Royalties, events & other income	989,417	93,787	-	1,083,204	1,476,920
Payout from reserves	2,677,358	25,200	-	2,702,558	2,967,452
In-kind contributions	83,108	-	-	83,108	98,950
Net assets released from program restrictions	5,002,031	(5,002,031)	-	-	-
<b>Total operating revenue &amp; support</b>	<b>30,651,994</b>	<b>(2,445,555)</b>	<b>-</b>	<b>28,206,439</b>	<b>36,128,826</b>
<b>OPERATING EXPENSES</b>					
<i>Program services</i>					
Conservation programs	21,370,000	-	-	21,370,000	21,991,074
Education & outreach	2,971,033	-	-	2,971,033	2,344,379
<i>Total program services</i>	<u>24,341,033</u>	<u>-</u>	<u>-</u>	<u>24,341,033</u>	<u>24,335,453</u>
<i>Supporting services</i>					
Finance & administration	934,923	-	-	934,923	919,917
Fundraising	2,854,809	-	-	2,854,809	2,454,154
<i>Total supporting services</i>	<u>3,789,732</u>	<u>-</u>	<u>-</u>	<u>3,789,732</u>	<u>3,374,071</u>
<b>Total operating expenses</b>	<b>28,130,765</b>	<b>-</b>	<b>-</b>	<b>28,130,765</b>	<b>27,709,524</b>
<b>Change in net assets from operating activities</b>	<b>2,521,229</b>	<b>(2,445,555)</b>	<b>-</b>	<b>75,674</b>	<b>8,419,302</b>
<b>NONOPERATING ACTIVITIES</b>					
Investment earnings (losses)	1,253,622	231,926	-	1,485,548	(452,342)
Unrealized losses on investments	(1,010,561)	(172,180)	-	(1,182,741)	(1,672,302)
Unrealized gains (losses) on trusts & annuities	-	14,452	-	14,452	(6,706)
Payout from reserves	(2,677,358)	(25,200)	-	(2,702,558)	(2,967,452)
<b>Change in net assets from nonoperating activities</b>	<b>(2,434,297)</b>	<b>48,998</b>	<b>-</b>	<b>(2,385,299)</b>	<b>(5,098,802)</b>
<b>CHANGE IN NET ASSETS</b>	<b>86,932</b>	<b>(2,396,557)</b>	<b>-</b>	<b>(2,309,625)</b>	<b>3,320,500</b>
Net assets, beginning of year	27,851,685	11,351,044	3,112,315	42,315,044	38,994,544
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 27,938,617</b>	<b>\$ 8,954,487</b>	<b>\$ 3,112,315</b>	<b>\$ 40,005,419</b>	<b>\$ 42,315,044</b>

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

# AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

## Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	PROGRAM SERVICES					SUPPORTING SERVICES			2016 TOTAL	2015 TOTAL
	Conservation Programs	Program Management	Total Conservation Services	Education & Outreach	Total Program Services	Finance & Administration	Fundraising	Total Supporting Services		
Salaries & benefits	\$ 4,216,201	\$ 2,596,192	\$ 6,812,393	\$ 894,393	\$ 7,706,786	\$ 563,522	\$ 1,307,581	\$ 1,871,103	\$ 9,577,889	\$ 9,628,928
Professional fees & construction	2,523,751	141,973	2,665,724	525,934	3,191,658	121,132	337,409	458,541	3,650,199	3,619,418
Travel & meetings	709,462	296,009	1,005,471	108,920	1,114,391	5,064	136,800	141,864	1,256,255	1,412,516
Partner expenses	6,118,496	23,898	6,142,394	275,129	6,417,523	-	5,115	5,115	6,422,638	5,584,043
Supplies	719,418	174,684	894,102	36,156	930,258	51,818	35,205	87,023	1,017,281	1,262,282
Printing	81,440	8,436	89,876	634,062	723,938	2,101	836,063	838,164	1,562,102	989,337
Occupancy & maintenance	219,865	134,908	354,773	4,222	358,995	293,767	1,336	295,103	654,098	673,551
Vehicle operations & depreciation	361,596	1,498	363,094	3,464	366,558	1,164	245	1,409	367,967	432,925
Postage & delivery	8,127	5,710	13,837	4,817	18,654	19,991	11,424	31,415	50,069	100,791
Equipment rental & maintenance	64,083	6,328	70,411	478	70,889	19,632	200	19,832	90,721	222,342
Workshops	1,225,907	129,055	1,354,962	237,249	1,592,211	3,368	12,985	16,353	1,608,564	1,805,925
Scholarships & training	37,391	20,612	58,003	11,585	69,588	863	4,006	4,869	74,457	84,784
Communications	146,410	68,003	214,413	26,950	241,363	79,203	6,755	85,958	327,321	331,893
Administrative costs	395,234	297,325	692,559	5,716	698,275	47,739	111,782	159,521	857,796	713,451
Depreciation & amortization	54,564	198,406	252,970	78,228	331,198	94,291	5,597	99,888	431,086	513,896
Promotions & advertising	8,113	3,186	11,299	7,201	18,500	1,170	2,650	3,820	22,320	26,874
Membership dues	270	32,349	32,619	461	33,080	154	810	964	34,044	63,369
Exchange rate fluctuations	62,110	(19,260)	42,850	-	42,850	-	-	-	42,850	144,249
In-kind expenses	7,467	-	7,467	75,641	83,108	-	-	-	83,108	98,950
<b>TOTAL DIRECT EXPENSES</b>	<b>16,959,905</b>	<b>4,119,312</b>	<b>21,079,217</b>	<b>2,930,606</b>	<b>24,009,823</b>	<b>1,304,979</b>	<b>2,815,963</b>	<b>4,120,942</b>	<b>28,130,765</b>	<b>27,709,524</b>
Allocation of facilities expenses	233,958	56,825	290,783	40,427	331,210	(370,056)	38,846	(331,210)	-	-
<b>TOTAL</b>	<b>\$ 17,193,863</b>	<b>\$ 4,176,137</b>	<b>\$ 21,370,000</b>	<b>\$ 2,971,033</b>	<b>\$ 24,341,033</b>	<b>\$ 934,923</b>	<b>\$ 2,854,809</b>	<b>\$ 3,789,732</b>	<b>\$ 28,130,765</b>	<b>\$ 27,709,524</b>

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

# AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

## Consolidated Statement of Cash Flows

For the Year Ended June 30, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,309,625)	\$ 3,320,500
<i>Adjustments to reconcile change in net cash provided by operating activities:</i>		
Depreciation and amortization	398,319	403,208
Amortization of discount on pledges & bequests receivable	(51,767)	(71,789)
Amortization of discount on loans receivable	107,429	73,507
Lease incentive amortization	32,068	32,068
Provision for doubtful pledges & bequests receivable	(237,187)	146,338
Provision for doubtful loans receivable	130,904	62,732
Realized losses (gains) on sales of investments	(910,674)	976,978
Unrealized losses on investments	1,168,289	1,672,302
Unrealized losses on beneficial interest in perpetual trusts	9,710	6,706
<i>Changes in assets &amp; liabilities:</i>		
Pledges & bequests receivable	4,540,080	(2,926,757)
Public sector grants receivable	(676,170)	(549,611)
Advances to partners	320,646	(103,849)
Prepaid expenses & other assets	(479,120)	202,906
Accounts receivable	(183,845)	311,411
Accounts payable & accrued expenses	106,355	213,706
Refundable advances	(577,661)	(1,236,409)
Deferred rent & lease incentives	(90,572)	(81,189)
Deferred compensation liability	18,837	13,613
Annuities payable	(28,626)	(9,571)
<b>Net cash provided by operating activities</b>	<b><u>1,287,390</u></b>	<b><u>2,456,800</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property & equipment	(63,727)	(102,585)
Purchases of investments	(28,057,559)	(14,872,557)
Sales of investments	29,170,321	11,691,058
Issuance of loans receivable	(814,373)	(1,401,864)
Proceeds received from retirement of loans receivable	-	247,660
<b>Net cash provided by (used in) investing activities</b>	<b><u>234,662</u></b>	<b><u>(4,438,288)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principle payments on notes payable & lines of credit	(1,666,639)	(1,707,083)
Proceeds received from issuance of notes payable & lines of credit	2,419,250	1,784,833
<b>Net cash provided by financing activities</b>	<b><u>752,611</u></b>	<b><u>77,750</u></b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>2,274,663</b>	<b>(1,903,738)</b>
Cash & cash equivalents, beginning of year	2,123,974	4,027,712
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 4,398,637</u></b>	<b><u>\$ 2,123,974</u></b>
<i>Supplemental cash flow information: actual cash payments for interest</i>	<i>\$ 16,723</i>	<i>\$ 39,166</i>

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

# **AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**

## **Notes to the Consolidated Financial Statements**

**For the Year Ended June 30, 2016**

### **1. Organization**

The African Wildlife Foundation, Inc. (AWF, Inc.), together with the people of Africa, works to ensure that the wildlife and wild lands of Africa will endure forever. To accomplish this mission, AWF, Inc. approaches its work at the landscape level, implementing a variety of efforts that conserve land, protect species and empower people. AWF, Inc. is an international conservation organization headquartered in Nairobi, Kenya, and incorporated in Washington, DC, as an organization exempt under Internal Revenue Code (IRC) Section 501(c)(3). AWF, Inc.'s activities are funded primarily through grants and contributions.

AWC Limited, also known as "African Wildlife Capital" (AWC), is a wholly-owned subsidiary of AWF, Inc. Established on March 8, 2011, in Mauritius as an investment holding company, AWC specializes in providing debt-based finance to qualifying conservation enterprises in multiple geographies across Africa. AWC's investments in conservation enterprises are selected so as to further the mission of AWF, Inc.

AWC CB1 Limited (CB1) is a wholly-owned subsidiary of AWC. Established on March 31, 2011, in Mauritius as an investment holding company, CB1 specializes in providing debt-based financing to qualifying conservation enterprises in multiple geographies across Africa. CB1's investments in conservation enterprises are selected so as to further the mission of AWF, Inc.

AWC CB2 Limited (CB2) is a wholly-owned subsidiary of AWC. Established on February 6, 2014, in Mauritius as an investment holding company, CB2 specializes in providing debt-based financing to qualifying conservation enterprises in multiple geographies across Africa. CB2's investments in conservation enterprises are selected so as to further the mission of AWF, Inc.

### **2. Summary of Significant Accounting Policies**

#### **Principles of Consolidation**

The accompanying consolidated financial statements as of and for the year ended June 30, 2016, include activities of AWF, Inc. as well as the activities of AWC. AWC's activities include those of CB1 and CB2. Collectively, these entities are referred to as AWF. All material intercompany balances and transactions have been eliminated in consolidation.

#### **Cash and Cash Equivalents**

Cash includes funds in checking accounts. Money market funds held in certain board-designated investment reserves are considered investments, as such amounts are not used for general operating purposes.

#### **Fair Value Measurements**

In accordance with the accounting standards for fair value measurements for those assets and liabilities which are measured at fair value on a recurring basis, as of and for the year ended June 30, 2016, AWF has categorized its applicable financial instruments into a required fair value hierarchy.

# **AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**

## **Notes to the Consolidated Financial Statements**

**For the Year Ended June 30, 2016**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Fair Value Measurements (continued)**

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

*Level 1* - Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that AWF has the ability to access.

*Level 2* - Financial assets whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

*Level 3* - Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of and for the year ended June 30, 2016, only AWF's investments, as described in Note 4 of these consolidated financial statements, were measured at fair value on a recurring basis.

#### **Investments**

Investments consist of money market funds and equity and fixed-income mutual funds. Quoted market prices are used to value AWF's securities.

The change in unrealized appreciation or depreciation of investments is included in the accompanying consolidated statement of activities and changes in net assets as nonoperating activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in investment earnings and losses in the accompanying consolidated statement of activities and changes in net assets as nonoperating activities.

#### **Advances to Partners**

AWF, Inc. periodically advances grant funds to partners under the terms of its various restricted program grants and cost-reimbursable grant agreements and records these amounts as advances to partners. Upon submission of the required financial reports by the partners detailing the amount of funds expended under these grant agreements during each quarter and upon the approval of such reports by AWF, Inc., AWF, Inc. recognizes grant expense to the extent of allowable direct and

# **AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**

## **Notes to the Consolidated Financial Statements**

**For the Year Ended June 30, 2016**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Advances to Partners (continued)**

indirect expenses incurred by the partners. Any amount advanced by AWF, Inc. in excess of expenses incurred by the partners is reflected in advances to partners in the accompanying consolidated statement of financial position.

#### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are stated at cost and are depreciated or amortized using the straight-line method over the estimated useful lives of the assets, which range from three to ten years for furniture and equipment, software, and vehicles and forty years for the buildings. Leasehold improvements are recorded at cost and amortized using the straight-line method over the shorter of the estimated useful life of the improvement or the remaining term of the lease. AWF purchases property and equipment under certain of its grants for use in its foreign field offices. Under the terms of these grant agreements, the grantor retains the right to property and equipment purchased with grant funds. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

#### **Classification of Net Assets**

Unrestricted net assets include revenue derived from unrestricted contributions, public sector grants and contracts, investment income, and other revenue and support received without donor-imposed restrictions. These net assets are available for the operations of AWF.

Temporarily restricted net assets represent amounts that are specifically restricted by the donor for specific programs.

Permanently restricted net assets represent amounts received with donor stipulations that require the gift to be held in perpetuity and permit only the income to be used for the purposes designated by the donors.

#### **Revenue Recognition**

Public sector support is recognized as revenue and support as allowable costs are incurred in accordance with the grant terms. Accordingly, costs incurred but not yet reimbursed are reflected as public sector grants receivable in the accompanying consolidated statement of financial position. Refundable advances represent the portion of payments received that have not yet been expended. Public sector support includes grants and contracts from various world governments, including the United States of America.

# **AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**

## **Notes to the Consolidated Financial Statements**

**For the Year Ended June 30, 2016**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Revenue Recognition (continued)**

Gifts from individuals and corporate and foundation support are recognized as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Gifts from individuals and corporate and foundation support not designated for specific purposes by the donor are recorded as unrestricted revenue when received.

#### **In-Kind Contributions**

In-kind contributions reflect goods and services donated to AWF and are recorded as revenue and offsetting expense at their estimated fair market value as of the date of the gift. In-kind contributions recorded relate to an ongoing advertising campaign and rent, the rent expense for which is classified within conservation programs and the advertising expenses within education and outreach.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated from supporting services to the programs benefited based on total direct expenses.

#### **Transactions in Foreign Currencies**

AWF conducts many of its programs through field offices in foreign countries and, accordingly, transacts in the local currencies of those countries. AWF records transactions denominated in a foreign currency at the United States dollar equivalent as of the date of the transaction. Assets and liabilities of AWF denominated in a foreign currency are revalued in United States dollars at the current exchange rate as of the consolidated statement of financial position date. Any resulting foreign currency transaction gain or loss is recorded in the accompanying consolidated statement of functional expenses as exchange rate fluctuations.

#### **Impairment of Long-Lived Assets**

In accordance with the provisions of Federal Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment*, AWF reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2016, AWF had not recognized an impairment loss.

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended June 30, 2016**

**2. Summary of Significant Accounting Policies (continued)**  
Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Measure of Operations

In its consolidated statement of activities and changes in net assets, AWF includes in its definition of operations all revenue and support that are an integral part of its programs and supporting activities. Investment income, including realized and unrealized gains and losses, earned in excess of AWF's aggregate authorized payout to operations is recognized as nonoperating activities.

**3. Restricted Cash and Cash Equivalents**

Under the terms of various grants agreements, AWF is required to maintain separate cash accounts for activity related to these grants. As of June 30, 2016, \$346,067 of AWF's cash balance as reported in the accompanying consolidated statement of financial position was restricted as required under the terms of these agreements.

**4. Investments**

AWF's investments as of June 30, 2016, were composed of the following:

	<i>Cost</i>	<i>Market</i>
Money market funds	\$ 1,299	\$ 1,299
<i>Mutual funds:</i>		
Equity funds	18,557,174	18,123,314
Fixed-income funds	<u>7,620,056</u>	<u>7,791,457</u>
<b>Total</b>	<b><u>\$ 26,178,529</u></b>	<b><u>\$ 25,916,070</u></b>

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended June 30, 2016**

**4. Investments (continued)**

AWF's investments measured at fair value as of June 30, 2016 were as follows:

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Money market funds	\$ 1,299	\$ 1,299	\$ -	\$ -
<i>Mutual funds:</i>				
<i>Equity funds:</i>				
Large blend fund	11,128,266	11,128,266	-	-
Foreign large blend fund	6,767,298	6,767,298	-	-
Global equity fund	227,750	227,750	-	-
<i>Fixed-income funds:</i>				
Total return bond funds	4,188,819	4,188,819	-	-
Intermediate term bond fund	1,576,693	1,576,696	-	-
Short term	<u>2,025,945</u>	<u>2,025,945</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$25,916,070</u></b>	<b><u>\$ 25,916,070</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

AWF used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

*Money market and equity and fixed income mutual funds* – Value based on quoted prices in an active market.

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended June 30, 2016**

**4. Investments (continued)**

Investment income for the year ended June 30, 2016, was composed of the following:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Unrealized losses	\$ (1,010,561)	\$ (172,180)	\$ -	\$ (1,182,741)
<i>Investment earnings:</i>				
Interest and dividends	512,104	102,418	-	614,522
Realized gains	772,066	138,608	-	910,674
Investment fees	(30,548)	(9,100)	-	(39,648)
Total investment earnings	<u>1,253,622</u>	<u>231,926</u>	<u>-</u>	<u>1,485,548</u>
<b><i>Total investment income</i></b>	<b><u>\$ 243,061</u></b>	<b><u>\$ 59,746</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 302,807</u></b>

**5. Pledges & Bequests Receivable**

As of June 30, 2016, pledges and bequests receivable consisted of \$6,279,020 in pledges and \$324,952 in bequests and were promised as follows:

	<i>Amount</i>
Due in less than one year	\$ 4,897,925
Due in one to five years	1,506,047
Due in more than five years	<u>200,000</u>
<i>Subtotal</i>	6,603,972
Less: discount	(125,613)
Less: allowance for uncollectible pledges and bequests	<u>(320,016)</u>
<b><i>Total pledges and bequests receivable</i></b>	<b><u>\$ 6,158,343</u></b>

Pledges expected to be received beyond one year are recorded at the present value of expected future cash flows using a risk-adjusted discount rate. A discount rate range of 0.10% to 4.92% was used to determine the net present value factor.

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
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**6. Loans Receivable**

As of June 30, 2016, \$5,957,648 was receivable as follows:

	<i>AWF, Inc.</i>	<i>AWC</i>	<i>Total</i>
Principal due within one year	\$ 282,043	\$ 583,355	\$ 865,398
Principal due in one to five years	<u>38,467</u>	<u>6,296,211</u>	<u>6,334,678</u>
<i>Subtotal</i>	<i>320,510</i>	<i>6,879,566</i>	<i>7,200,076</i>
Less: discount	(1,680)	(742,290)	(743,970)
Less: allowance for uncollectible accounts	<u>(154,480)</u>	<u>(343,978)</u>	<u>(498,458)</u>
<b><i>Total loans receivable</i></b>	<b><u><u>\$ 164,350</u></u></b>	<b><u><u>\$ 5,793,298</u></u></b>	<b><u><u>\$ 5,957,648</u></u></b>

**7. Property & Equipment and Accumulated Depreciation and Amortization**

AWF held the following property and equipment as of June 30, 2016:

	<i>Cost</i>	<i>Accumulated Depreciation and Amortization</i>	<i>Net</i>
Buildings	\$ 2,247,014	\$ (252,916)	\$ 1,994,098
Land	993,157	-	993,157
Software	1,323,184	(1,098,554)	224,630
Furniture and equipment	728,121	(558,224)	169,897
Leasehold improvements	431,116	(330,238)	100,878
Vehicles	<u>328,648</u>	<u>(287,985)</u>	<u>40,663</u>
<b><i>Total property and equipment</i></b>	<b><u><u>\$ 6,051,240</u></u></b>	<b><u><u>\$ (2,527,917)</u></u></b>	<b><u><u>\$ 3,523,323</u></u></b>

Depreciation related to vehicles is stated as part of the cost element vehicle operations and depreciation in the accompanying consolidated statement of functional expenses. All other depreciation and amortization is stated as such in the accompanying consolidated statement of functional expenses. Depreciation and amortization expense totaled \$398,319 for the year ended June 30, 2016.

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended June 30, 2016**

**8. Notes Payable**

Notes payable consisted of the following as of June 30, 2016:

	<i>Long-Term Debt</i>	<i>Total</i>
<b>AWC</b>		
CB1 was established to fund debt-based conservation business ventures and is being funded by four external investors with a cumulative drawdown limit of up to \$2,500,000. As of June 30, 2016, a total of \$2,500,000 had been drawn down via unsecured promissory notes from the four external investors. Interest payments are due quarterly based on an interest rate of 3.00%. The promissory notes have a common maturity date of June 30, 2021.	\$ 2,500,000	\$ 2,500,000
CB2 was established to fund debt-based conservation business ventures and is being funded by six external investors with a cumulative drawdown limit of up to \$3,750,000. As of June 30, 2016, a total of \$3,750,000 had been drawn down via unsecured promissory notes from the six external investors. Interest payments are due quarterly based on an interest rate of 3.00%. The promissory notes have a common maturity date of October 24, 2023.	<u>3,750,000</u>	<u>3,750,000</u>
<b>Total Notes Payable</b>	<b><u>\$ 6,250,000</u></b>	<b><u>\$ 6,250,000</u></b>

The scheduled future principal payments at June 30, 2016, are as follows:

<i>Year Ended June 30,</i>	<i>Amount</i>
2017	\$ -
2018	-
2019	-
2020	-
2021	2,500,000
Thereafter	<u>3,750,000</u>
<b>Total</b>	<b><u>\$ 6,250,000</u></b>

# AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2016

### 9. Commitments, Contingencies and Risks

#### Concentration of Credit Risk

AWF's cash is held in accounts at various domestic and foreign financial institutions. Amounts held in foreign accounts and balances held in domestic accounts that exceed the Federal Deposit Insurance Corporation insurable limit are uninsured. AWF has never experienced nor does management anticipate any losses on its funds. As of June 30, 2016, uninsured amounts totaled \$2,592,958.

#### Foreign Operations

AWF is headquartered in Nairobi, Kenya, and has field offices in various African countries for the purpose of conserving the wildlife and wild lands of Africa. The future results of AWF's programs could be adversely affected by a number of potential factors such as currency fluctuations or changes in the political climate.

#### Lease Commitments

AWF has entered into operating leases for its Washington, DC, office as well as its offices throughout Africa. The leases expire at various dates through August 31, 2017. The Washington, DC, lease provides for rent adjustments based on increases in real estate taxes and operating expenses, increases in the base rent of three percent per year, and three months' rental abatement. The lease also provides for an allowance of up to \$227,150 for building improvements and furniture, which was exercised by AWF in a previous year. Under GAAP, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying consolidated statement of financial position. As of June 30, 2016, the future minimum rental payments required under the leases were as follows:

	<i>Amount</i>
<i>Year Ended June 30,</i>	
2017	\$ 397,005
2018	<u>57,878</u>
<b><i>Total</i></b>	<b><u>\$ 454,883</u></b>

Rent expense for the year ended June 30, 2016, totaled \$481,840 and is included under occupancy and maintenance expense in the accompanying consolidated statement of functional expenses.

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended June 30, 2016**

**9. Commitments, Contingencies and Risks (continued)**

**Office of Management and Budget Uniform Guidance**

AWF, Inc. has instructed its independent auditors to audit its federal programs for the year ended June 30, 2016, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is finalized, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that matters arising from the federal agency's review of the independent auditor's reports for 2016 will not have a material effect on the financial position of AWF, Inc.

**Provisional Indirect Cost Rates**

Billings under cost-reimbursable United States government grants and contracts are calculated using provisional rates that permit recovery of indirect costs in accordance with AWF, Inc.'s negotiated indirect cost rate agreement with USAID. These rates are subject to final determination by USAID. For the year ended June 30, 2016, revenue from United States government grants and contracts that ended during the fiscal year has been recognized using the provisional indirect cost rate then in place. Revenue from United States government grants and contracts that were active as of June 30, 2016, has been recognized using the actual rate achieved, which is more than the provisional rate currently approved by USAID. The difference between the revenue recognized under the actual rate versus the provisional rate was not material to these consolidated financial statements. In the opinion of management, adjustments, if any, from the final determination by USAID will not have a material effect on AWF's financial position as of June 30, 2016, or results of operations for the year then ended.

**Future Capital Sources**

As of June 30, 2016, AWC, through CB1, had received \$3,000,000 in commitments from private investors to finance conservation enterprise loans, all of which had been drawn down through promissory notes. AWF, Inc. is an investor in CB1 with a total commitment of \$500,000, of which the entire amount had been drawn down as of June 30, 2016. This amount was eliminated in the accompanying consolidated financial statements.

As of June 30, 2016, AWC, through CB2, had received \$4,000,000 in commitments from private investors to finance conservation enterprise loans, all of which had been drawn down through promissory notes. AWF, Inc. is an investor in CB2 with a total commitment of \$250,000, of which the entire amount had been drawn down as of June 30, 2016. This amount was eliminated in the accompanying consolidated financial statements.

# AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2016

### 9. Commitments, Contingencies and Risks (continued)

#### Litigation

AWF is a codefendant in an action brought by a group of individuals who claim ownership through adverse possession of a private parcel of land purchased for conservation purposes by AWF in fiscal year 2009. The seller of the land is a codefendant in the suit, as is the Kenya Wildlife Service, which manages the land on behalf of the government of Kenya, which received the land as a gift from AWF in November 2011. All of the evidence in the case has been provided and all witnesses heard. A parliamentary report was issued on this matter and concluded that the case is without merit. All of the evidence has been heard; however, the plaintiffs continue to delay the matter. The matter was also delayed as a new judge was assigned to the case. AWF has pushed for conclusion. Due to Kenyan court procedures, which are delayed, it is likely that the case may not be decided until 2017. AWF has consulted widely with external counsel and believes the case will be dismissed.

### 10. Unrestricted Net Assets

Included in unrestricted net assets are funds designated by the Board of Trustees to function as endowments in order to support the future endeavors of AWF. As of June 30, 2016, the board-designated endowment funds totaled \$22,117,264, all of which is invested.

### 11. Temporarily Restricted Net Assets

As of June 30, 2016, temporarily restricted net assets consisted of the following:

<i>Program</i>	<i>Amount</i>
Conservation programs	\$ 8,819,355
Time-restricted	<u>135,132</u>
<b>Total</b>	<b><u>\$ 8,954,487</u></b>

### 12. Permanently Restricted Net Assets

Permanently restricted net assets represent the following endowment funds established by donors:

<i>Program</i>	<i>Amount</i>
Conservation education and training	\$ 1,939,574
Conservation science	1,072,741
General endowment	<u>100,000</u>
<b>Total</b>	<b><u>\$ 3,112,315</u></b>

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
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**13. Endowment Funds**

**Interpretation of Relevant Law**

AWF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. AWF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of AWF and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of AWF; and
- (7) The investment policies of AWF.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual endowment funds may fall below the fair value of the original gift(s). Deficiencies of this nature are reported as part of unrestricted net assets. As of June 30, 2016, AWF's one program endowment fund had total accumulated deficiencies of \$20,022 as a result of unfavorable market fluctuations.

**Composition of Endowment Funds by Net Asset Category**

As of June 30, 2016, AWF's endowment consists of six individual funds established for a variety of purposes, and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. AWF's invested endowment fund breaks out as follows:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b><i>Donor-restricted funds</i></b>				
Program-restricted (4)	\$ -	\$ 215,482	\$ 3,012,315	\$ 3,227,797
General endowment (1)	-	8,492	100,000	108,492
<i>Subtotal donor-restricted (5)</i>	<u>-</u>	<u>223,974</u>	<u>3,112,315</u>	<u>3,336,289</u>
<b><i>Board-designated funds</i></b>				
Program-restricted (1)	418,547	-	-	418,547
General endowment (1)	21,698,717	-	-	21,698,717
<i>Subtotal board-designated (2)</i>	<u>22,117,264</u>	<u>-</u>	<u>-</u>	<u>22,117,264</u>
<b><i>Total endowment funds (7)</i></b>	<b><u>\$ 22,117,264</u></b>	<b><u>\$ 223,974</u></b>	<b><u>\$ 3,112,315</u></b>	<b><u>\$ 25,453,553</u></b>

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
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**13. Endowment Funds (continued)**

**Return Objectives and Risk Parameters**

AWF has adopted an investment policy designed to preserve and protect endowment funds from erosion of purchasing power of principal and earnings that might otherwise be caused by currency inflation over time. The investment performance goal for the aggregate of AWF's various endowment funds is an overall target total return of at least five percent greater than the sum of actual rates of inflation (as measured by the Bureau of Labor Statistics Consumer Price Index for all Urban Consumers [CPI-U]) and attendant costs of managing AWF's assets. "Total return" of the portfolio is the combination of interest, dividends and other current earnings, plus capital appreciation (or less capital depreciation) for the period. Within the context of donor restrictions, inflation protection and acceptance of prudent levels of investment risk, AWF may utilize specialized fund manager skills to achieve its investment goals.

**Spending Policy on Donor and Purpose-Restricted Endowment Funds**

As of June 30, 2016, AWF's endowment included seven individual funds that were either donor-restricted (five funds) or purpose-restricted by the Board of Trustees (two funds). In the absence of specific spending guidelines established by a donor, AWF has a policy to spend five percent of these endowment funds' average beginning invested market values for the prior three fiscal years. However, a fund's spending rate is reduced or eliminated if the resulting invested balance of that fund would fall below the fair value of the original gift(s). In establishing this policy, AWF considered its stated return objective with the intent to, over the long term, allow its endowment funds to grow at or above that of inflation. This is consistent with AWF's objective to maintain the purchasing power of the endowment funds' assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. During the year ended June 30, 2016, \$25,200 of payouts were withdrawn from donor-restricted endowment funds.

**Spending Policy on Board-Designated General Endowment Fund**

The Board of Trustees has adopted a spending policy to use up to seven percent of the beginning invested market value of the board-designated endowment in current year operations, or a lower amount as agreed through AWF's annual budgeting process. This spending policy takes into account the Board of Trustees' policy to add unrestricted legacy gifts to the board-designated endowment. AWF generally expects unrestricted legacy gifts to meet or exceed the required annual spending payout from the board-restricted endowment, resulting in net positive cash flows to the fund on an annual basis. Coupled with AWF's stated return objective, the board-designated endowment fund is expected to achieve real growth net of inflation over the long run.

During the year ended June 30, 2016, a total of \$2,677,358 was withdrawn from the board-designated endowment, out of which \$977,358 was for use in operations and \$1,700,000 for the emergency species protection program. This represents 11.35% of the beginning invested market value of the fund, and is included in the accompanying consolidated statement of activities and changes in net assets as payout from reserves.

**AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
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**13. Endowment Funds (continued)**

**Changes in Endowment Net Assets for the Year Ended June 30, 2016**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets, beginning	\$ 23,581,541	\$ 185,294	\$ 3,112,315	\$ 26,879,150
Investment returns:				
Interest and dividends	509,231	97,246	-	606,477
Realized gains (losses)	757,323	135,874	-	893,197
Unrealized losses	(991,574)	(164,314)	-	(1,155,888)
Investment fees	(25,310)	(4,926)	-	(30,236)
Total investment returns	<u>249,670</u>	<u>63,880</u>	<u>-</u>	<u>313,550</u>
Contributions	<u>963,411</u>	<u>-</u>	<u>-</u>	<u>963,411</u>
<i>Amounts appropriated for expenditure</i>	<u>(2,677,358)</u>	<u>(25,200)</u>	<u>-</u>	<u>(2,702,558)</u>
<b><i>Endowment net assets, end</i></b>	<b><u>\$ 22,117,264</u></b>	<b><u>\$ 223,974</u></b>	<b><u>\$ 3,112,315</u></b>	<b><u>\$ 25,453,553</u></b>

Investment earnings on permanently restricted funds for the year ended June 30, 2016, were recognized as temporarily restricted and board-designated endowment fund earnings were designated as unrestricted.

**14. Retirement Plans**

**Defined Contribution Plans**

AWF has a retirement savings plan under Internal Revenue Code (IRC) Section 401(k) that covers all Washington, DC-based salaried employees. AWF's Africa-based employees participate in a separate retirement savings plan located outside the United States of America. In both plans, employees are eligible to participate in the plan upon incurring 1,000 hours of service. All salaried Washington, DC-based employees are fully vested in all employer contributions upon entering the plan. All employer contributions are discretionary.

**Supplemental Executive Retirement Plan**

AWF offers its executives an opportunity to defer compensation pursuant to IRC Section 457(b) to supplement such employees' retirement benefits under AWF's 401(k) plan. Employees are fully vested when the plan contributions are made. Under the 457(b) plan, AWF may make contributions on behalf of the employees.

Retirement expense relating to all retirement plans for the year ended June 30, 2016, totaled \$626,655.

# **AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY**

## **Notes to the Consolidated Financial Statements**

**For the Year Ended June 30, 2016**

### **15. Allocation of Joint Costs**

During the year ended June 30, 2016, AWF incurred joint costs of \$1,625,296 from direct mail campaigns that included both educational materials and fundraising appeals. Of those costs, \$1,241,588 was allocated to fundraising and \$383,708 to education and outreach program.

### **16. Income Taxes**

AWF, Inc. is exempt from the payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3) and is not a private foundation. No provision for income taxes was required as of June 30, 2016, as AWF had no unrelated business income.

AWC, CB1 and CB2 are subject to tax on their net income under the laws of Mauritius. Capital gains from sales of securities are exempt from income tax in Mauritius. As of June 30, 2016, AWC, CB1 and CB2 did not have any income tax expense and liability.

AWF performed an evaluation of uncertain tax positions for the year ended June 30, 2016, and determined that there were no matters that would require recognition or disclosure in these consolidated financial statements or which may have an effect on the tax-exempt status of AWF, Inc. As of June 30, 2016, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which AWF files tax returns. It is AWF's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2016, AWF had no accruals for interest and/or penalties.

### **17. Reclassification**

Certain 2015 balances have been reclassified to conform to 2016 financial statement presentation.

### **18. Prior Period Summarized Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with AWF's financial statements for the year ended June 30, 2015, from which the summarized information was prepared.

### **19. Subsequent Events**

In preparation of these financial statements, AWF has evaluated transactions and events for potential recognition or disclosure through October 28, 2016, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the consolidated financial statements.