AFRICAN WILDLIFE FOUNDATION®

Consolidated Financial Statements

For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

and
Report Thereon

AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY
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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2013 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited AWF's 2012 consolidated financial statements, and our report dated October 19, 2012, expressed an unmodified audit opinion on those consolidated audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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 23, 2013

AFRICAN WILDLIFE FOUNDATION

Consolidated Statement of Financial Position
As of June 30, 2013
(With Summarized Financial Information as of June 30, 2012)

	2013	2012
ASSETS		
Cash & cash equivalents	$ 3,724,601	$ 1,898,750
Investments	22,332,129	19,925,961
Pledges & bequests receivable	4,404,716	4,371,416
Public sector grants receivable	968,222	1,610,747
Advances to partners	475,715	-
Prepaid expenses	365,986	274,768
Accounts receivable	200,131	150,561
Loans receivable	2,349,224	1,278,877
Beneficial interest in perpetual trusts	6,734	14,870
Office rental deposits	42,686	44,232
Property & equipment, net	4,389,190	4,192,541
TOTAL ASSETS	**$ 39,259,334**	**$ 33,762,723**
LIABILITIES		
Accounts payable & accrued expenses	1,523,384	1,149,519
Refundable advances	1,910,151	1,044,955
Notes payable and lines of credit	3,096,961	1,571,962
Deferred rent & lease incentives	227,441	258,623
Capital lease obligations	-	3,402
Deferred compensation liability	104,407	74,332
Annuities payable	103,906	105,343
Total liabilities	**6,966,250**	**4,208,136**
NET ASSETS		
Unrestricted net assets	23,895,112	23,686,671
Temporarily restricted net assets	6,125,657	3,595,601
Permanently restricted net assets	2,272,315	2,272,315
Total net assets	**32,293,084**	**29,554,587**
TOTAL LIABILITIES & NET ASSETS	**$ 39,259,334**	**$ 33,762,723**

AFRICAN WILDLIFE FOUNDATION

Consolidated Statement of Activities & Changes in Net Assets
For the Year Ended June 30, 2013
(With Summarized Financial Information as of June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
OPERATING REVENUE & SUPPORT					
Gifts from individuals	$ 5,189,567	$ 3,630,037	$ -	$ 8,819,604	$ 6,027,904
Legacy gifts	829,974	-	-	829,974	1,861,268
Corporate & foundation support	663,825	761,684	-	1,425,509	1,909,301
Public sector support	10,924,096	-	-	10,924,096	9,333,716
Royalties, events & other income	474,927	20,984	-	495,911	832,695
Payout from board designated reserves	181,904	-	-	181,904	445,100
In-kind contributions	68,375	-	-	68,375	384,547
Net assets released from program restrictions	1,877,853	(1,877,853)	-	-	-
Total operating revenue & support	**20,210,521**	**2,534,852**	-	**22,745,373**	**20,794,531**
OPERATING EXPENSES					
Program services					
Conservation programs	16,466,052	-	-	16,466,052	18,707,952
Education & outreach	1,600,028	-	-	1,600,028	1,990,132
Total program services	*18,066,080*	-	-	*18,066,080*	*20,698,084*
Supporting services					
Finance & administration	1,132,281	-	-	1,132,281	1,101,227
Fundraising	1,808,485	-	-	1,808,485	1,804,934
Total supporting services	2,940,766	-	-	2,940,766	2,906,161
Total operating expenses	**21,006,846**	-	-	**21,006,846**	**23,604,245**
Change in net assets from operating activities	**(796,325)**	**2,534,852**	-	**1,738,527**	**(2,809,714)**
NON OPERATING ACTIVITIES					
Investment earnings (losses)	1,338,759	(1,793)	-	1,336,966	162,723
Unrealized gains (losses) on investments	(152,089)	5,133	-	(146,956)	199,349
Unrealized losses on trusts & annuities	-	(8,136)	-	(8,136)	(1,989)
Payout from board designated reserves	(181,904)	-	-	(181,904)	(445,100)
Change in net assets from non operating activities	**1,004,766**	**(4,796)**	-	**999,970**	**(85,017)**
CHANGE IN NET ASSETS	**208,441**	**2,530,056**	-	**2,738,497**	**(2,894,731)**
Net assets, beginning of year	23,686,671	3,595,601	2,272,315	29,554,587	32,449,318
NET ASSETS, END OF YEAR	**$ 23,895,112**	**$ 6,125,657**	**$ 2,272,315**	**$ 32,293,084**	**$ 29,554,587**

AFRICAN WILDLIFE FOUNDATION

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2013
(With Summarized Financial Information as of June 30, 2012)

	PROGRAM SERVICES					SUPPORTING SERVICES				
	Conservation Programs	Program Mgmt	Total Conservation Programs	Education & Outreach	Total Program Services	Finance & Admin	Fundraising	Total Supporting Services	2013 TOTAL	2012 TOTAL
Salaries & benefits	$ 4,175,236	$ 1,671,899	$ 5,847,135	$ 625,936	$ 6,473,071	$ 822,700	884,649	$ 1,707,349	$ 8,180,420	$ 7,331,633
Professional fees & construction	2,293,759	144,074	2,437,833	409,827	2,847,660	154,133	235,777	389,910	3,237,570	3,454,098
Travel & meetings	736,158	332,485	1,068,643	36,515	1,105,158	27,247	104,580	131,827	1,236,985	1,303,908
Partner expenses	2,652,074	14,196	2,666,270	-	2,666,270	-	-	-	2,666,270	1,638,898
Supplies	815,944	106,461	922,405	18,428	940,833	19,715	33,478	53,193	994,026	958,175
Printing	33,082	6,273	39,355	228,634	267,989	3,923	190,315	194,238	462,227	425,706
Occupancy & maintenance	252,087	187,662	439,749	-	439,749	289,419	-	289,419	729,168	576,173
Vehicle operations & depreciation	485,425	89,878	575,303	2,033	577,336	1,711	987	2,698	580,034	358,917
Postage & delivery	24,902	14,233	39,135	120,385	159,520	8,521	149,343	157,864	317,384	313,380
Equipment rental & maintenance	26,008	28,219	54,227	4,087	58,314	10,175	792	10,967	69,281	186,032
Workshops	620,210	71,747	691,957	4,941	696,898	-	90,626	90,626	787,524	961,435
Scholarships & training	107,483	15,348	122,831	2,421	125,252	779	3,820	4,599	129,851	68,952
Communications	139,566	152,837	292,403	1,376	293,779	4,676	978	5,654	299,433	306,214
Administrative costs	305,543	52,006	357,549	4,936	362,485	49,470	71,384	120,854	483,339	714,416
Depreciation & amortization	281,582	142,635	424,217	38,124	462,341	103,611	2,352	105,963	568,304	289,608
Promotions & advertising	9,877	9,310	19,187	1,701	20,888	70	5,020	5,090	25,978	71,767
Membership dues	2,760	32,375	35,135	2,818	37,953	1,212	1,051	2,263	40,216	54,227
Exchange rate fluctuations	46,645	82,608	129,253	-	129,253	1,208	-	1,208	130,461	122,576
In-kind expenses	-	-	-	68,375	68,375	-	-	-	68,375	4,468,130
TOTAL DIRECT EXPENSES	**13,008,341**	**3,154,246**	**16,162,587**	**1,570,537**	**17,733,124**	**1,498,570**	**1,775,152**	**3,273,722**	**21,006,846**	**23,604,245**
Allocation of facilities expenses	244,263	59,202	303,465	29,491	332,956	(366,289)	33,333	(332,956)	-	-
TOTAL	**$ 13,252,604**	**$ 3,213,448**	**$ 16,466,052**	**$ 1,600,028**	**$ 18,066,080**	**$ 1,132,281**	**$ 1,808,485**	**$ 2,940,766**	**$ 21,006,846**	**$ 23,604,245**

AFRICAN WILDLIFE FOUNDATION

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2013
(With Summarized Financial Information as of June 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,738,497	$ (2,894,731)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	349,449	300,064
Gifting of conservation land	-	4,083,583
Amortization of discount on pledges & bequests receivable	(23,627)	(142,386)
Amortization of discount on loans receivable	259,720	21,455
Lease incentive amortization	32,068	32,068
Provision for doubtful pledges & bequests receivable	36,275	(237,351)
Provision for doubtful loans receivable	87,623	47,089
Realized (gains) losses on sales of investments	(951,530)	353,238
Unrealized gains (losses) on investments	146,956	(199,349)
Unrealized losses on beneficial interest in perpetual trusts	8,136	1,989
Changes in assets & liabilities:		
Pledges & bequests receivable	(45,947)	4,746,981
Public sector grants receivable	642,525	(673,185)
Advances to partners	(475,716)	375,313
Prepaid expenses	(91,218)	285,566
Accounts receivable	(49,571)	41,337
Office rental deposits	1,547	5,026
Accounts payable & accrued expenses	373,865	(585,807)
Refundable advances	865,196	(993,895)
Deferred rent & lease incentives	(63,250)	(54,667)
Deferred compensation liability	30,075	74,332
Annuities payable	(1,437)	1,715
Net cash provided by operating activities	**3,869,636**	**4,588,385**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property & equipment	(546,098)	(135,172)
Purchases of investments	(18,035,054)	(27,335,227)
Sales of investments	16,433,460	22,576,094
Issuance of loans receivable	(1,417,690)	(1,117,814)
Proceeds received from retirement of loans receivable	-	226,174
Net cash used in investing activities	**(3,565,382)**	**(5,785,945)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments on capital lease obligations	(3,402)	(10,207)
Principle payments on debt	(1,789,000)	(2,281,698)
Proceeds received from issuance of debt	3,313,999	1,870,000
Net cash provided by (used by) financing activities	**1,521,597**	**(421,905)**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**1,825,851**	**(1,619,465)**
Cash & cash equivalents, beginning of year	1,898,750	3,518,215
CASH & CASH EQUIVALENTS, END OF YEAR	**$ 3,724,601**	**$ 1,898,750**
Noncash operating activities: gift of conservation land	*$ -*	*$ (4,083,583)*
Supplemental cash flow information: actual cash payments for interest	*$ 48,421*	*$ 55,604*

1. Organization

The African Wildlife Foundation, Inc. (AWF, Inc.), together with the people of Africa, works to ensure 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.

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 finance 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.

AWC CB2 Limited (CB2) is a wholly owned subsidiary of AWC. Established on February 6, 2013 in Mauritius as an investment holding company, CB2 specializes in providing debt-based finance 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.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements as of and for the year ending June 30, 2013 include activities of AWF, Inc. as well as the activities of AWC. AWC's activities include 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, AWF has categorized its applicable financial instruments into the required fair value hierarchy.

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 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, 2013, 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, mutual funds and exchange traded funds, multi-strategy mutual funds, real asset exchange traded 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 as non-operating 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 income in the accompanying consolidated statement of activities as non-operating 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 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.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years for furniture and equipment 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.

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 as net assets released from restrictions.

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

2. Summary of Significant Accounting Policies (continued)

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 value as of the date of the gift. In-kind contributions recorded relate primarily to an ongoing advertising campaign, the expense for which is classified within AWF's public education program.

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.

Change in Accounting Principle

AWF adopted the Financial Accounting Standards Board Accounting Standards Update 2012-05, *Statement of Cash Flows: Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires the recognition of donated securities that have no donor-imposed restrictions and that are nearly immediately converted into cash, as cash from operating activities. During the year ended June 30, 2013, AWF received $264,560 of donated securities that were nearly immediately converted into cash and recognized as cash from operating activities in the accompanying consolidated statement of cash flow. The statement of cash flows for the year ended June 30, 2012, which previously reported $629,950 of donated securities as investing activities, has been adjusted to report this amount in operating activities.

Estimates

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

2. Summary of Significant Accounting Policies (continued)

<u>Measure of Operations</u>

In its consolidated statement of activities, AWF includes in its definition of operations all revenue and support that is 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 non-operating 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, 2013, $1,346,057 of AWF's cash and cash equivalent balance as reported in the accompanying consolidated statement of financial position is restricted as required under the terms of these agreements.

4. Investments

AWF's investments as of June 30, 2013 were comprised of the following:

	Cost	*Market*
Money market funds	$ 3,736,361	$ 3,736,361
Mutual funds:		
Equity funds	6,642,762	7,141,260
Fixed income funds	3,348,906	3,256,317
Multi-strategy funds	2,918,797	2,852,745
Exchange traded funds:		
Equity funds	2,327,431	2,793,217
Real asset funds	697,268	664,991
Master limited partnership exchange traded note	1,891,583	1,887,238
Total	***$ 21,563,108***	***$ 22,332,129***

AWF has used the following fair value measurements as of June 30, 2013:

	Total	*Level 1*	*Level 2*	*Level 3*
Money market funds	$ 3,736,361	$ 3,736,361	$ -	$ -
Mutual funds:				
Equity funds	7,141,260	7,141,260	-	-
Fixed income funds	3,256,317	3,256,317	-	-
Multi-strategy funds	2,852,745	2,852,745	-	-

4. Investments (continued)

	Total	***Level 1***	***Level 2***	***Level 3***
Exchange traded funds:				
Equity funds	2,793,217	2,793,217	-	-
Real asset funds	664,991	664,991	-	-
Master limited partnership exchange traded note	1,887,238	1,887,238	-	-
Total	***$ 22,332,129***	***$ 22,332,129***	***$ -***	***$ -***

Based upon an analysis of the nature and risk of the equity and fixed income mutual funds and exchange traded funds held as of June 30, 2013, AWF has determined that presenting them each as a single class is appropriate. The mutual funds, the real asset exchange traded fund and the master limited partnership (MLP) exchange traded note are publicly traded securities traded in active markets.

Investment income for the year ended June 30, 2013 was comprised of the following:

	Unrestricted	***Temporarily Restricted***	***Permanently Restricted***	***Total***
Unrealized gains (losses)	$ (152,089)	$ 5,133	$ -	$ (146,956)
Investment earnings:				
Interest and dividends	627,531	1,204	-	628,735
Realized gains (losses)	952,208	(678)	-	951,530
Investment fees	(240,980)	(2,319)	-	(243,299)
Total investment earnings (losses)	1,338,759	(1,793)	-	1,336,966
Total investment income	***$ 1,186,670***	***$ 3,340***	***$ -***	***$ 1,190,010***

5. Pledges and Bequests Receivable

As of June 30, 2013, pledges and bequests receivable consisted of $3,946,087 in pledges and $458,629 in bequests and are promised as follows:

	Amount
Due in less than one year	$ 2,811,639
Due in one to five years	1,823,840
Due in more than five years	200,000
Subtotal	4,835,479
Less: discount	(155,012)
Less: allowance for uncollectible pledges and bequests	(275,751)
Total pledges and bequests receivable	***$ 4,404,716***

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 0.11% - 4.92% was used to determine the net present value factor.

6. Property and Equipment, Accumulated Depreciation and Amortization

AWF held the following property and equipment as of June 30, 2013:

	Cost	***Accumulated Depreciation and Amortization***	***Net***
Buildings	$ 2,191,696	$ (118,708)	$ 2,072,988
Land	961,961	-	961,961
Software	1,125,727	(475,463)	650,264
Furniture and equipment	736,407	(399,007)	337,400
Leasehold improvements	448,489	(180,726)	267,763
Vehicles	353,347	(254,533)	98,814
Total property and equipment	***$ 5,817,627***	***$ (1,428,437)***	***$ 4,389,190***

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.

7. Loans Receivable

As of June 30, 2013, loans receivable were as follows:

	AWF, Inc.	*AWC*	*Total*
Principle due within one year	$ 216,968	$ 69,826	$ 286,794
Principle due in one to five years	56,586	2,562,169	2,618,755
Subtotal	*273,554*	*2,631,995*	*2,905,549*
Less: discount	(3,618)	(392,720)	(396,338)
Less: allowance for uncollectible accounts	(28,388)	(131,599)	(159,987)
Total loans receivable	***$ 241,548***	***$ 2,107,676***	***$ 2,349,224***

8. Notes Payable and Lines of Credit

Notes payable and lines of credit consisted of the following as of June 30, 2013:

	Current Maturities	*Long Term Debt*	*Total*
AWF, Inc.			
Line of credit issued by PNC Bank with a limit of up to $2,000,000, secured by a portion of AWF, Inc.'s investments. Interest payments are due monthly based on an interest rate of 2.00% over the London Interbank Offered Rate, or 2.20% as of June 30, 2013. The maturity date of the line of credit is May 16, 2014.	$ 596,961	$ -	$ 596,961
Unsecured line of credit issued by Bank of America with a limit of up to $1,500,000. Interest payments are due monthly based on the London Interbank Offered Rate, or 2.20% as of June 30, 2013 plus 3.25%. The maturity date of the line of credit is November 30, 2013.	-	-	-
AWC			
CB1 was established to fund debt-based conservation business ventures and is being funded by 4 external investors with a cumulative drawdown limit of up to $2,500,000. As of June 30, 2013, $625,000 has been drawn down via unsecured promissory notes from each of the 4 external investors. Interest payments are due quarterly based on an interest rate of 3.00%. The promissory notes have a common maturity date of June 30, 2021.	-	2,500,000	2,500,000
Total Notes Payable and Lines of Credit	***$ 596,961***	***$ 2,500,000***	***$ 3,096,961***

8. Notes Payable and Lines of Credit (continued)

The scheduled future principal payments at June 30, 2013, are as follows:

Year Ended June 30,	***Amount***
2014	$ 596,961
2015	-
2016	-
2017	-
2018	-
Thereafter	2,500,000
Total	***$ 3,096,961***

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, 2013 uninsured amounts totaled $3,480,251.

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 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 3% per year, and three months' rental abatement. The lease also provided for an allowance of up to $227,150 for building improvements and furniture which was exercised by AWF in a previous year. Under accounting principles generally accepted in the United States of America, 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.

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

As of June 30, 2013, the future minimum rental payments required under the leases are as follows:

Year Ended June 30,	***Amount***
2014	$ 547,160
2015	355,360
2016	321,948
2017	331,607
2018	55,537
Total	***$ 1,611,612***

Rent expense for the year ended June 30, 2013 totaled $491,152.

OMB Circular A-133

AWF, Inc. has instructed its independent auditors to audit its Federal programs for the year ended June 30, 2013 in compliance with Circular A-133 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 2013 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's negotiated indirect cost rate agreement with USAID. These rates are subject to final determination by USAID six months after the end of each calendar year. AWF's rates have been finalized for the year ended June 30, 2012. For the year ended June 30, 2013, 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, 2013 has been recognized using the actual rate achieved, which is greater 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, 2013 or results of operations for the year then ended.

9. Commitments, Contingencies and Risks (continued)

Future Capital Sources

As of June 30, 2013, AWC, through CB1, 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 is an investor in CB1 with a total commitment of $500,000, all of which had been drawn down as of June 30, 2013. This amount was eliminated in the accompanying consolidated financial statements.

Litigation

AWF is a defendant in an action brought by a group of individuals that 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 co-defendant in the suit, as is the Kenya Wildlife Service, 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. The case is due for final submissions, which were delayed as the trial judge was declared unfit to continue serving in the judiciary. AWF has requested that the case be taken up again upon the trial judge's reinstatement to the judiciary. Once done, the closing statements will be submitted and the case decided. AWF has consulted widely with external counsel and believes the case will be dismissed. Should the case be decided in favor of the plaintiffs, a full refund of the purchase price ($4,083,583) will be due to AWF from the seller.

10. Unrestricted Net Assets

Unrestricted net assets include funds designated by the Board of Trustees to function as endowments in order to support the future endeavors of AWF. As of June 30, 2013, the Board designated endowment funds totaling $20,833,903, of which $19,906,777 is invested.

11. Temporarily Restricted Net Assets

As of June 30, 2013, temporarily restricted net assets consisted of the following:

Program	***Amount***
Conservation programs	$ 6,105,140
Time restricted	20,517
Total	***$ 6,125,657***

12. Permanently Restricted Net Assets

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

Program	***Amount***
Conservation education and training	$ 1,099,574
Conservation science	1,072,741
General endowment	100,000
Total	***$ 2,272,315***

13. Endowment Funds

Interpretation of Relevant Law

In January 2008, the District of Columbia enacted §44-1631 "The Uniform Prudent Management of Institutional Funds Act of 2007" (UPMIFA), which AWF has interpreted as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, 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.

In accordance with UPMIFA, 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, 2013, AWF's various donor-restricted endowment funds had total accumulated deficiencies of $10,247 which is the result of unfavorable market fluctuations.

13. Endowment Funds (continued)

Composition of Endowment Funds by Net Asset Category

As of June 30, 2013, 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:

	Unrestricted	*Permanently Restricted*	*Total*
Donor restricted funds			
Program restricted (3)	$ (8,018)	$ 2,172,315	$ 2,164,297
General endowment (1)	(2,229)	100,000	97,771
Subtotal donor restricted (4)	*(10,247)*	*2,272,315*	*2,262,068*
Board designated funds			
Program restricted (1)	377,190	-	377,190
General endowment (1)	19,529,587	-	19,529,587
Subtotal board designated (2)	*19,906,777*	-	*19,906,777*
Total endowment funds (6)	***$19,896,530***	***$ 2,272,315***	***$22,168,845***

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, 2013, AWF's endowment included five individual funds that were either donor-restricted (four funds) or purpose-restricted by the Board of Trustees (one fund). 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

13. Endowment Funds (continued)

Spending Policy on Donor and Purpose-Restricted Endowment Funds (continued)

as to provide additional real growth through new gifts and investment return. During the year ended June 30, 2013, no spending payouts were withdrawn from donor-restricted endowment funds, as payouts would have increased the fund deficiencies created by unfavorable market fluctuations.

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 Trustee's 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, 2013, $181,904 was withdrawn from the Board-designated endowment for use in operations. This represents 1.03% of the beginning invested market value of the fund and is included in the accompanying consolidated statement of activities as "Payout from Board Designed Reserves".

Changes in Endowment Net Assets for the Year Ended June 30, 2013

	Unrestricted	*Permanently Restricted*	*Total*
Endowment net assets, beginning	$ 17,516,497	$ 2,272,315	$ 19,788,812
Investment returns:			
Interest and dividends	625,976	-	625,976
Realized gains	953,069	-	953,069
Unrealized losses	(163,608)	-	(163,608)
Investment fees	(236,384)	-	(236,384)
Total investment returns	1,179,053	-	1,179,053
Contributions	1,382,884	-	1,382,884
Amounts appropriated for expenditure	*(181,904)*	-	*(181,904)*
Endowment net assets, end	***$ 19,896,530***	***$ 2,272,315***	***$ 22,168,845***

Because of the funds with deficiencies, all investment earnings on permanently restricted funds for the year ended June 30, 2013 were recognized as unrestricted rather than temporarily restricted to reduce the existing accumulated deficiencies which are part of unrestricted net assets.

14. Retirement Plans

Defined contribution plans

AWF has a retirement savings plan under 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. In both plans, employees are eligible to participate in the plan upon incurring 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, 2013 totaled $564,357.

15. Allocation of Joint Costs

During the year ended June 30, 2013, AWF incurred joint costs of $1,011,280 from direct mail campaigns that included both educational materials and fundraising appeals. Of those costs, $603,343 was allocated to fundraising and $407,937 to education and outreach.

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, 2013, as AWF had no unrelated business income.

AWC, CB1and 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, 2013, AWC, CB1 and CB2 did not have any income tax liability.

AWF performed an evaluation of uncertain tax positions for the year ended June 30, 2013 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, 2013, the statute of limitations for tax years 2010 through 2012 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, 2013, AWF had no accruals for interest and/or penalties.

17. 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AWF's financial statements for the year ended June 30, 2012, from which the summarized information was prepared.

18. Subsequent Events

AWF's management has evaluated subsequent events through October 23, 2013, the date the consolidated financial statements were available to be issued. There were no subsequent events identified through October 23, 2013 required to be disclosed in these consolidated financial statements.