AFRICAN WILDLIFE FOUNDATION®

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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

AND REPORT THEREON

RAFFA

CONSULTING

ACCOUNTING

TECHNOLOGY

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of the African Wildlife Foundation, Inc. and Subsidiary (collectively AWF) as of June 30, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of AWF's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of AWC Limited (AWC), a wholly owned subsidiary, which statements reflect total assets of $1,098,280 as of June 30, 2012 and total revenues of $74,095 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for AWC, is based solely on the report of the other auditors. The other auditors conducted their audit in accordance with international auditing standards. The prior year summarized comparative information has been derived from AWF's 2011 financial statements and, in our report dated October 12, 2011, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AWF's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AWF as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa P.C.

RAFFA, P.C.

Washington, DC
October 19, 2012

AFRICAN WILDLIFE FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2012

(With Summarized Financial Information as of June 30, 2011)

	2012	*2011*
ASSETS		
Cash and cash equivalents	$ 1,898,750	*$ 3,518,215*
Investments	19,925,961	*15,320,717*
Pledges and bequests receivable, net	4,371,416	*8,738,660*
Public sector grants receivable	1,610,747	*937,562*
Advances to partners	-	*375,313*
Prepaid expenses	274,768	*560,334*
Accounts receivable	150,561	*191,898*
Loans receivable, net	1,278,877	*455,781*
Beneficial interest in perpetual trusts	14,870	*16,859*
Office rental deposits	44,232	*49,258*
Conservation land	-	*4,083,583*
Property and equipment, net	4,192,541	*4,357,433*
TOTAL ASSETS	**$ 33,762,723**	***$ 38,605,613***
LIABILITIES		
Accounts payable and accrued expenses	1,149,519	*1,735,326*
Refundable advances	1,044,955	*2,038,850*
Notes payable and lines of credit	1,571,962	*1,983,660*
Deferred rent and lease incentives	258,623	*281,222*
Capital lease obligations	3,402	*13,609*
Deferred compensation liability	74,332	*-*
Annuities payable	105,343	*103,628*
Total liabilities	**4,208,136**	***6,156,295***
NET ASSETS		
Unrestricted	23,686,671	*24,381,207*
Temporarily restricted	3,595,601	*5,795,796*
Permanently restricted	2,272,315	*2,272,315*
Total net assets	**29,554,587**	***32,449,318***
TOTAL LIABILITIES AND NET ASSETS	**$ 33,762,723**	***$ 38,605,613***

AFRICAN WILDLIFE FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

(With Summarized Financial Information as of June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	*2011 Total*
OPERATING REVENUE AND SUPPORT					
Gifts from individuals	$ 4,245,451	$ 1,782,453	$ -	$ 6,027,904	*$ 5,944,532*
Legacy gifts	1,861,268	-	-	1,861,268	*5,846,856*
Corporate and foundation support	664,447	1,244,854	-	1,909,301	*1,313,384*
Public sector support	9,333,716	-	-	9,333,716	*11,509,553*
Royalties, events and other income	702,232	130,463	-	832,695	*1,092,312*
Payout from board designated reserves	445,100	-	-	445,100	*396,546*
In-kind contributions	384,547	-	-	384,547	*161,430*
Net assets released from program restrictions	5,346,857	(5,346,857)	-	-	-
Total operating revenue and support	**22,983,618**	**(2,189,087)**	**-**	**20,794,531**	***26,264,613***
OPERATING EXPENSES					
Program services					
Conservation programs	18,707,952	-	-	18,707,952	*16,198,975*
Education and outreach	1,990,132	-	-	1,990,132	*1,636,164*
Total program services	*20,698,084*	-	-	*20,698,084*	*17,835,139*
Supporting services					
Finance and administration	1,101,227	-	-	1,101,227	*1,176,978*
Fundraising	1,804,934	-	-	1,804,934	*1,977,666*
Total supporting services	2,906,161	-	-	2,906,161	*3,154,644*
Total operating expenses	**23,604,245**	**-**	**-**	**23,604,245**	***20,989,783***
Change in net assets from operating activities	**(620,627)**	**(2,189,087)**	**-**	**(2,809,714)**	***5,274,830***
NON-OPERATING ACTIVITIES					
Investment earnings, net	170,717	(7,994)	-	162,723	*318,106*
Unrealized gains (losses) on investments	200,474	(1,125)	-	199,349	*1,246,835*
Unrealized losses on trusts and annuities	-	(1,989)	-	(1,989)	*(66,158)*
Payout from board designated reserves	(445,100)	-	-	(445,100)	*(396,546)*
Change in net assets from non-operating activities	**(73,909)**	**(11,108)**	**-**	**(85,017)**	***1,102,237***
CHANGE IN NET ASSETS	**(694,536)**	**(2,200,195)**	**-**	**(2,894,731)**	***6,377,067***
Net assets, beginning of year	24,381,207	5,795,796	2,272,315	32,449,318	*26,072,251*
NET ASSETS, END OF YEAR	**$ 23,686,671**	**$ 3,595,601**	**$ 2,272,315**	**$ 29,554,587**	***$ 32,449,318***

AFRICAN WILDLIFE FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012

(With Summarized Financial Information as of June 30, 2011)

	PROGRAM SERVICES					SUPPORTING SERVICES				
	Conservation Programs	**Program Management**	**Total Conservation Programs**	**Education and Outreach**	**Total Program Services**	**Finance and Administration**	**Fundraising**	**Total Supporting Services**	**2012 TOTAL**	***2011 TOTAL***
Salaries and benefits	$ 4,054,918	$ 1,241,711	$ 5,296,629	$ 578,286	$ 5,874,915	$ 689,886	$ 766,832	$ 1,456,718	$ 7,331,633	*$ 7,518,680*
Professional fees and construction	2,505,876	112,125	2,618,001	448,658	3,066,659	160,131	227,308	387,439	3,454,098	*3,463,395*
Travel and meetings	963,496	181,256	1,144,752	25,663	1,170,415	26,026	107,467	133,493	1,303,908	*1,961,403*
Partner expenses	1,638,898	-	1,638,898	-	1,638,898	-	-	-	1,638,898	*1,698,385*
Supplies	796,346	63,118	859,464	54,158	913,622	32,337	12,216	44,553	958,175	*1,180,447*
Printing	23,758	15,191	38,949	210,153	249,102	2,244	174,360	176,604	425,706	*522,628*
Occupancy and maintenance	163,194	115,986	279,180	-	279,180	296,959	34	296,993	576,173	*723,454*
Vehicle operations and depreciation	325,839	31,852	357,691	772	358,463	454	-	454	358,917	*526,879*
Postage and delivery	13,946	22,971	36,917	125,658	162,575	7,916	142,889	150,805	313,380	*359,946*
Equipment rental and maintenance	105,730	21,132	126,862	5,278	132,140	49,849	4,043	53,892	186,032	*334,691*
Workshops	537,841	189,433	727,274	58,042	785,316	2,320	173,799	176,119	961,435	*981,014*
Scholarships and training	58,106	3,335	61,441	244	61,685	4,487	2,780	7,267	68,952	*163,077*
Communications	175,714	71,459	247,173	2,850	250,023	54,525	1,666	56,191	306,214	*371,913*
Administrative costs	414,343	96,617	510,960	11,219	522,179	40,697	151,540	192,237	714,416	*493,230*
Depreciation and amortization	41,737	117,318	159,055	7,831	166,886	122,722	-	122,722	289,608	*313,117*
Promotions and advertising	25,555	1,615	27,170	36,507	63,677	-	8,090	8,090	71,767	*69,377*
Membership dues	14,478	32,362	46,840	5,500	52,340	1,508	379	1,887	54,227	*39,142*
Exchange rate fluctuations	879	119,419	120,298	-	120,298	2,278	-	2,278	122,576	*107,575*
Donated land	4,083,583	-	4,083,583	-	4,083,583	-	-	-	4,083,583	*-*
In-kind expenses	-	-	-	384,547	384,547	-	-	-	384,547	*161,430*
TOTAL DIRECT EXPENSES	**15,944,237**	**2,436,900**	**18,381,137**	**1,955,366**	**20,336,503**	**1,494,339**	**1,773,403**	**3,267,742**	**23,604,245**	***20,989,783***
Allocation of facilities expenses	283,487	43,328	326,815	34,766	361,581	(393,112)	31,531	(361,581)	-	*-*
TOTAL	**$ 16,227,724**	**$ 2,480,228**	**$ 18,707,952**	**$ 1,990,132**	**$ 20,698,084**	**$ 1,101,227**	**$ 1,804,934**	**$ 2,906,161**	**$ 23,604,245**	***$ 20,989,783***

AFRICAN WILDLIFE FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012
(With Summarized Financial Information as of June 30, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,894,731)	*$ 6,377,067*
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	300,064	*377,286*
Gift of conservation land	4,083,583	-
Amortization of discount on pledges and bequests receivable	(142,386)	*(52,289)*
Amortization of discount on loans receivable	21,455	*(41,237)*
Lease incentive amortization	32,068	*26,723*
Provision for doubtful pledges and bequests receivable	(237,351)	*157,068*
Provision for doubtful loans receivable	47,089	*(3,294)*
Donated stock	(626,950)	*(3,057,857)*
Realized losses (gains) on sales of investments	353,238	*(48,764)*
Unrealized gains on investments	(199,349)	*(1,246,835)*
Unrealized losses on beneficial interest in perpetual trusts	1,989	*412,557*
Changes in assets and liabilities:		
Pledges and bequests receivable	4,746,981	*(3,141,313)*
Public sector grants receivable	(673,185)	*650,091*
Advances to partners	375,313	*98,640*
Prepaid expenses and other assets	285,566	*(205,825)*
Accounts receivable	41,337	*191,719*
Office rental deposit	5,026	*(21,062)*
Accounts payable and accrued expense	(585,807)	*(496,382)*
Refundable advances	(993,895)	*(1,937,603)*
Deferred rent and lease incentives	(54,667)	*(39,746)*
Deferred compensation liability	74,332	-
Annuities payable	1,715	*(2,605)*
Net cash provided by (used in) operating activities	**3,961,435**	***(2,003,661)***
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(135,172)	*(1,032,096)*
Sales of property and equipment	-	*46,099*
Purchase of investments	(27,335,227)	*(30,327,885)*
Sales of investments	23,203,044	*31,494,992*
Issuance of loans receivable	(1,117,814)	-
Proceeds received from retirement of loans receivable	226,174	*65,886*
Net cash (used in) provided by investing activities	**(5,158,995)**	***246,996***
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments on capital lease obligation	(10,207)	*(11,056)*
Principle payments on debt	(2,281,698)	*(2,154,587)*
Proceeds received from issuance of debt	1,870,000	*1,892,680*
Net cash used in financing activities	**(421,905)**	***(272,963)***
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,619,465)**	***(2,029,628)***
Cash and cash equivalents, beginning of year	3,518,215	*5,547,843*
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,898,750**	***$ 3,518,215***
Noncash operating activities: gift of conservation land	*$ (4,083,583)*	*$ -*
Noncash investing activities: donated stock	*$ (626,950)*	*$ (3,057,857)*
Supplemental cash flow information: actual cash payments for interest	*$ 55,604*	*$ 14,031*

1. **Organization**

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

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

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

AWC and CB1 were not included in the financial statements of AWF as of and for the year ended June 30, 2011 as these entities were not material to AWF. AWC and CB1 had no financial transactions for the year ended June 30, 2011, other than issuing one share with a par value of $1.

2. **Summary of Significant Accounting Policies**

<u>Principles of Consolidation</u>

The accompanying consolidated financial statements as of and for the year ending June 30, 2012 include activities of AWF, Inc. as well as the activities of AWC. AWC's activities include CB1. Collectively, these entities are referred to as AWF. All material intercompany balances and transactions have been eliminated in consolidation.

The financial statements of AWC and CB1 audited by other auditors were prepared in accordance with International Financial Reporting Standards (IFRS). The differences between IFRS and accounting principles generally accepted in the United States of America under which these consolidated financial statements were prepared were not material to these consolidated financial statements.

<u>Cash and Cash Equivalents</u>

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

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities which are measured at fair value on a recurring basis, as of and for the year ended June 30, 2012, 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 and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that AWF has the ability to access.

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

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

As of and for the year ended June 30, 2012, only AWF's investments, as described in Note 4 of these consolidated financial statements, were measured at fair value on a recurring basis.

Investments

Investments consist of money market funds, equity and fixed income mutual funds and exchange traded funds, multi-strategy mutual funds, real asset exchange traded funds, and a master limited partner exchange traded note. Quoted market prices are used to value AWF's securities.

The change in unrealized appreciation or depreciation of investments is included in the accompanying consolidated statement of activities as non-operating activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in investment income in the accompanying consolidated statement of activities as non-operating activities.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. 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 revenues received without donor imposed restrictions. These net assets are available for the operations of AWF.

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

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

Revenue Recognition

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

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

Gifts and contributions 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 items donated to AWF and are recorded as revenue and offsetting expense at their estimated fair market value as of the date of the gift. In-kind contributions recorded relate primarily to an ongoing advertising campaign, the expense for which is classified within AWF's public education program.

Functional Allocation of Expenses

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

Transactions in Foreign Currencies

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

Advances to Partners

AWF, Inc. periodically advances grant funds to partners under the terms of its various restricted program grants and cost reimbursable grant agreements and records these amounts as advances to partners. Upon submission of the required financial reports by the partners detailing the amount of funds expended under these grant agreements during each quarter and upon the approval of such reports by AWF, Inc., AWF, Inc. recognizes grant expense to the extent of allowable direct and indirect expenses incurred by the partners. Any amount advanced by AWF, Inc. in excess of expenses incurred by the partners is reflected in advances to partners in the accompanying consolidated statement of financial position.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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, AWF includes in its definition of operations all revenues that are an integral part of its programs and supporting activities. Investment income, including realized and unrealized gains and losses, earned in excess of AWF's aggregate authorized payout to operations is recognized as non-operating activities.

3. Restricted Cash and Cash Equivalents

Under the terms of various grants agreements, AWF is required to maintain separate cash accounts for activity related to these grants. As of June 30, 2012, $306,935 of AWF's cash balance as reported in the accompanying consolidated statement of financial position is restricted as required under the terms of these agreements.

4. Investments

AWF's investments as of June 30, 2012 were comprised of the following:

	Cost	***Market***
Money market funds	$ 471,264	$ 471,264
Mutual funds:		
Equity funds	5,543,136	5,639,169
Fixed income funds	5,107,158	5,206,461
Multi-strategy funds	1,659,183	1,640,681
Exchange traded funds:		
Equity funds	2,929,721	3,218,543
Fixed income funds	1,154,021	1,169,523
Real asset funds	787,261	951,315
Master limited partnership exchange traded note	1,362,377	1,629,005
Total	***$19,014,121***	***$19,925,961***

4. Investments (continued)

AWF has used the following fair value measurements as of June 30, 2012:

	Total	***Level 1***	***Level 2***	***Level 3***
Money market funds	$ 471,264	$ 471,264	$ -	$ -
Mutual funds:				
Equity funds	5,639,169	5,639,169	-	-
Fixed income funds	5,206,461	5,206,461	-	-
Multi-strategy funds	1,640,681	1,640,681	-	-
Exchange traded funds:				
Equity funds	3,218,543	3,218,543	-	-
Fixed income funds	1,169,523	1,169,523	-	-
Real asset funds	951,315	951,315	-	-
Master limited partnership exchange traded note	1,629,005	1,629,005	-	-
Total	***$19,925,961***	***$19,925,961***	***$ -***	***$ -***

Based upon an analysis of the nature and risk of the equity and fixed income mutual funds and exchange traded funds held as of June 30, 2012, AWF has determined that presenting them each as a single class is appropriate. The real asset exchange traded fund and the master limited partnership (MLP) exchange traded note are both publicly traded securities traded in active markets.

4. Investments (continued)

Investment income for the year ended June 30, 2012 was comprised of the following:

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Unrealized gains (losses)	$ 200,474	$ (1,125)	$ -	$ 199,349
Investment earnings:				
Interest and dividends	667,581	1,715	-	669,296
Realized losses	(350,122)	(3,116)	-	(353,238)
Investment fees	(146,742)	(6,593)	-	(153,335)
Total investment earnings	170,717	(7,994)	-	162,723
Total investment income	***$ 371,191***	***$ (9,119)***	***$ -***	***$ 362,072***

5. Pledges and Bequest Receivable

As of June 30, 2012, pledges and bequests receivable consist of $3,623,808 in pledges and $747,608 in bequests and are promised as follows:

	Amount
Due in less than one year	$ 3,596,448
Due in one to five years	993,084
Due in more than five years	200,000
Subtotal	*4,789,532*
Less: discount	(178,639)
Less: allowance for uncollectible pledges and bequests	(239,477)
Total pledges and bequests receivable	***$ 4,371,416***

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. The discount rate range of 0.18% - 4.92% was used to determine the net present value factor.

6. Property and Equipment and Accumulated Depreciation

AWF held the following property and equipment as of June 30, 2012:

	Cost	*Accumulated Depreciation and Amortization*	*Net*
Buildings	$ 2,149,407	$ (75,038)	$ 2,074,369
Land	961,961	-	961,961
Software	778,157	(358,045)	420,112
Furniture and equipment	716,473	(325,820)	390,653
Leasehold improvements	379,664	(111,836)	267,828
Vehicles	285,866	(208,248)	77,618
Total property and equipment	***$ 5,271,528***	***$ (1,078,987)***	***$ 4,192,541***

Depreciation related to vehicles is stated as part of the cost element "vehicle operations and depreciation" in the accompanying consolidated statement of functional expenses.

7. Loans Receivable

As of June 30, 2012 $1,278,877 was receivable as follows:

	AWF, Inc.	*AWC*	*Total*
Principle due within one year	$ 216,832	$ 56,152	$ 272,984
Principle due in one to five years	54,873	1,118,558	1,173,431
Subtotal	*271,705*	*1,174,710*	*1,446,415*
Less: discount	(4,178)	(90,995)	(95,173)
Less: allowance for uncollectible accounts	(13,585)	(58,780)	(72,365)
Total loans receivable	***$ 253,942***	***$1,024,935***	***$1,278,877***

8. Notes Payable and Lines of Credit

Notes payable and lines of credit consisted of the following as of June 30, 2012:

	Current Maturities	*Long Term Debt*	*Total*
AWF, Inc.			
Line of credit issued by PNC Bank with a limit of up to $2,000,000, secured by a portion of AWF, Inc.'s investments. Interest payments are due monthly based on an interest rate of 2.00% over the London Interbank Offered Rate, or 2.24% as of June 30, 2012. The maturity date of the line of credit is May 16, 2013.	$ 621,962	$ -	$ 621,962
Unsecured line of credit issued by Bank of America with a limit of up to $1,500,000. Interest payments are due monthly based on the London Interbank Offered Rate, or 2.24% as of June 30, 2012 plus 3.25%. The maturity date of the line of credit is November 30, 2012.	-	-	-
AWC			
CB1 was established to fund debt-based conservation business ventures and is being funded by 4 external investors with a cumulative drawdown limit of up to $2,500,000. As of June 30, 2012, $237,500 has been drawn down via unsecured promissory notes from each of the 4 external investors. Interest payments are due quarterly based on an interest rate of 3.00%. The promissory notes have a common maturity date of June 30, 2021.	-	950,000	950,000
Total Notes Payable and Lines of Credit	***$ 621,962***	***$ 950,000***	***$1,571,962***

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, 2012 uninsured amounts totaled $1,606,127.

Foreign Operations

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

Lease Commitments

AWF has entered into operating leases for its Washington office as well as its offices throughout Africa. The leases expire at various dates through August 31, 2017. The Washington, DC lease provides for rent adjustments based on increases in real estate taxes and operating expenses, increases in the base rent of 3 percent per year, and three months' rental abatement. The lease also provided for an allowance of up to $227,150 for building improvements and furniture which was exercised by AWF in a previous year. Under accounting principles generally accepted in the United States of America, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying consolidated statement of financial position. As of June 30, 2012, the future minimum rental payments required under the leases are as follows:

Year Ended June 30,	***Amount***
2013	$ 406,424
2014	345,138
2015	317,007
2016	321,948
2017	331,607
Thereafter	55,537
Total	***$ 1,777,661***

Total rent expense for the year ended June 30, 2012 was $416,301.

9. Commitments, Contingencies and Risks (continued)

OMB Circular A-133

AWF, Inc. has instructed its independent auditors to audit its Federal programs for the year ended June 30, 2012 in compliance with Circular A-133 issued by the U.S. Office of Management and Budget (OMB). Until such audit is finalized, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that matters arising from the Federal agency's review of the independent auditor's reports for 2012 will not have a material effect on the financial position of AWF, Inc.

Provisional Indirect Cost Rates

Billings under cost reimbursable United States government grants and contracts are calculated using provisional rates that permit recovery of indirect costs in accordance with AWF's negotiated indirect cost rate agreement with USAID. These rates are subject to final determination by USAID six months after the end of each calendar year. AWF's rates have been finalized for the year ended June 30, 2011. For the year ended June 30, 2012, revenue from United Stated 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 Stated government grants and contracts that were active as of June 30, 2012 has been recognized using the actual rate achieved, which is greater than the provisional rate currently approved by USAID. The difference between the revenue recognized under the actual rate versus the provisional rate was not material to these consolidated financial statements. In the opinion of management, adjustments, if any, from the final determination by USAID will not have a material effect on AWF's financial position as of June 30, 2012 or results of operations for the year then ended.

Future Capital Sources

As of June 30, 2012, AWC, through CB1, had received $3,000,000 in commitments from private investors to finance conservation enterprise loans of which $1,140,000 had been drawn down through promissory notes. The outstanding commitments of $1,860,000 represent future capital sources excluded from the accompanying consolidated statement of financial position as such amounts become due only when called and upon the investor's approval of the project.

AWF is an investor in CB1 with a total commitment of $500,000 of which $190,000 had been drawn down as of June 30, 2012. This amount was eliminated in the accompanying consolidated financial statements.

9. Commitments, Contingencies and Risks (continued)

Litigation

AWF is a defendant in an action brought by a group of individuals that claim ownership through adverse possession of a private parcel of land purchased for conservation purposes by AWF in fiscal year 2009. The seller of the land is a co-defendant in the suit, as is the Kenya Wildlife Service, which received the land as a gift from AWF in November 2011. All of the evidence in the case has been provided and all witnesses heard. A parliamentary report was issued on this matter and concluded that the case is without merit. The case is scheduled to continue in September 2012 when the judge will consider a site visit to the property. Once done, the closing statements will be submitted and the case decided. AWF has consulted widely with external counsel and believes the case will be dismissed. Should the case be decided in favor of the plaintiffs, a full refund of the purchase price ($4,083,583) will be due to AWF from the seller.

10. Unrestricted Net Assets

Unrestricted net assets include funds designated by the Board of Trustees to function as endowments in order to support the future endeavors of AWF. As of June 30, 2012, the Board designated endowment funds totaled $19,120,869, of which $17,659,991 is invested.

11. Temporarily Restricted Net Assets

As of June 30, 2012, the temporarily restricted net assets consisted of the following:

Program	***Amount***
Capacity building and education	$ 1,386,815
Africa heartlands	1,104,244
Conservation science	443,123
Conservation enterprise	382,290
Other	279,129
Total	***$3,595,601***

12. Permanently Restricted Net Assets

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

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

13. Endowment Funds

Interpretation of Relevant Law

In January 2008, the District of Columbia enacted §44-1631 "The Uniform Prudent Management of Institutional Funds Act of 2007" (UPMIFA), which AWF has interpreted as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, AWF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, AWF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the fair value of the original gift(s). Deficiencies of this nature are reported as part of unrestricted net assets. As of June 30, 2012, AWF's various donor-restricted endowment funds had total accumulated deficiencies of $143,495, which is the result of unfavorable market fluctuations.

13. Endowment Funds (continued)

Composition of Endowment Funds by Net Asset Category

As of June 30, 2012, AWF's endowment consists of six individual funds established for a variety of purposes, and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. AWF's invested endowment fund breaks out as follows:

	Unrestricted	*Permanently Restricted*	*Total*
Donor restricted funds			
Program restricted (3)	$ (135,506)	$ 2,172,315	$ 2,036,809
General endowment (1)	(7,988)	100,000	92,012
Subtotal donor restricted (4)	*(143,494)*	*2,272,315*	*2,128,821*
Board designated funds			
Program restricted (1)	354,972	-	354,972
General endowment (1)	17,305,019	-	17,305,019
Subtotal board designated (2)	*17,659,991*	-	*17,659,991*
Total endowment funds (6)	***$17,516,497***	***$ 2,272,315***	***$19,788,812***

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.

13. Endowment Funds (continued)

Spending Policy on Donor and Purpose-Restricted Endowment Funds

As of June 30, 2012, AWF's endowment included five individual funds that were either donor-restricted (four funds) or purpose-restricted by the Board of Trustees (one fund). In the absence of specific spending guidelines established by a donor, AWF has a policy to spend five percent of these endowment funds' average beginning invested market values for the prior three fiscal years. However, a fund's spending rate is reduced or eliminated if the resulting invested balance of that fund would fall below the fair value of the original gift(s). In establishing this policy, AWF considered its stated return objective with the intent to, over the long term, allow its endowment funds to grow at or above that of inflation. This is consistent with AWF's objective to maintain the purchasing power of the endowment funds' assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. During the year ended June 30, 2012, no spending payouts were withdrawn from donor-restricted endowment funds, as payouts would have increased the fund deficiencies created by unfavorable market fluctuations.

Spending Policy on Board-Designated General Endowment Fund

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

During the year ended June 30, 2012, $445,100 was withdrawn from the Board-designated endowment for use in operations. This represents 3.4 percent of the beginning invested market value of the fund, and is included in the accompanying consolidated statement of activities as "Payout from Board Designed Reserves".

13. Endowment Funds (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2012

	Unrestricted	***Permanently Restricted***	***Total***
Endowment net assets, beginning	$ 12,967,678	$ 2,272,315	$ 15,239,993
Investment returns:			
Interest and dividends	666,167	-	666,167
Realized losses	(297,506)	-	(297,506)
Unrealized gains	201,323	-	201,323
Investment fees	(145,583)	-	(145,583)
Total investment returns	424,401	-	424,401
Contributions	4,569,518	-	4,569,518
Amounts appropriated for expenditure	*(445,100)*	-	*(445,100)*
Endowment net assets, end	***$ 17,516,497***	***$ 2,272,315***	***$ 19,788,812***

Because of the funds with deficiencies, all investment earnings on permanently restricted funds for the year ended June 30, 2012 were recognized as unrestricted rather than temporarily restricted to reduce the existing accumulated deficiencies which are part of unrestricted net assets.

14. Retirement Plans

Defined contribution plans

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

Supplemental executive retirement plan

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

Retirement expense relating to all retirement plans for the year ended June 30, 2012 totaled $447,869.

15. Allocation of Joint Costs

During the year ended June 30, 2012, AWF incurred joint costs of $957,533 from direct mail campaigns that included both educational materials and fundraising appeals. Of those costs, $537,163 was allocated to fundraising, and $420,370 to education and outreach.

16. Income Taxes

AWF, Inc. is exempt from the payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3), and is not a private foundation. No provision for income taxes was required as of June 30, 2012, as AWF had no unrelated business income.

AWC and CB1 are subject to tax on their net income under the laws of Maurituis. Capital gains from sales of securities are exempt from income tax in Mauritius. As of June 30, 2012, neither AWC nor CB1 had any income tax liability.

AWF performed an evaluation of uncertain tax positions for the year ended June 30, 2012 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, 2012, the statute of limitations for tax years 2009 through 2011 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which AWF files tax returns. It is AWF's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2012, AWF had no accruals for interest and/or penalties.

17. Prior Period Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AWF's financial statements for the year ended June 30, 2011, from which the summarized information was prepared.

18. Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 financial statement presentation.

19. Gift of Conservation Land

In November 2011, AWF granted 17,100 acres of land in the Republic of Kenya worth $4,083,583 to the Kenya Wildlife Service (KWS). KWS is a state corporation established by an Act of the Kenyan Parliament with the mandate to conserve and manage wildlife in Kenya and to enforce related laws and regulations. As a condition of this gift, KWS agreed to manage the land for conservation in perpetuity and consequently established Laikipia National Park.

20. Subsequent Events

AWF's management has evaluated subsequent events through October 19, 2012, the date the consolidated financial statements were available to be issued. There were no subsequent events identified through October 19, 2012 required to be disclosed in these consolidated financial statements.