

AFRICAN WILDLIFE FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021)**

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
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(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
African Wildlife Foundation and Subsidiaries
Nairobi, Kenya

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of African Wildlife Foundation and Subsidiaries (collectively referred to as AWF), which comprise the consolidated statement of financial position as of June 30, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AWF as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of AWF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AWF's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AWF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AWF's ability to continue as a going concern for a reasonable period of time.


We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Trustees
African Wildlife Foundation and Subsidiaries

Other Matters

Report on Summarized Comparative Information

We audited the consolidated financial statements of AWF as of June 30, 2021, and issued a report dated January 12, 2022, which expressed an unmodified audit opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenbelt, Maryland
January 10, 2023

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

ASSETS	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,458,002	\$ 3,643,888
Investments (Note 3)	26,927,302	33,759,808
Pledges and Bequests Receivable, Net (Note 4)	3,475,048	4,616,195
Public Sector and Other Grant Receivable	5,549,176	4,907,045
Prepaid Expenses and Other Assets	1,084,865	949,670
Accounts Receivable	248,513	110,872
Loans Receivable, Net (Note 5)	442,118	511,576
Property and Equipment, Net (Note 6)	4,705,570	4,139,827
Operating Lease Right of Use Asset	3,911,357	3,957,321
	<u>3,911,357</u>	<u>3,957,321</u>
Total Assets	<u>\$ 48,801,951</u>	<u>\$ 56,596,202</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 3,294,472	\$ 2,191,161
Refundable Advances	720,066	552,823
Loan Payable (Note 8)	1,425,000	-
Operating Lease Liability	5,299,946	5,500,325
Annuities Payable	147,889	148,357
Total Liabilities	<u>10,887,373</u>	<u>8,392,666</u>
NET ASSETS		
Without Donor Restrictions (Note 10)	28,310,364	35,327,664
With Donor Restrictions (Notes 11, 12)	9,604,214	12,875,872
Total Net Assets	<u>37,914,578</u>	<u>48,203,536</u>
Total Liabilities and Net Assets	<u>\$ 48,801,951</u>	<u>\$ 56,596,202</u>

See accompanying Notes to Consolidated Financial Statements.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
OPERATING REVENUE AND SUPPORT				
Gifts from Individuals	\$ 11,621,333	\$ 2,257,773	\$ 13,879,106	\$ 14,428,317
Legacy Gifts	7,276,753	149,885	7,426,638	5,419,903
Corporate and Foundation Support	859,166	854,431	1,713,597	2,002,304
Public Sector Support	10,262,713	-	10,262,713	9,156,815
Events and Other Income	305,532	-	305,532	54,398
In-Kind Contributions	131,251	-	131,251	72,232
Net Assets Released from Program Restrictions	5,712,845	(5,712,845)	-	-
Total Operating Revenue and Support	36,169,593	(2,450,756)	33,718,837	31,133,969
EXPENSES				
Program Services:				
Conservation Programs	25,535,870	-	25,535,870	20,779,670
Education and Outreach	7,332,933	-	7,332,933	5,503,960
Total Program Services	32,868,803	-	32,868,803	26,283,630
Supporting Services:				
Finance and Administration	1,890,931	-	1,890,931	1,704,156
Fundraising	4,592,002	-	4,592,002	4,419,203
Total Supporting Services	6,482,933	-	6,482,933	6,123,359
Total Expenses	39,351,736	-	39,351,736	32,406,989
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(3,182,143)	(2,450,756)	(5,632,899)	(1,273,020)
NONOPERATING ACTIVITIES				
Investment Earnings, Net	564,660	99,179	663,839	949,772
Unrealized Gains (Losses) on Investments	(4,399,817)	(813,806)	(5,213,623)	4,941,534
Unrealized Gains (Losses) on Trusts and Annuities	-	(106,275)	(106,275)	43,690
Unrealized Loss on Limalimo Lodge	-	-	-	(200,000)
Paycheck Protection Program Loan Forgiveness	-	-	-	802,337
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	(3,835,157)	(820,902)	(4,656,059)	6,537,333
CHANGE IN NET ASSETS	(7,017,300)	(3,271,658)	(10,288,958)	5,264,313
Net Assets - Beginning of Year	35,327,664	12,875,872	48,203,536	42,939,223
NET ASSETS - END OF YEAR	<u>\$ 28,310,364</u>	<u>\$ 9,604,214</u>	<u>\$ 37,914,578</u>	<u>\$ 48,203,536</u>

See accompanying Notes to Consolidated Financial Statements.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	Program Services				Supporting Services				Totals	
	Conservation Programs	Program Management	Total Conservation Programs	Education and Outreach	Total Program Services	Finance and Administration	Fundraising	Total Supporting Services	2022	2021
Salaries	\$ 4,857,253	\$ 2,035,937	\$ 6,893,190	\$ 1,526,873	\$ 8,420,063	\$ 698,805	\$ 1,650,357	\$ 2,349,162	\$ 10,769,225	\$ 9,161,037
Benefits	1,852,274	1,045,477	2,897,751	751,112	3,648,863	345,001	818,872	1,163,873	4,812,736	4,217,953
Contractors and Consultants	765,061	453,396	1,218,457	1,359,952	2,578,409	121,711	110,105	231,816	2,810,225	2,418,118
Professional Fees	48,611	96,864	145,475	406	145,881	3,135	29,141	32,276	178,157	194,034
Construction Costs	1,006,761	64,960	1,071,721	-	1,071,721	262,856	-	262,856	1,334,577	492,475
Travel and Meetings	1,300,922	514,097	1,815,019	415,265	2,230,284	30,538	158,167	188,705	2,418,989	831,935
Partner Expenses	3,525,633	57,052	3,582,685	30,960	3,613,645	5,118	489	5,607	3,619,252	3,492,590
Supplies	1,663,766	85,320	1,749,086	50,973	1,800,059	51,467	4,416	55,883	1,855,942	1,577,179
Computer Software and Hardware	145,867	193,123	338,990	100,407	439,397	160,252	164,984	325,236	764,633	878,375
Printing and Productions Costs	74,407	39,233	113,640	1,138,459	1,252,099	2,915	778,319	781,234	2,033,333	2,131,440
Occupancy and Maintenance	699,369	305,119	1,004,488	102,129	1,106,617	52,514	96,774	149,288	1,255,905	1,315,592
Vehicle Operations	350,478	-	350,478	11,457	361,935	2,135	594	2,729	364,664	263,443
Depreciation and Amortization	9,164	312,514	321,678	2,104	323,782	3,204	1,956	5,160	328,942	237,006
Postage and Delivery	113,567	14,666	128,233	24,219	152,452	11,288	29,681	40,969	193,421	67,246
Equipment Rental and Maintenance	542,030	51,095	593,125	5,940	599,065	10,122	481	10,603	609,668	1,113,574
Training and Workshops	1,573,721	180,082	1,753,803	512,274	2,266,077	9,099	127,611	136,710	2,402,787	1,409,534
Communications	294,996	165,307	460,303	773,078	1,233,381	39,496	356,430	395,926	1,629,307	413,489
Taxes and Administrative Costs	253,908	156,430	410,338	33,024	443,362	36,472	46,495	82,967	526,329	252,926
Allowance for Losses	37,367	1,110	38,477	-	38,477	-	15,860	15,860	54,337	664,774
Promotions and Advertising	10,602	1,252	11,854	406,511	418,365	1,459	43,307	44,766	463,131	658,094
Dues and Subscriptions	14,793	57,278	72,071	56,274	128,345	2,113	7,326	9,439	137,784	88,551
Interest and Other Financial Expenses	209,535	131,230	340,765	28	340,793	41,260	150,637	191,897	532,690	337,014
Exchange Rate Fluctuations	8,228	116,252	124,480	-	124,480	(29)	-	(29)	124,451	118,378
In-Kind Professional Services	99,763	-	99,763	31,488	131,251	-	-	-	131,251	72,232
Total Expenses by Function	\$ 19,458,076	\$ 6,077,794	\$ 25,535,870	\$ 7,332,933	\$ 32,868,803	\$ 1,890,931	\$ 4,592,002	\$ 6,482,933	\$ 39,351,736	\$ 32,406,989

See accompanying Notes to Consolidated Financial Statements.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (10,288,958)	\$ 5,264,313
Adjustments to Reconcile Change in Net Cash Used by Operating Activities:		
Depreciation and Amortization	328,942	237,006
Change in Discount on Pledges and Bequests Receivable	-	(106,166)
Change in Discount on Loans Receivable	69,458	-
Provision for Doubtful Pledges and Bequests Receivable	-	128,801
Provision for Doubtful Loans Receivable	-	100,000
Right of Use Asset	45,964	406,267
Realized Gains on Investments	(19,764)	(436,859)
Unrealized (Gains) Losses on Investments	5,213,623	(4,741,534)
Donated Investments	(243,998)	(345,382)
Unrealized (Gains) Losses on Trusts and Annuities	106,275	(43,690)
Gain on Sale of Property and Equipment	-	(4,850)
Paycheck Protection Program Loan Forgiveness	-	(802,337)
Changes in Assets and Liabilities:		
Pledges and Bequests Receivable	1,141,147	(926,125)
Public Sector and Other Grant Receivable	(642,131)	(2,188,956)
Prepaid Expenses and Other Assets	(135,195)	(210,199)
Accounts Receivable	(137,641)	4,725
Accounts Payable and Accrued Expenses	1,103,311	73,125
Refundable Advances	167,243	(459,372)
Operating Lease Liability	(200,379)	(542,127)
Annuities Payable	(468)	(9,171)
Net Cash Used by Operating Activities	<u>(3,492,571)</u>	<u>(4,602,531)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(894,685)	(248,628)
Purchases of Investments and Reinvestments	(1,458,298)	(512,913)
Sales of Investments Including Donated Stocks	3,234,668	3,340,017
Proceeds Received from Retirement of Loans Receivable	-	72,878
Net Cash Provided by Investing Activities	<u>881,685</u>	<u>2,651,354</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable	<u>1,425,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>1,425,000</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,185,886)	(1,951,177)
Cash and Cash Equivalents - Beginning of Year	<u>3,643,888</u>	<u>5,595,065</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,458,002</u>	<u>\$ 3,643,888</u>

See accompanying Notes to Consolidated Financial Statements.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

NOTE 1 ORGANIZATION

The African Wildlife Foundation and Subsidiaries (collectively referred to as AWF) work to ensure that wildlife and wild lands thrive in modern Africa. 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.

AWF, Inc. has the following subsidiary entities along with being registered to do business as a nongovernmental organization or similar entity type in countries where it operates:

- The African Wildlife Trust is organized in Botswana and formed for the purposes of public interest.
- AWF Canada is a registered charity incorporated under the Canada Not-for-profit Corporations Act as an organization without share capital. Under the provisions of the Income Tax Act (the Act), AWF Canada is classified as a registered charity as defined in paragraph 149(1)(f) of the Act and, therefore, is exempt from income tax providing that it complies with donation and certain other requirements as specified by the Act.
- AWF Switzerland is registered as a nonprofit association by Articles 60 and seq. of the Swiss Civil Code.
- AWF United Kingdom is registered as a charitable company limited by guarantee.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements as of and for the year ended June 30, 2022, include activities of AWF, Inc. as well as the activities of its subsidiaries; these entities are referred to as AWF. All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of AWF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include funds in checking accounts and highly liquid funds with maturities of three months or less.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities which are measured at fair value on a recurring basis, as of and for the year ended June 30, 2022, 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. 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, 2022, only AWF's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Investments

Investments recognized at fair value consist of equity and fixed-income mutual funds, money market funds, and stocks. Quoted market prices for identical assets in active markets are used to value AWF's securities. In addition, AWF is invested in private companies that are valued at cost.

The change in unrealized gains or losses on investments is included in the accompanying consolidated statement of activities as unrealized gains and losses on investments in 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 as nonoperating activities.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Accounts, pledges, and bequests, and public sector grants receivable are stated at net realizable value. Management believes that all outstanding accounts and public sector grants receivable are fully collectible based on a review of historical collections. Accordingly, an allowance for doubtful accounts has not been recorded for these receivables. Pledges and bequests receivable are reported net of an allowance for doubtful accounts and discount for multiyear pledges and bequests due after more than one year from the fiscal year-end of AWF as reported in Note 4.

Property and Equipment

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 3 to 10 years for furniture and equipment, software, and vehicles and 40 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.

Right of Use Asset and Lease Liability

The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using AWF's estimated incremental borrowing rate or implicit rate, when readily determinable. The asset is amortized on a straight-line basis over the lease term and is reflected as rent expense in the accompanying consolidated financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to rent expense for the difference. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the consolidated statement of financial position.

Classification of Net Assets

Net assets without donor restrictions include revenue derived from 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.

Net assets with donor restrictions represent amounts that are specifically restricted by the donor for specific programs or future purposes. They also 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.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Unconditional gifts from individuals, legacy gifts and corporate and foundation support are recognized as net assets with donor restrictions if they are received with donor or grantor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Unconditional gifts from individuals, legacy gifts and corporate and foundation support not designated for specific purposes by the donor are recorded as net assets without donor restrictions when received.

AWF is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

AWF has grants with U.S. government agencies and other organizations. Support from government grants is conditioned upon certain conditions and is recognized as contributions when the conditions are met. The expenditures under these grants are subject to review by the granting authority. Revenue recognized on unconditional grants for which payments have not been received is reflected as public sector and other grant receivable in the accompanying consolidated statement of financial position. Grant awards received in advance, but not yet expended, are reflected as refundable advances in the accompanying consolidated statement of financial position.

Events and other income, including list rental revenue and income generated from safaris, is recognized at the specific point in time that the service is provided.

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 to an ongoing advertising campaign and rent of which the rent expense is classified with in 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. Occupancy, depreciation and amortization, and information technology expenses are allocated based on direct labor hours incurred by each program or supporting service.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

AWF reviews its long-lived assets 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. During the year ended June 30, 2022, AWF had not recognized any impairment losses.

Estimates

The preparation of consolidated financial statements in conformity with 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, 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, and paycheck protection loan forgiveness are recognized as nonoperating activities.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

AFRICAN WILDLIFE FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

NOTE 3 INVESTMENTS

The following table presents the AWF's fair value hierarchy for investments as of June 30, 2022:

	Total	Level 1	Level 2	Level 3
Mutual Funds:				
Equity Funds:	\$ 18,062,709	\$ 18,062,709	\$ -	\$ -
Fixed-Income Funds:	8,694,852	8,694,852	-	-
Money Market Funds	17,706	17,706	-	-
Stock (donated)	147,553	147,553	-	-
Total Investments at Fair Value	<u>26,922,820</u>	<u>26,922,820</u>	-	-
Private Company Investments, at Cost	200,000	-	-	-
Less Valuation Reserve	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Private Company Investments	-	-	-	-
Cash Included In Investment Portfolio, at Cost	4,482	-	-	-
Total Investments	<u>\$ 26,927,302</u>	<u>\$ 26,922,820</u>	<u>\$ -</u>	<u>\$ -</u>

Mutual funds and stock are valued at quoted prices in active markets for identical assets.

Private company investments include investment in the Limalimo Lodge located in Ethiopia. This investment was fully impaired prior to the year ended June 30, 2022, and has a net book value of zero.

NOTE 4 PLEDGES AND BEQUESTS RECEIVABLE

As of June 30, 2022, pledges and bequests receivable consisted of \$1,488,452 in pledges and \$2,064,386 in bequests and were promised as follows:

Due in Less than One Year	\$ 2,208,342
Due in One to Five Years	801,250
Due in More than Five Years	<u>543,246</u>
Subtotal	3,552,838
Less: Discount	(18,540)
Less: Allowance for Uncollectible Pledges and Bequests	<u>(59,250)</u>
Pledges and Bequests Receivable, Net	<u>\$ 3,475,048</u>

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 1.20% to 2.61% was used to determine the net present value factor.

Contributions totaling \$17,971,151 have not been recognized in the accompanying consolidated statement of activities because the condition of incurring qualifying expenses related to the conditional grants had not been met as of June 30, 2022.

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NOTE 5 LOANS RECEIVABLE

Loans receivable as of June 30, 2022, are comprised of the following:

Conservation Bonds	\$ 1,432,801
Mantis Limited	<u>200,000</u>
Loans Receivable	1,632,801
Less: Allowance for Doubtful Accounts	<u>(1,190,683)</u>
Loans Receivable, Net	<u><u>\$ 442,118</u></u>

A loan was provided to Mantis Limited in 2009 to develop tourism on Manyara Ranch. The amended loan agreement removes the requirement for interest payments with the loan to be repaid on August 12, 2012. The loan principal has not been received and a full allowance for doubtful accounts has been recorded as of June 30, 2022. AWF continues its efforts to collect on the loan through its contacts in Tanzania.

Conservation bonds were provided on various dates to provide carefully targeted debt financing to qualifying conservation enterprises. The conservation bonds are unsecured, bear interest at 3%, and maturities through 2022. An allowance for doubtful accounts of \$990,683 has been recorded as of June 30, 2022.

NOTE 6 PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION AND AMORTIZATION

AWF held the following property and equipment as of June 30, 2022:

	Cost	Accumulated Depreciation and Amortization	Net
Buildings and Leasehold Improvements	\$ 3,960,810	\$ (1,121,107)	\$ 2,839,703
Land	993,157	-	993,157
Work-In-Progress	141,231	-	141,231
Furniture and Equipment	1,425,477	(950,065)	475,412
Vehicles	650,137	(440,176)	209,961
Software	<u>1,223,628</u>	<u>(1,177,522)</u>	<u>46,106</u>
Property and Equipment, Net	<u><u>\$ 8,394,440</u></u>	<u><u>\$ (3,688,870)</u></u>	<u><u>\$ 4,705,570</u></u>

Depreciation and amortization expense totaled \$328,942 for the year ended June 30, 2022.

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NOTE 7 LEASES

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, 2028 with a weighted average remaining lease term of 71 years. AWF's lease for office space in Washington, DC, is for a period of 11 years and ends on August 31, 2028. The lease allows for 12 months of rent abatement and a tenant allowance of \$1,277,040. AWF implemented ASU 2016-02 during the year ended June 30, 2020 and, as a result, has recorded a lease liability equal to the present value of the future payments under the terms of the lease, discounted at an estimated organizational incremental borrowing rate of 2.5% which is equal to the weighted average discount rate. This liability is reduced as cash payments are made under the terms of the lease. Interest is charged to rent expense for the difference. AWF has also recorded a right of use asset equal to the lease obligation. The asset is amortized on a straight-line basis over the lease term and is reflected as rent expense in occupancy and maintenance expense in the accompanying consolidated statement of functional expenses.

As of June 30, 2022, the future minimum rental payments required under the operating leases were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 950,970
2024	966,984
2025	970,061
2026	956,734
2027	1,049,949
Thereafter	1,028,468
Total	<u>\$ 5,923,166</u>

Rent expense for the year ended June 30, 2022, totaled \$696,818 for long-term operating leases and \$182,460 for short-term operating leases and is included under occupancy and maintenance expense in the accompanying consolidated statement of functional expenses. AWF has elected to recognize payments for short-term leases with a lease term of three months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

NOTE 8 LOAN PAYABLE AND LINE OF CREDIT

On March 18, 2019, AWF established a line of credit in the amount of \$2,200,000. All outstanding principal and accrued interest will be due and payable on the expiration date, unless renewed or other terms are agreed to. The line of credit requires monthly interest payments on outstanding balances at BSBY daily floating rate plus 2.95%. The line of credit is secured by all assets of AWF. There were draws on the line of credit totaling \$1,425,000 during the year ended June 30, 2022. On July 28, 2021, the line of credit was increased to \$3,000,000 with an expiration date of July 31, 2022. On July 7, 2022, the expiration date was extended to July 31, 2023 and the interest rate was reduced to the BSBY daily floating rate plus 2.15%.

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NOTE 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, 2022, uninsured amounts totaled approximately \$1,989,779.

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.

Compliance Audit

AWF has received grants that are subject to review, audit and adjustment by various federal agencies or other funders for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the funder for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the funders cannot be determined at this time, although AWF expects such amounts, if any, to be insignificant.

Litigation

AWF was a co-defendant in an action brought by a group of individuals who claimed ownership through adverse possession of a private parcel of land purchased for conservation purposes by AWF in fiscal year 2009 in Kenya. The seller of the land was a co-defendant in the suit, as well as the Kenya Wildlife Service, which manages the land on behalf of the Government of Kenya. In July 2018, the High Court of Kenya dismissed the case in favor of AWF and the co-applicants. The plaintiffs filed an appeal to The Court of Appeal of Kenya on July 14, 2018, and this is still pending in court. The matter has been scheduled for a hearing in December 2022. Management is optimistic that this appeal will be dismissed in due course.

COVID-19

The novel coronavirus (COVID-19) outbreak caused business disruption through mandated and voluntary closings of businesses across the world for nonessential services. AWF has been able to continue most of its operations, but some program implementation has slowed because of the constraints placed on travel and in-person training and meetings. AWF continued to operate in all of its landscapes, despite COVID-19. All offices and programs are now fully operational through AWF continues to follow guidance of public health authorities.

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NOTE 10 NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions 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, 2022, the board-designated endowment funds totaled \$22,197,365, all of which is invested.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS SUBJECT TO TIME OR PURPOSE

As of June 30, 2022, net assets with donor restrictions subject to time or purpose consisted of the following:

Conservation Programs	\$ 5,844,217
Time Restricted	<u>647,682</u>
Total	<u>\$ 6,491,899</u>

NOTE 12 NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS

As of June 30, 2022, net assets with perpetual donor restrictions represent the following endowment funds established by donors:

Conservation Education and Training	\$ 1,939,574
Conservation Science	1,072,741
General Endowment	<u>100,000</u>
Total	<u>\$ 3,112,315</u>

NOTE 13 ENDOWMENT FUNDS

Interpretation of Relevant Law

AWF classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 when making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of AWF and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of AWF; and
- The investment policies of AWF.

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NOTE 13 ENDOWMENT FUNDS (CONTINUED)

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 gifts. Deficiencies of this nature are reported as part of net assets with donor restrictions. As of June 30, 2022, AWF's program endowment fund did not have any accumulated deficiencies. AWF has interpreted the law to permit spending from underwater endowments in accordance with prudent measures required under law. However, AWF does not intend to appropriate from funds with deficiencies.

Composition of Endowment Funds by Net Asset Category

As of June 30, 2022, AWF's endowment consisted of seven individual funds established for a variety of purposes and included both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments.

AWF's invested endowment funds were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Funds:			
Program Restricted (4)	\$ -	\$ 4,219,008	\$ 4,219,008
General Endowment (1)	-	100,000	100,000
Subtotal Donor-Restricted Funds (5)	-	4,319,008	4,319,008
Board-Designated Funds:			
Program Restricted (1)	573,527	-	573,527
General Endowment (1)	21,623,838	-	21,623,838
Subtotal Board-Designated Funds(2)	<u>22,197,365</u>	<u>-</u>	<u>22,197,365</u>
Total Endowment Funds (7)	<u>\$ 22,197,365</u>	<u>\$ 4,319,008</u>	<u>\$ 26,516,373</u>

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 board-designated and other invested funds is an overall target total return of at least 4% greater than the rate 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.

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NOTE 13 ENDOWMENT FUNDS (CONTINUED)

Spending Policy on Invested Funds

As of June 30, 2022, AWF's investments 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 that allows spending up to 3% of these funds' average beginning invested market values for the prior three fiscal years, excluding legacy income; to meet board approved budgeted expenditures. Special circumstances that require additional use of reserves must be approved by the board of trustees upon recommendation from the finance committee.

In establishing this policy, AWF considered its stated return objective with the intent, over the long term, to allow its invested funds to grow at a rate at or above that of inflation. This is consistent with AWF's objective to maintain the purchasing power of the 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, 2022, the net transfer consists of the transfer in of \$666,670 and the transfer out of \$2,121,035 which is a withdrawal of the reserves in excess of the spending policy.

Changes in Endowment Net Assets for the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 28,397,795	\$ 5,033,635	\$ 33,431,430
Investment Returns:			
Interest and Dividends	608,214	75,134	683,348
Unrealized Losses	(4,431,580)	(782,043)	(5,213,623)
Realized Gains	80	14	94
Investment Fees	(43,814)	(7,732)	(51,546)
Total Investment Returns	<u>(3,867,100)</u>	<u>(714,627)</u>	<u>(4,581,727)</u>
Net Transfers	(1,454,365)	-	(1,454,365)
Amounts Appropriated for Expenditure	<u>(878,965)</u>	<u>-</u>	<u>(878,965)</u>
Endowment Net Assets - End of Year	<u>\$ 22,197,365</u>	<u>\$ 4,319,008</u>	<u>\$ 26,516,373</u>

Investment earnings on funds with perpetual donor restrictions for the year ended June 30, 2022, were recognized as with donor restrictions in the accompanying consolidated statement of activities. Board-designated endowment fund earnings were designated as without donor restrictions in the accompanying consolidated statement of activities.

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NOTE 14 AVAILABILITY AND LIQUIDITY

AWF regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. AWF's financial assets available within one year of the consolidated statement of financial position date for general expenditures at June 30, 2022, were as follows:

Cash and Cash Equivalents	\$ 2,458,002
Accounts Receivable	248,513
Pledges and Bequests Receivable	2,208,342
Public Sector and Other Exchange Grant Receivable	5,549,176
Liquid Investments	<u>26,927,302</u>
Total Financial Assets Available Within One Year	37,391,335
Less:	
Amounts Unavailable for General Expenditures Within One-Year Due to Donors' Purpose Restriction	(5,844,217)
Amounts Unavailable Due to being Received Beyond One Year	(1,344,496)
Amounts Unavailable to Management Without Board Approval:	
Board-Designated for Operating Reserve and Initiatives	<u>(22,197,365)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 8,005,257</u>

AWF has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities, and other obligations as they come due. Management is focused on sustaining the financial liquidity of AWF throughout the year. This is done through monitoring and reviewing AWF's liquidity needs on a monthly basis. As a result, management is aware of the nature of AWF's cash flow related to AWF's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, cash needed to meet operational needs is kept in bank checking and savings accounts while excess cash is invested in publicly traded investment vehicles, primarily equity and fixed income mutual funds and money market funds. AWF can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. Additionally, AWF has board-designated net assets that could be available for current operations with board approval, if necessary.

NOTE 15 RETIREMENT PLAN

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 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.

Retirement expense for the year ended June 30, 2022, totaled \$884,131.

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NOTE 16 ALLOCATION OF JOINT COSTS

During the year ended June 30, 2022, AWF incurred joint costs of \$2,364,041 from direct mail and online campaigns that included both educational materials and fundraising appeals. Of those costs, \$999,011 was allocated to fundraising and \$1,365,030 to the education and outreach program.

NOTE 17 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 uncertainty in income taxes was required as of June 30, 2022, as AWF had no significant unrelated business income.

AWF performed an evaluation of uncertainty in income taxes for the year ended June 30, 2022, 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, 2022, the statute of limitations for certain tax years remained open with the United States federal jurisdiction or the various states and local jurisdictions in which AWF files tax returns; however, no examinations are currently pending or in progress. It is AWF's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest and income tax expense. As of June 30, 2022, AWF had no accruals for interest and/or penalties.

NOTE 18 RELATED PARTIES

During the fiscal year ended June 30, 2022, trustees of AWF made cash contributions and commitments of approximately \$1,950,000.

NOTE 19 PRIOR PERIOD SUMMARIZED COMPARATIVE INFORMATION

The consolidated 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 consolidated financial statements for the year ended June 30, 2021, from which the summarized information was prepared.

NOTE 20 SUBSEQUENT EVENTS

In preparation of these consolidated financial statements, AWF has evaluated, for potential recognition or disclosure, transactions and events through January 10, 2023, 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.