AFRICAN WILDLIFE FOUNDATION®

Financial Statements

For the Year Ended June 30, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

and
Report Thereon

RAFFA

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the African Wildlife Foundation, Inc. (AWF) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of AWF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from AWF's 2010 financial statements and, in our report dated October 22, 2010, we expressed an unqualified opinion on those statements.

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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AWF's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AWF as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa P.C.

RAFFA, P.C.

Washington, DC
October 12, 2011

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Financial Position
As of June 30, 2011
(With Summarized Financial Information as of June 30, 2010)

	2011	2010
Assets		
Cash and cash equivalents	$ 3,518,215	$ 5,547,843
Investments	15,320,717	12,134,368
Pledges and bequests receivable	8,738,660	5,702,126
Public sector grants receivable	937,562	1,587,653
Advances to partners	375,313	473,953
Prepaid expenses	560,334	354,509
Accounts receivable	191,898	383,617
Loans receivable	455,781	477,136
Beneficial interest in perpetual trusts	16,859	429,416
Office rental deposit	49,258	28,196
Conservation land	4,083,583	4,083,583
Property and equipment, net	4,357,433	3,748,722
Total assets	**$ 38,605,613**	**$ 34,951,122**
Liabilities		
Accounts payable and accrued expenses	1,735,326	2,231,708
Refundable advances	2,038,850	3,976,453
Notes payable	1,983,660	2,245,567
Deferred rent and lease incentives	281,222	294,245
Capital lease obligations	13,609	24,665
Annuities payable	103,628	106,233
Total liabilities	**6,156,295**	**8,878,871**
Net Assets		
Unrestricted	24,381,207	16,213,936
Temporarily restricted	5,795,796	7,586,000
Permanently restricted	2,272,315	2,272,315
Total net assets	**32,449,318**	**26,072,251**
Total liabilities and net assets	**$ 38,605,613**	**$ 34,951,122**

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Activities
For the Year Ended June 30, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Operating revenue and support					
Gifts from individuals	$ 3,957,314	$ 1,987,218	$ -	$ 5,944,532	$ 6,436,496
Legacy gifts	5,846,856	-	-	5,846,856	842,930
Corporate and foundation support	164,848	1,148,536	-	1,313,384	2,096,900
Public sector support	11,509,553	-	-	11,509,553	11,041,894
Royalties, events and other income	485,399	606,913	-	1,092,312	752,506
Payout from board designated reserves	396,546	-	-	396,546	-
In-kind contributions	161,430	-	-	161,430	842,315
Net assets released from program restrictions	5,538,208	(5,538,208)	-	-	-
Total operating revenue and support	**28,060,154**	**(1,795,541)**	**-**	**26,264,613**	**22,013,041**
Operating Expenses					
Program services					
Conservation programs	16,198,975	-	-	16,198,975	16,324,387
Education and outreach	1,636,164	-	-	1,636,164	2,406,057
Total program services	*17,835,139*	-	-	*17,835,139*	*18,730,444*
Supporting services					
Finance and administration	1,176,978	-	-	1,176,978	1,062,452
Fundraising	1,977,666	-	-	1,977,666	2,115,538
Total supporting services	*3,154,644*	-	-	*3,154,644*	*3,177,990*
Total operating expenses	**20,989,783**	**-**	**-**	**20,989,783**	**21,908,434**
Change in net assets from operating activities	**7,070,371**	**(1,795,541)**	**-**	**5,274,830**	**104,607**
Non-operating activities					
Investment earnings	325,108	(7,002)	-	318,106	67,464
Unrealized gains/losses from investments	1,233,327	13,508	-	1,246,835	95,280
Unrealized gains/losses on interest in trusts and annuities	(64,989)	(1,169)	-	(66,158)	50,800
Payout to operations from board designated reserves	(396,546)	-	-	(396,546)	-
Change in net assets from non-operating activities	**1,096,900**	**5,337**	**-**	**1,102,237**	**213,544**
Change in net assets	**8,167,271**	**(1,790,204)**	**-**	**6,377,067**	**318,151**
Net assets, beginning of year	16,213,936	7,586,000	2,272,315	26,072,251	25,754,100
Net assets, end of year	**$ 24,381,207**	**$ 5,795,796**	**$ 2,272,315**	**$ 32,449,318**	**$ 26,072,251**

The accompanying notes are an integral part of these financial statements

AFRICAN WILDLIFE FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

	Program Services					Supporting Services				
	Conservation Programs	**Program Management**	**Total Conservation Programs**	**Education and Outreach**	**Total Program Services**	**Finance and Administration**	**Fundraising**	**Total Supporting Services**	**2011 Total**	**2010 Total**
Salaries and benefits	$ 4,468,396	$ 1,230,194	$ 5,698,590	$ 462,931	$ 6,161,521	$ 655,559	$ 701,600	$ 1,357,159	$ 7,518,680	$ 7,476,055
Professional fees and construction	2,463,053	136,717	2,599,770	368,355	2,968,125	148,508	346,762	495,270	3,463,395	4,015,148
Travel and meetings	1,614,574	206,334	1,820,908	28,549	1,849,457	26,150	85,796	111,946	1,961,403	1,834,542
Partner expenses	1,689,769	7,673	1,697,442	-	1,697,442	943	-	943	1,698,385	1,544,989
Supplies	1,024,319	81,636	1,105,955	19,840	1,125,795	33,897	20,755	54,652	1,180,447	1,041,282
Printing	57,701	9,515	67,216	291,447	358,663	4,280	159,685	163,965	522,628	794,877
Occupancy, maintenance and utilities	295,338	137,006	432,344	-	432,344	291,110	-	291,110	723,454	636,512
Vehicle operations and related depreciation	439,848	82,110	521,958	1,113	523,071	3,187	621	3,808	526,879	559,554
Postage and delivery	20,666	10,408	31,074	180,665	211,739	449	147,758	148,207	359,946	465,421
Equipment rental and maintenance	98,430	154,045	252,475	14,781	267,256	55,054	12,381	67,435	334,691	252,506
Workshops	539,188	22,672	561,860	19,499	581,359	27	399,628	399,655	981,014	742,628
Scholarships and training	150,112	5,032	155,144	934	156,078	239	6,760	6,999	163,077	356,399
Communications	248,277	73,074	321,351	321	321,672	50,122	119	50,241	371,913	335,750
Administrative costs	198,356	142,802	341,158	9,377	350,535	89,392	53,303	142,695	493,230	479,172
Depreciation and amortization	2,942	146,509	149,451	33,347	182,798	130,319	-	130,319	313,117	185,396
Promotions and advertising	35,364	16,416	51,780	10,745	62,525	3,689	3,163	6,852	69,377	161,559
Membership dues	12,928	21,983	34,911	573	35,484	3,313	345	3,658	39,142	51,677
Exchange rate fluctuations	-	36,220	36,220	-	36,220	71,355	-	71,355	107,575	132,652
In-kind expenses	-	-	-	161,430	161,430	-	-	-	161,430	842,315
Total direct expenses	**13,359,261**	**2,520,346**	**15,879,607**	**1,603,907**	**17,483,514**	**1,567,593**	**1,938,676**	**3,506,269**	**20,989,783**	**21,908,434**
Allocation of facilities expenses	*268,679*	*50,689*	*319,368*	*32,257*	*351,625*	*(390,615)*	*38,990*	*(351,625)*	-	-
Total	**$ 13,627,940**	**$ 2,571,035**	**$ 16,198,975**	**$ 1,636,164**	**$ 17,835,139**	**$ 1,176,978**	**$ 1,977,666**	**$ 3,154,644**	**$ 20,989,783**	**$ 21,908,434**

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Cash Flows
For the Year Ended June 30, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

	2011	2010
Cash flow from operating activities		
Change in net assets	$ 6,377,067	$ 318,151
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	377,286	244,132
Lease incentive amortization	26,723	2,672
Provision for doubtful pledges and bequests receivable	157,068	(156,576)
Provision for doubtful loans receivable	(3,294)	8,495
Donated stock	(3,057,857)	(2,329,526)
Realized gains on sales of investments	(48,764)	(812)
Unrealized gains on investments	(1,246,835)	(95,280)
Unrealized losses (gains) on beneficial interest in perpetual trusts	412,557	(82,238)
Changes in assets and liabilities:		
Pledges and bequests receivable	(3,193,602)	2,889,779
Public sector grants receivable	650,091	(493,115)
Advances to partners	98,640	309,397
Prepaid expenses and other assets	(205,825)	446,440
Accounts receivable	191,719	(225,770)
Office rental deposit	(21,062)	747
Accounts payable and accrued expenses	(496,382)	(332,258)
Refundable advances	(1,937,603)	2,237,216
Deferred rent and lease incentives	(39,746)	291,573
Annuities payable	(2,605)	25,954
Net cash (used in) provided by operating activities	**(1,962,424)**	**3,058,981**
Cash flows from investing activities		
Purchase of property and equipment	(1,032,096)	(2,557,034)
Sales of property and equipment	46,099	-
Purchase of investments	(30,327,885)	(19,303,182)
Sales of investments	31,494,992	20,217,291
Retirement of loans receivable	24,649	639,206
Net cash provided by (used in) investing activities	**205,759**	**(1,003,719)**
Cash flows from financing activities		
Principal payments on capital lease obligation	(11,056)	(9,356)
Principal payments on debt	(2,154,587)	(96,555)
Proceeds received from issuance of debt	1,892,680	237,687
Net cash (used in) provided by financing activities	**(272,963)**	**131,776**
Net (decrease) increase in cash and cash equivalents	**(2,029,628)**	**2,187,038**
Cash and cash equivalents, beginning of year	5,547,843	3,360,805
Cash and cash equivalents, end of year	**$ 3,518,215**	**$ 5,547,843**
Noncash investing activites: Donated Stock	**$ (3,057,857)**	**$ (2,329,526)**
Supplemental cash flow information: Actual Cash Payments for Interest	**$ 14,031**	**$ 20,031**

The accompanying notes are an integral part of these financial statements

1. Organization

The African Wildlife Foundation, Inc. (AWF), together with the people of Africa, works to ensure the wildlife and wild lands of Africa will endure forever. To accomplish this mission, AWF approaches its work at the landscape level, implementing a variety of efforts that conserve land, protect species and empower people. AWF 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's activities are funded primarily through grants and contributions.

On March 8, 2011, AWF established a wholly owned subsidiary, AWC Limited (AWC). AWC was incorporated under the laws of Mauritus to operate as an investment holding company in order to facilitate AWF's ability to increase the scale and scope of its conservation enterprise across the African continent. Other than issuing one share with a par value of $1, AWC had no financial transactions as of and for the year ended June 30, 2011. As it was not material to AWF, AWC has not been presented as consolidated with AWF as of and for the year ended June 30, 2011.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes funds in checking accounts. Cash and cash equivalents 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, 2011, AWF has categorized its applicable financial instruments into a required fair value hierarchy. 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.

Continued

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that AWF has the ability to access. This classification is applied to any investment of AWF that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

Level 2 - Financial assets and liabilities 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, such as quoted prices for similarly structured securities in active markets. This classification is applied to investments of AWF that have evaluated prices received from fixed income vendors where the data inputs to these valuations do not represent quoted prices from an active market but do represent quoted prices of similarly structured securities.

Level 3 - Financial assets and liabilities 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, 2011, only AWF's investments, as described in Note 4 of these financial statements, were measured at fair value on a recurring basis.

Investments

Investments consist of money market funds, mutual funds, exchange traded funds and a master limited partnership (MLP) exchange traded note. All investments are recorded in the accompanying financial statements at their fair value as of June 30th.

The change in unrealized appreciation or depreciation of investments is included in the accompanying 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 statement of activities as non-operating activities.

Continued

2. Summary of Significant Accounting Policies (continued)

Conservation Land

Conservation land is real property that AWF believes has significant ecological value, and is managed as a part of AWF's regional conservation strategy. AWF records conservation land at the fair value on the date of acquisition.

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. AWF purchases property and equipment under certain of its grants for use in its foreign field offices. Under the terms of these grant agreements, if the grantor retains the right to property and equipment purchased with grant funds, AWF expenses such purchases in the period incurred. Otherwise, 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 revenues 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 or are time restricted based upon the payment schedule of the related promises to give.

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 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 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.

Continued

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

Revenue Recognition (continued)

Contributions and gifts 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 statement of activities as net assets released from restrictions. Unconditional promises to give (pledges and bequests receivable) that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a market rate commensurate with the risks identified. Amortization of the discount is included in legacy gifts and gifts from individuals in the accompanying statement of activities.

Gifts and contributions 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 at their estimated fair market value as of the date of the gift. In-kind contributions recorded relate primarily to an ongoing advertising campaign and are 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 statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on total direct expenses.

Transactions in Foreign Currencies

Foreign currency transactions are translated into U.S. dollars at current exchange rates, except revenues and expenses that are translated at average exchange rates during each reporting period. Exchange gains and losses resulting from foreign currency transactions are reported in the statement of functional expenses.

Continued

2. Summary of Significant Accounting Policies (continued)

Advances to Partners

AWF 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, AWF recognizes grant expense to the extent of allowable direct and indirect expenses incurred by the partners. Any amount advanced by AWF in excess of expenses incurred by the partners is reflected in advances to partners in the accompanying statement of financial position

Estimates

The preparation of 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.

Measure of Operations

In its statement of activities, AWF includes in its definition of operations all revenues 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 are 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, 2011, $796,975 of AWF's cash and cash equivalent balance as reported in the accompanying statement of financial position is restricted as required under the terms of these agreements.

Continued

4. Investments

AWF's investments as of June 30, 2011 were comprised of the following:

	Cost	Fair Value
Money market funds	$ 978,154	$ 978,154
Mutual funds:		
Equity funds	4,840,173	5,140,288
Fixed income funds	4,377,279	4,374,574
Multi-strategy fund	825,716	830,744
Exchange traded funds:		
Equity funds	730,858	725,516
Fixed income fund	112,978	115,967
Commodity funds	1,388,753	1,613,967
Diversified real asset fund	308,354	291,303
Master limited partnership exchange traded note	1,045,961	1,250,204
Total	$14,608,226	$15,320,717

AWF has used the following fair value measurements as of June 30, 2011:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 978,154	$ 978,154	$ -	$ -
Mutual funds:				
Equity funds	5,140,288	5,140,288	-	-
Fixed income funds	4,374,574	4,374,574	-	-
Multi-strategy fund	830,744	830,744	-	-
Exchange traded funds:				
Equity funds	725,516	725,516	-	-
Fixed income fund	115,967	115,967	-	-
Commodity funds	1,613,967	836,804	777,163	-
Diversified real asset fund	291,303	291,303	-	-
Master limited partnership exchange traded note	1,250,204	1,250,204	-	-
Total	$ 15,320,717	$ 14,543,554	$ 777,163	$ -

Continued

4. Investments (continued)

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, 2011, AWF has determined that presenting them each as a single class is appropriate. The diversified real asset exchange traded fund and the master limited partnership (MLP) exchange traded note are both publicly traded securities traded in active markets.

As of June 30, 2011, AWF held an interest in two commodity exchange traded funds. Both funds are publicly traded funds. One fund is made up of units of fractional undivided beneficial interest in an investment trust and maintains minimum investment purchases of blocks of 100,000 shares. This fund's fair value input level was classified as "level 1" as of June 30, 2010 and was reclassified to "level 2" at the beginning of 2011 which management believes is a better representation of the fair value inputs due to the limits on minimum investments and the nature and valuation of the trust. Because the fund is publicly traded, the June 30, 2011 valuation was based upon the quoted market price (market valuation approach).

Investment income for the year ended June 30, 2011 was comprised of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrealized gains	$ 1,233,327	$ 13,508	$ -	$ 1,246,835
Interest and dividends	395,694	1,564	-	397,258
Realized gains	46,151	2,613	-	48,764
Investment fees	(116,737)	(11,179)	-	(127,916)
Investment earnings	325,108	(7,002)	-	318,106
Total investment income	$ 1,558,435	$ 6,506	$ -	$ 1,564,941

5. Pledges and Bequests Receivable

As of June 30, 2011, pledges and bequest receivable consist of $5,938,196 in pledges and $3,598,317 in bequests and are promised as follows:

	Amount
Due in less than one year	$5,760,874
Due in one to five years	3,575,639
Due in more than five years	200,000
Subtotal	9,536,513
Less: Discount of pledges and bequests (0.5% to 5%)	(321,025)
Less: Allowance for uncollectible pledges and bequests	(476,828)
Total pledges and bequests receivable	$8,738,660

6. Property and Equipment and Accumulated Depreciation and Amortization

AWF held the following property and equipment as of June 30, 2011:

	Amount
Buildings and leasehold improvements	$2,497,570
Land	961,961
Software	744,254
Furniture and equipment	755,348
Vehicles	285,866
Total property and equipment	5,244,999
Less: Accumulated depreciation	(887,566)
Property and equipment, net	$4,357,433

Depreciation and amortization expense was $377,286 for the year ended June 30, 2011. Depreciation of $64,169 related to vehicles is included in “vehicle operations and depreciation expense” in the accompanying statement of functional expenses.

Continued

7. Loans Receivable

As of June 30, 2011, there was an outstanding loan for $305,518 and an outstanding loan for $200,000 due to be received as follows:

	Amount
Principal due within one year	$ 113,376
Principal due in one to five years	323,565
Principal due in more than five years	68,577
Subtotal	505,518
Less: Discount of pledges and bequests	(24,461)
Less: Allowance for uncollectible pledges and bequests	(25,276)
Total loans receivable	$ 455,781

8. Notes Payable

Notes payable consisted of the following as of June 30, 2011:

Line of credit issued by PNC Bank with a limit of up to $2,000,000, secured by a portion of AWF's investments. Interest payments are due monthly based on an interest rate of 2.0% over the London Interbank Offered Rate, or 2.13% as of June 30, 2011. The maturity date of the line of credit is May 16, 2012.	$ 1,892,680
Unsecured term loan issued by Bank of America in the original principal amount of $305,000. Payments are due in monthly installments based on an interest rate of 4.7%, with full repayment by March 31, 2012.	90,980
Total notes payable	$ 1,983,660

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 FDIC insurable limit are uninsured. AWF has never experienced, nor does management anticipate, any losses on its funds. As of June 30, 2011 uninsured amounts totaled $2,159,603.

Continued

9. Commitments, Contingencies and Risks (continued)

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 Washington DC lease expires August 31, 2017. Most of the leases for AWF's office space in Africa have terms of one year or less. 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 percent per year and a rental abatement of three months. The lease also provided for an allowance of up to $227,150 for building improvements and furniture as an incentive to enter into the lease. 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 statement of financial position.

As of June 30, 2011, the future minimum rental payments required under all existing leases for office space are as follows:

Year Ended June 30,	**Amount**
2012	$ 393,320
2013	336,755
2014	319,799
2015	315,829
2016	321,948
Thereafter	387,144
Total	$ 2,074,795

Total rent expense for the year ended June 30, 2011 under all office leases was $571,753.

Continued

9. Commitments, Contingencies and Risks (continued)

OMB Circular A-133

AWF has instructed its independent auditors to audit its Federal programs for the year ended June 30, 2011 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 2011 will not have a material effect on the financial position of AWF.

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 rate has been finalized for the year ended June 30, 2010. For the year ended June 30, 2011, revenue from United States government grants and contracts that ended during the fiscal year was 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, 2011 was recognized using the actual rate, which was greater than the provisional rate. 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, 2011 or results of operations for the year then ended.

Loan Commitments and Future Capital Sources

As described in Note 1 to these financial statements, in March 2011, AWF established AWC as a Mauritius-based GBC1 investment holding company. AWC will specialize in the provision of debt-based finance to qualifying conservation enterprises that support the attainment of various conservation outcomes in multiple geographies across Africa.

As of June 30, 2011, AWC, through "Conservation Bond 1", had made a $950,000 loan commitment to a conservation enterprise in Tanzania, but had not yet made a distribution associated with that loan. In addition, AWC had received $3,000,000 in commitments, which will be due as called, from private investors (of which $500,000 was from AWF) to finance these conservation enterprise loan commitments but had not yet received any proceeds from these commitments. As such, neither AWC's loan commitment, nor the future capital sources have been recognized in the accompanying statement of financial position.

Continued

9. Commitments, Contingencies and Risks (continued)

Litigation

AWF is a defendant in an action brought by a group of individuals that claim ownership of the conservation land purchased by AWF in fiscal year 2009. The seller of the land is a co-defendant in the suit. The plaintiffs' claim states that they rightfully acquired the property by virtue of adverse possession. AWF, upon consultation with outside legal counsel, believes that the adverse possession claim will be dismissed. The case has been partially heard, pending a further hearing scheduled for October 2011. The seller is aware that the contract of sale of the land to AWF requires that the title be given free and clear, and the land be conveyed free of squatters. If the seller is not able to provide the land in line with the terms of the contract of sale, AWF will demand a refund of the purchase price. Management believes that the ultimate resolution of this matter will not have any significant impact on AWF's financial position.

Gift of Conservation Land

AWF is in the process of granting conservation land in the Republic of Kenya worth $4,083,583 to the Kenya Wildlife Service (KWS). KWS is a state corporation established by an Act of the Kenyan Parliament with the mandate to conserve and manage wildlife in Kenya, and to enforce related laws and regulations. As a condition of this gift, KWS has agreed to manage the land for conservation in perpetuity. The execution of this conservation land grant pends registration of the land in the name of KWS by the Ministry of Lands of the Republic of Kenya. AWF expects this registration process to be completed by the end of calendar year 2011.

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, 2011, Board designated funds totaled $17,562,924, of which $13,152,120 is invested.

Continued

11. Temporarily Restricted Net Assets

As of June 30, 2011, the temporarily restricted net assets consisted of the following:

	Amount
African Heartlands	$ 2,618,331
Conservation enterprise	1,148,446
Capacity building and education	1,548,763
Conservation Science	285,535
Other	194,721
Total	$ 5,795,796

12. Permanently Restricted Net Assets

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

	Amount
Conservation training and education	$ 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.

Continued

13. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

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 the organization 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 the organization; 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, 2011, AWF's various donor-restricted endowment funds had total accumulated deficiencies of $184,442, which is the result of unfavorable market fluctuations.

Composition of Endowment Funds by Net Asset Category

As of June 30, 2011, 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 funds break out as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted funds:			
Program restricted (3)	$ (174,684)	$ 2,172,315	$ 1,997,631
General endowment (1)	(9,758)	100,000	90,242
Subtotal donor-restricted funds (4):	*(184,442)*	*2,272,315*	*2,087,873*
Board-designated funds:			
Program restricted (1)	348,144	-	348,144
General endowment (1)	12,803,976	-	12,803,976
Subtotal Board-designated funds (2):	*13,152,120*	-	*13,152,120*
Total endowment funds (6):	$12,967,678	$ 2,272,315	$ 15,239,993

Continued

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, 2011, AWF's endowment included five individual funds that were either donor-restricted (four 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, 2011, no spending payouts were withdrawn from donor-restricted endowment funds, as payouts would have increased the fund deficiencies created by unfavorable market fluctuations.

Continued

13. Endowment Funds (continued)

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, 2011, $396,546 was withdrawn from the Board-designated endowment for use in operations. This represents 3.9% percent of the beginning invested market value of the fund, and is included in the accompanying statement of activities as "Payout from Board designated reserves".

Changes in Endowment Net Assets for the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 10,151,307	$ -	$ 2,272,315	$ 12,423,622
Investment returns:				
Interest and dividends	395,140	-	-	395,140
Realized gains	46,478	-	-	46,478
Unrealized gains	1,233,257	-	-	1,233,257
Investment fees	(103,477)	-	-	(103,477)
Total investment returns	1,571,398	-	-	1,571,398
Contributions	1,641,519	-	-	1,641,519
Amounts appropriated for expenditure	(396,546)	-	-	(396,546)
Total endowment funds	$ 12,967,678	$ -	$ 2,272,315	$ 15,239,993

14. Retirement Plan

AWF has a retirement savings plan under Internal Revenue Code 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 immediately upon hire. All salaried employees are fully vested in all employer contributions upon entering the plan. All employer contributions are discretionary. Retirement expense relating to all retirement plans for the year ended June 30, 2011 totaled $455,831.

15. Allocation of Joint Costs

During the year ended June 30, 2011, AWF incurred joint costs of $1,148,556 from direct mail campaigns that included both educational materials and fundraising appeals. Of those costs, $544,898 was allocated to fundraising, and $603,658 to education and outreach.

16. Income Taxes

AWF is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. AWF reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the year ended June 30, 2011, no provision for income taxes was required as AWF had no net unrelated business income and did not identify any uncertain tax positions requiring recognition or disclosure in these financial statements. As of June 30, 2011, the statue of limitations remains open for the tax years ended June 30, 2008 through 2010.

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, 2010, from which the summarized information was prepared.

Continued

18. Subsequent Events

AWF's management has evaluated subsequent events through October 12, 2011, the date the financial statements were available to be issued. In July 2011, AWF's wholly owned subsidiary AWC began operations and, through "Conservation Bond 1", received the first $960,000 out of a committed $3,000,000 in financing from its investors. AWF is one of the investors in AWC, with a total financing commitment of $500,000, of which $160,000 was paid to AWC in July 2011. AWC's financing under "Conservation Bond 1" is repayable to its investors within ten years, and carries an annual interest rate of three percent.

Also in July 2011, AWC, through "Conservation Bond 1", disbursed $950,000 as a conservation enterprise loan to a Tanzanian conservation enterprise. This loan is repayable to AWC over seven years, with an annual interest rate of eight percent.

There were no other subsequent events identified required to be disclosed in these financial statements through October 12, 2011.