AFRICAN WILDLIFE FOUNDATION

Consolidated Financial Statements

For the Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

and
Report Thereon

AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY
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Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the African Wildlife Foundation, Inc. and Subsidiary (collectively referred to as AWF), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the African Wildlife Foundation, Inc. and Subsidiary as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited AWF's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
October 22, 2018

AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
As of June 30, 2018
(With Summarized Financial Information as of June 30, 2017)

		2018		2017
ASSETS				
Cash & cash equivalents	$	10,117,402	$	7,316,437
Investments		28,964,819		26,715,727
Pledges & bequests receivable, net		4,376,153		4,458,950
Public sector grants receivable		888,446		1,547,490
Prepaid expenses & other assets		742,072		1,166,405
Accounts receivable		407,544		390,935
Loans receivable, net		5,943,346		5,584,477
Property & equipment, net		4,703,211		3,494,856
TOTAL ASSETS	**$**	**56,142,993**	**$**	**50,675,277**
LIABILITIES				
Accounts payable & accrued expenses	$	2,044,053	$	1,622,064
Refundable advances		3,980,515		954,860
Notes payable & line of credit		6,250,000		6,250,000
Deferred rent & lease incentives		1,781,539		11,630
Deferred compensation liability		-		233,004
Annuities payable		48,771		48,643
Total liabilities		**14,104,878**		**9,120,201**
NET ASSETS				
Unrestricted net assets		30,399,154		29,248,994
Temporarily restricted net assets		8,526,646		9,193,767
Permanently restricted net assets		3,112,315		3,112,315
Total net assets		**42,038,115**		**41,555,076**
TOTAL LIABILITIES & NET ASSETS	**$**	**56,142,993**	**$**	**50,675,277**

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

AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
OPERATING REVENUE & SUPPORT					
Gifts from individuals	$ 8,828,074	$ 1,923,561	$ -	$ 10,751,635	$ 11,614,930
Legacy gifts	1,860,883	7,373	-	1,868,256	1,027,550
Corporate & foundation support	1,233,024	2,354,359	-	3,587,383	2,950,496
Public sector support	9,165,019	-	-	9,165,019	8,600,341
Royalties, events & other income	1,042,641	4,740	-	1,047,381	1,268,991
Transfers from (to) reserves	(293,929)	125,500	-	(168,429)	2,806,988
In-kind contributions	150,450	-	-	150,450	114,751
Net assets released from program restrictions	5,241,418	(5,241,418)	-	-	-
Total operating revenue & support	**27,227,580**	**(825,885)**	**-**	**26,401,695**	**28,384,047**
OPERATING EXPENSES					
Program services					
Conservation programs	19,003,715	-	-	19,003,715	18,142,341
Education & outreach	4,202,733	-	-	4,202,733	3,957,214
Total program services	23,206,448	-	-	23,206,448	22,099,555
Supporting services					
Finance & administration	1,193,413	-	-	1,193,413	1,050,769
Fundraising	3,761,830	-	-	3,761,830	2,766,109
Total supporting services	4,955,243	-	-	4,955,243	3,816,878
Total operating expenses	**28,161,691**	**-**	**-**	**28,161,691**	**25,916,433**
Change in net assets from operating activities	**(934,111)**	**(825,885)**	**-**	**(1,759,996)**	**2,467,614**
NONOPERATING ACTIVITIES					
Investment earnings (losses)	564,053	91,002	-	655,055	(551,717)
Unrealized gains on investments	1,226,289	214,338	-	1,440,627	2,443,936
Unrealized losses on trusts & annuities	-	(21,076)	-	(21,076)	(3,188)
Transfers from (to) operations	293,929	(125,500)	-	168,429	(2,806,988)
Change in net assets from nonoperating activities	**2,084,271**	**158,764**	**-**	**2,243,035**	**(917,957)**
CHANGE IN NET ASSETS	**1,150,160**	**(667,121)**	**-**	**483,039**	**1,549,657**
Net assets, beginning of year	29,248,994	9,193,767	3,112,315	41,555,076	40,005,419
NET ASSETS, END OF YEAR	**$ 30,399,154**	**$ 8,526,646**	**$ 3,112,315**	**$ 42,038,115**	**$ 41,555,076**

AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	PROGRAM SERVICES					SUPPORTING SERVICES				
	Conservation Programs	**Program Management**	**Total Conservation Services**	**Education & Outreach**	**Total Program Services**	**Finance & Administration**	**Fundraising**	**Total Supporting Services**	**2018 TOTAL**	**2017 TOTAL**
Salaries & benefits	$ 4,256,966	$ 2,005,346	$ 6,262,312	$ 1,888,213	$ 8,150,525	$ 707,782	$ 1,816,877	$ 2,524,659	$ 10,675,184	$ 9,378,031
Professional fees & construction	2,240,350	276,807	2,517,157	493,581	3,010,738	108,804	248,816	357,620	3,368,358	2,616,018
Travel & meetings	693,169	329,617	1,022,786	235,151	1,257,937	7,093	191,683	198,776	1,456,713	1,280,641
Partner expenses	4,467,558	-	4,467,558	10,529	4,478,087	-	-	-	4,478,087	4,870,740
Supplies	742,012	218,459	960,471	76,353	1,036,824	118,722	107,307	226,029	1,262,853	993,916
Printing	43,169	12,418	55,587	731,947	787,534	17,635	1,064,816	1,082,451	1,869,985	1,464,902
Occupancy & maintenance	190,414	145,387	335,801	3,388	339,189	571,160	57	571,217	910,406	596,956
Vehicle operations and depreciation & amortization	510,307	118,488	628,795	4,904	633,699	178,418	1,462	179,880	813,579	854,186
Postage & delivery	12,851	11,816	24,667	15,921	40,588	24,204	24,371	48,575	89,163	83,847
Equipment rental & maintenance	171,043	4,292	175,335	-	175,335	19,827	23	19,850	195,185	56,325
Workshops	1,249,376	360,427	1,609,803	411,523	2,021,326	-	57,089	57,089	2,078,415	1,819,225
Scholarships & training	64,451	35,023	99,474	4,430	103,904	3	5,851	5,854	109,758	111,147
Communications	153,130	48,700	201,830	64,547	266,377	97,542	1,425	98,967	365,344	246,384
Administrative costs & bad debt recovery	(96,006)	78,266	(17,740)	27,298	9,558	40,553	130,261	170,814	180,372	1,400,172
Promotions & advertising	5,669	2,549	8,218	26,652	34,870	-	11,816	11,816	46,686	24,128
Membership dues	1,688	34,444	36,132	2,054	38,186	872	2,444	3,316	41,502	72,523
Exchange rate fluctuations	(4,696)	114,496	109,800	-	109,800	-	-	-	109,800	(67,459)
In-kind expenses	7,864	5,159	13,023	97,278	110,301	-	-	-	110,301	114,751
TOTAL DIRECT EXPENSES	**14,709,315**	**3,801,694**	**18,511,009**	**4,093,769**	**22,604,778**	**1,892,615**	**3,664,298**	**5,556,913**	**28,161,691**	**25,916,433**
Allocation of facilities expenses	391,517	101,189	492,706	108,964	601,670	(699,202)	97,532	(601,670)	-	-
TOTAL	**$ 15,100,832**	**$ 3,902,883**	**$ 19,003,715**	**$ 4,202,733**	**$ 23,206,448**	**$ 1,193,413**	**$ 3,761,830**	**$ 4,955,243**	**$ 28,161,691**	**$ 25,916,433**

AFRICAN WILDLIFE FOUNDATION, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 483,039	$ 1,549,657
Adjustments to reconcile change in net cash provided by operating activities:		
Depreciation & amortization	348,278	336,138
Change in discount on pledges & bequests receivable	4,830	(9,514)
Change in discount on loans receivable	(85,502)	(130,190)
Provision for doubtful pledges & bequests receivable	(4,105)	(79,224)
Provision for (recovery of) doubtful loans receivable	(500,009)	379,652
Donation of land	400,000	-
Realized losses (gains) on sales of investments	(45,701)	1,157,065
Unrealized gains on investments	(1,440,627)	(2,443,936)
Unrealized losses on beneficial interest in perpetual trusts	21,076	3,188
Changes in assets & liabilities:		
Pledges & bequests receivable	82,072	1,788,131
Public sector grants receivable	659,044	530,013
Prepaid expenses & other assets	424,333	2,783
Accounts receivable	(16,609)	201,866
Accounts payable & accrued expenses	421,989	(623,258)
Refundable advances	3,025,655	(17,166)
Deferred rent & lease incentives	1,769,909	(68,166)
Deferred compensation liability	(233,004)	38,287
Annuities payable	128	2,410
Net cash provided by operating activities	**5,314,796**	**2,617,736**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property & equipment	(1,956,633)	(411,437)
Sales of property & equipment	-	103,766
Purchases of investments	(2,335,720)	(3,051,744)
Sales of investments	1,551,880	3,535,770
Issuance of loans receivable	(62,492)	(50,407)
Proceeds received from retirement of loans receivable	289,134	174,116
Net cash provided by (used in) investing activities	**(2,513,831)**	**300,064**
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable & line of credit	-	(500,000)
Proceeds received from issuance of notes payable & line of credit	-	500,000
Net cash provided by financing activities	**-**	**-**
NET INCREASE IN CASH & CASH EQUIVALENTS	**2,800,965**	**2,917,800**
Cash & cash equivalents, beginning of year	7,316,437	4,398,637
CASH & CASH EQUIVALENTS, END OF YEAR	**$ 10,117,402**	**$ 7,316,437**
Supplemental cash flow information: actual cash payments for interest	*$ -*	*$ 8,720*

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

1. Organization

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

Umiliki Investments (Umiliki) (formerly known as African Wildlife Capital (AWC) Limited) is a wholly owned subsidiary of AWF, Inc. Established on March 8, 2011, in Mauritius as an investment holding company, Umiliki specializes in providing debt-based finance to qualifying conservation enterprises in multiple geographies across Africa. Umiliki wholly owns two Mauritius-based subsidiary investment holding companies, AWC CBI Limited (CB1), established on March 31, 2011, and AWC CB2 Limited (CB2), established on February 6, 2014. Umiliki specializes in conservation impact investment and, through its subsidiaries, provides debt-based investment capital to qualifying conservation enterprises in multiple geographies across Africa. All of Umiliki's investments are carefully selected to further AWF, Inc.'s conservation mission.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements as of and for the year ended June 30, 2018, include activities of AWF, Inc. as well as the activities of Umiliki. Umiliki's activities include those of CB1 and CB2. Collectively, these entities are referred to as AWF. All material intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash includes funds in checking accounts.

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.

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, 2018, AWF has categorized its applicable financial instruments into a required fair value hierarchy.

2. Summary of Significant Accounting Policies (continued)
Fair Value Measurement (continued)

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

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

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

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

As of and for the year ended June 30, 2018, 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 consist of equity and fixed-income mutual funds. Quoted market prices are used to value AWF's securities.

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

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost and are depreciated or amortized using the straight-line method over the estimated useful lives of the assets, which range from three to 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

2. Summary of Significant Accounting Policies (continued)
Property and Equipment and Related Depreciation and Amortization (continued)

life of the improvement or the remaining term of the lease. AWF purchases property and equipment under certain of its grants for use in its foreign field offices. Under the terms of these grant agreements, the grantor retains the right to property and equipment purchased with grant funds. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

Classification of Net Assets

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

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

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

Revenue Recognition

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

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

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

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

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

Functional Allocation of Expenses

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

Transactions in Foreign Currencies

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

Impairment of Long-Lived Assets

In accordance with the provisions of Federal Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment*, AWF reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2018, AWF had not recognized an impairment loss.

Estimates

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

2. Summary of Significant Accounting Policies (continued)

Measure of Operations

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

3. Investments

AWF's investments as of June 30, 2018, were composed of the following:

	Cost	*Market*
Mutual funds:		
Equity funds	$ 17,056,948	$ 20,940,838
Fixed-income funds	8,285,669	8,023,981
Total	*$* 25,342,617	*$* 28,964,819

AWF's investments measured at fair value as of June 30, 2018, were as follows:

	Total	*Level 1*	*Level 2*	*Level 3*
Mutual funds:				
Equity funds:				
Large blend fund	$13,063,399	$13,063,399	$ -	$ -
Global equity fund	7,827,398	7,827,398	-	-
Large growth fund	15,884	15,884	-	-
Large value fund	14,351	14,351	-	-
Foreign large blend fund	11,384	11,384	-	-
Small growth fund	3,410	3,410	-	-
Small blend fund	3,286	3,286	-	-
Diversified emerging markets	1,726	1,726	-	-
Fixed-income funds:				
Total return bond funds	4,288,701	4,288,701	-	-
Short term bond funds	2,150,623	2,150,623	-	-
Intermediate term bond funds	1,584,657	1,584,657	-	-
Total	***$ 28,964,819***	***$ 28,964,819***	*$* -	*$* -

3. Investments (continued)

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

Equity and fixed-income mutual funds – Value based on quoted prices in an active market.

Investment income for the year ended June 30, 2018, was composed of the following:

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Unrealized gains	$ 1,226,289	$ 214,338	$ -	$ 1,440,627
Investment earnings:				
Interest and dividends	558,953	98,855	-	657,808
Realized gains	43,510	2,191	-	45,701
Investment fees	(38,410)	(10,044)	-	(48,454)
Total investment earnings	564,053	91,002	-	655,055
Investment income, net	***$ 1,790,342***	***$ 305,340***	***$ -***	***$ 2,095,682***

4. Pledges & Bequests Receivable

As of June 30, 2018, pledges and bequests receivable consisted of $3,737,838 in pledges and $995,934 in bequests and were promised as follows:

	Amount
Due in less than one year	$ 3,276,322
Due in one to five years	1,257,450
Due in more than five years	200,000
Subtotal	4,733,772
Less: discount	(120,930)
Less: allowance for uncollectible pledges and bequests	(236,689)
Pledges and bequests receivable, net	***$ 4,376,153***

Pledges expected to be received beyond one year are recorded at the present value of expected future cash flows using a risk-adjusted discount rate. A discount rate range of 0.13% to 3.81% was used to determine the net present value factor.

5. Loans Receivable

As of June 30, 2018, net loans receivable totaled $5,193,346 and were receivable as follows:

	AWF, Inc.	*Umiliki*	*Total*
Principal due within one year	$ 219,361	$ 800,005	$ 1,019,366
Principal due in one to five years	19,361	5,826,522	5,845,883
Subtotal	238,722	6,626,527	6,865,249
Less: discount	(288)	(533,515)	(533,803)
Less: allowance for uncollectible accounts	(101,936)	(286,164)	(388,100)
Loans receivable, net	***$ 136,498***	***$ 5,806,848***	***$ 5,943,346***

6. Property & Equipment and Accumulated Depreciation & Amortization

AWF held the following property and equipment as of June 30, 2018:

	Cost	*Accumulated Depreciation and Amortization*	*Net*
Buildings	$ 2,247,014	$ (343,036)	$ 1,903,978
Land	993,157	-	993,157
Software	1,147,143	(1,096,577)	50,566
Furniture and equipment	1,082,413	(550,820)	531,593
Leasehold improvements	1,289,347	(111,432)	1,177,915
Vehicles	388,648	(342,646)	46,002
Property and equipment, net	***$ 7,147,722***	***$ (2,444,511)***	***$ 4,703,211***

Depreciation and amortization is stated as part of vehicle operations and depreciation & amortization in the accompanying consolidated statement of functional expenses. Depreciation and amortization expense totaled $348,278 for the year ended June 30, 2018.

7. Notes Payable

Notes payable consisted of the following as of June 30, 2018:

	Long-Term Debt	*Total*
Umiliki		
CB1 is funded by four external investors with a cumulative drawdown limit of up to $2,500,000. As of June 30, 2018, a total of $2,500,000 had been drawn down via unsecured promissory notes from the four external investors. Interest payments are due quarterly based on an interest rate of 3.00%. The promissory notes have a common maturity date of June 30, 2021.	$ 2,500,000	$ 2,500,000
CB2 is funded by six external investors with a cumulative drawdown limit of up to $3,750,000. As of June 30, 2018, a total of $3,750,000 had been drawn down via unsecured promissory notes from the six external investors. Interest payments are due quarterly based on an interest rate of 3.00%. The promissory notes have a common maturity date of October 24, 2023.	3,750,000	3,750,000
Total Notes Payable	***$ 6,250,000***	***$ 6,250,000***

The scheduled future principal payments as of June 30, 2018, were as follows:

Year Ended June 30,	*Amount*
2019	$ -
2020	-
2021	2,500,000
2022	-
2023	3,750,000
Total	***$ 6,250,000***

8. Commitments, Contingencies & 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, 2018, uninsured amounts totaled approximately $9,848,300.

Foreign Operations

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

Lease Commitments

AWF has entered into operating leases for its Washington, DC, office as well as its offices throughout Africa. The leases expire at various dates through August 31, 2028. In February 2017, AWF signed a lease for new Washington, DC, office space which became effective September 1, 2017. This lease term is for a period of 11 years and ends on August 31, 2028. The new lease allows for 12 months of rent abatement and a tenant allowance of $1,277,040. Under GAAP, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying consolidated statement of financial position. As of June 30, 2018, the future minimum rental payments required under the leases were as follows:

Year Ended June 30,		***Amount***
2019	$	590,318
2020		723,155
2021		741,259
2022		759,814
2023		778,694
Thereafter		4,343,188
Total	***$***	***7,936,428***

Rent expense for the year ended June 30, 2018, totaled $723,770 and is included under occupancy and maintenance expense in the accompanying consolidated statement of functional expenses.

8. Commitments, Contingencies & Risks (continued)

Office of Management & Budget Uniform Guidance

AWF has instructed its independent auditors to audit its applicable federal programs for the year ended June 30, 2018, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the federal agencies' review of the independent auditor's reports for the year ended June 30, 2018, will not have a material effect on the financial position of AWF as of June 30, 2018, or its results of operations for the year then ended.

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 the U.S. Agency for International Development (USAID). These rates are subject to final determination by USAID. Revenue from United States government grants and contracts is recorded as public sector support in the accompanying consolidated statement of activities and changes in net assets. For the year ended June 30, 2018, revenue from United States government grants and contracts that ended during the fiscal year has been recognized using the provisional indirect cost rate then in place. Revenue from United States government grants and contracts that were active as of June 30, 2018, has been recognized using the actual rate achieved, which is less than the provisional rate currently approved by USAID. The difference between the revenue recognized under the actual rate and the provisional rate was not material to these consolidated financial statements. In the opinion of management, adjustments, if any, from the final determination by USAID will not have a material effect on AWF's financial position as of June 30, 2018, or results of operations for the year then ended.

Future Capital Sources

As of June 30, 2018, Umiliki, through CB1, had received $3,000,000 in commitments from private investors to finance conservation enterprise loans, all of which had been drawn down through promissory notes. AWF, Inc. is an investor in CB1 with a total commitment of $500,000, of which the entire amount had been drawn down as of June 30, 2018. This amount was eliminated in the accompanying consolidated financial statements.

As of June 30, 2018, Umiliki, through CB2, had received $4,000,000 in commitments from private investors to finance conservation enterprise loans, all of which had been drawn down through promissory notes. AWF, Inc. is an investor in CB2 with a total commitment of $250,000, of which the entire amount had been drawn down as of June 30, 2018. This amount was eliminated in the accompanying consolidated financial statements.

8. Commitments, Contingencies & Risks (continued)
Litigation

AWF was a codefendant 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 codefendant 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. Management is optimistic that this appeal will be dismissed in due course.

9. Unrestricted Net Assets
Included in unrestricted net assets are funds designated by the Board of Trustees to function as endowments in order to support the future endeavors of AWF. As of June 30, 2018, the board-designated endowment funds totaled $24,643,874, all of which is invested.

10. Temporarily Restricted Net Assets
As of June 30, 2018, temporarily restricted net assets consisted of the following:

		Amount
Conservation programs	$	8,403,325
Time-restricted		123,321
Total	***$***	***8,526,646***

11. Permanently Restricted Net Assets
As of June 30, 2018, permanently restricted net assets represent the following endowment funds established by donors:

		Amount
Conservation education and training	$	1,939,574
Conservation science		1,072,741
General endowment		100,000
Total	***$***	***3,112,315***

12. Endowment Funds
Interpretation of Relevant Law

AWF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the

12. Endowment Funds (continued)
Interpretation of Relevant Law (continued)

applicable donor gift instrument at the time the accumulation is added to the fund. AWF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the fair value of the original gifts. Deficiencies of this nature are reported as part of unrestricted net assets. As of June 30, 2018, AWF's program endowment fund did not have any accumulated deficiencies.

Composition of Endowment Funds by Net Asset Category

As of June 30, 2018, 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:

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Donor-restricted funds				
Program-restricted (4)	$ -	$ 758,950	$ 3,012,315	$ 3,771,265
General endowment (1)	-	32,635	100,000	132,635
Subtotal donor-restricted (5)	-	791,585	3,112,315	3,903,900
Board-designated funds				
Program-restricted (1)	511,651	-	-	511,651
General endowment (1)	24,132,223	-	-	24,132,223
Subtotal board-designated (2)	24,643,874	-	-	24,643,874
Total endowment funds (7)	***$ 24,643,874***	***$ 791,585***	***$ 3,112,315***	***$ 28,547,774***

12. 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, 2018, AWF's endowment included seven individual funds that were either donor-restricted (five funds) or purpose-restricted by the Board of Trustees (two funds). In the absence of specific spending guidelines established by a donor, AWF has a policy to spend five percent of these endowment funds' average beginning invested market values for the prior three fiscal years. However, a fund's spending rate is reduced or eliminated if the resulting invested balance of that fund would fall below the fair value of the original gifts. In establishing this policy, AWF considered its stated return objective with the intent, over the long term, to allow its endowment 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 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, 2018, $125,500 of payouts were withdrawn from donor-restricted endowment earnings.

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

During the year ended June 30, 2018, a total of $293,929 was transferred from operations to the board-designated endowment, which amount is included in the accompanying consolidated statement of activities and changes in net assets as transfers from (to) reserves and transfers from (to) operations.

12. Endowment Funds (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2018

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Endowment net assets, beginning	$22,465,022	$ 611,323	$ 3,112,315	$26,188,660
Investment returns:				
Interest and dividends	558,828	94,838	-	653,666
Realized gains	6,034	1,026	-	7,060
Unrealized gains	1,256,686	214,703	-	1,471,389
Investment fees	(28,237)	(4,805)	-	(33,042)
Total investment returns	1,793,311	305,762	-	2,099,073
Contributions	385,541	-	-	385,541
Amounts appropriated for expenditure	-	(125,500)	-	(125,500)
Endowment net assets, end	***$24,643,874***	***$ 791,585***	***$ 3,112,315***	***$28,547,774***

Investment earnings on permanently restricted funds for the year ended June 30, 2018, were recognized as temporarily restricted in the accompanying consolidated statement of activities and changes in net assets. Board-designated endowment fund earnings were designated as unrestricted in the accompanying consolidated statement of activities and changes in net assets.

13. Retirement Plans

Defined Contribution Plans

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

Supplemental Executive Retirement Plan

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

Retirement expense relating to all retirement plans for the year ended June 30, 2018, totaled $647,828.

14. Allocation of Joint Costs

During the year ended June 30, 2018, AWF incurred joint costs of $2,133,504 from direct mail campaigns that included both educational materials and fundraising appeals. Of those costs, $1,254,107 was allocated to fundraising and $879,397 to education and outreach program.

15. 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, 2018, as AWF had no unrelated business income.

Umiliki, CB1 and CB2 are subject to tax on their net income under the laws of Mauritius. Capital gains from sales of securities are exempt from income tax in Mauritius.

AWF performed an evaluation of uncertainty in income taxes for the year ended June 30, 2018, 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, 2018, the statute of limitations for tax years 2014 through 2016 remained open with the United States federal jurisdiction or the various states and local jurisdictions in which AWF files tax returns. It is AWF’s policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of June 30, 2018, AWF had no accruals for interest and/or penalties.

16. Reclassification

Certain 2017 balances have been reclassified to conform to the 2018 financial statement presentation.

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 GAAP. Accordingly, such information should be read in conjunction with AWF’s financial statements for the year ended June 30, 2017, from which the summarized information was prepared.

18. Subsequent Events

In preparation of these financial statements, AWF has evaluated, for potential recognition or disclosure, transactions and events through October 22, 2018, the date the consolidated financial statements were available to be issued. Other than the circumstance described in Note 8, there were no subsequent events that require recognition or disclosure in the consolidated financial statements.