AFRICAN WILDLIFE FOUNDATION®

Financial Statements

For the Year Ended June 30, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)

and
Report Thereon

AFRICAN WILDLIFE FOUNDATION, INC.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the African Wildlife Foundation, Inc. (AWF) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of AWF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from AWF's 2009 financial statements and, in our report dated September 30, 2009, we expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AWF as of June 30, 2010, 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 22, 2010

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Financial Position
As of June 30, 2010
(With Summarized Financial Information as of June 30, 2009)

	2010	2009
Assets		
Cash and cash equivalents	$ 5,547,843	$ 3,360,805
Investments	12,134,368	10,622,859
Pledges and bequests receivable	5,702,126	8,435,329
Public sector grants receivable	1,587,653	1,094,538
Advances to partners	473,953	783,350
Prepaid expenses and other assets	354,509	800,949
Accounts receivable	383,617	157,847
Loans receivable	477,136	1,124,837
Beneficial interest in perpetual trusts	429,416	347,178
Office rental deposit	28,196	28,943
Conservation land	4,083,583	4,083,583
Property and equipment, net	3,748,722	1,435,820
Total assets	**$ 34,951,122**	**$ 32,276,038**
Liabilities		
Accounts payable and accrued expenses	2,231,708	2,563,966
Refundable advances	3,976,453	1,739,237
Notes payable	2,245,567	2,104,435
Deferred rent and lease incentives	294,245	-
Capital lease obligation	24,665	34,021
Annuities payable	106,233	80,279
Total liabilities	**8,878,871**	**6,521,938**
Net assets		
Unrestricted	16,213,936	13,694,203
Temporarily restricted	7,586,000	9,787,582
Permanently restricted	2,272,315	2,272,315
Total net assets	**26,072,251**	**25,754,100**
Total liabilities and net assets	**$ 34,951,122**	**$ 32,276,038**

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Activities
For the Year Ended June 30, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Operating revenue and support					
Gifts from individuals	$ 4,497,712	$ 1,938,784	$ -	$ 6,436,496	$ 5,224,931
Legacy gifts	842,930	-	-	842,930	1,360,424
Corporate and foundation support	198,137	1,898,763	-	2,096,900	5,515,807
Public sector support	11,040,309	1,585	-	11,041,894	8,582,555
Royalties and other earned income	568,144	184,362	-	752,506	92,645
Payout from endowment funds	-	-	-	-	502,498
In-kind contributions	842,315	-	-	842,315	663,300
Net assets released from program restrictions	6,276,447	(6,276,447)	-	-	-
Total operating revenue and support	**24,265,994**	**(2,252,953)**	**-**	**22,013,041**	**21,942,160**
Operating expenses					
Program services					
Conservation programs	16,324,387	-	-	16,324,387	14,174,224
Education and outreach	2,406,057	-	-	2,406,057	3,221,232
Total program services	*18,730,444*	-	-	*18,730,444*	*17,395,456*
Supporting services					
Finance and administration	1,062,452	-	-	1,062,452	1,262,056
Fundraising	2,115,538	-	-	2,115,538	1,524,764
Total supporting services	*3,177,990*	-	-	*3,177,990*	*2,786,820*
Total operating expenses	**21,908,434**	**-**	**-**	**21,908,434**	**20,182,276**
Change in net assets from operating activities	**2,357,560**	**(2,252,953)**	**-**	**104,607**	**1,759,884**
Non-operating activities					
Investment earnings	74,531	(7,067)	-	67,464	(725,143)
Unrealized gains (losses) from investments	87,642	7,638	-	95,280	(1,541,434)
Unrealized gains (losses) on interest in trusts and annuities	-	50,800	-	50,800	(139,119)
Payout to operations	-	-	-	-	(502,498)
Change in net assets from non-operating activities	**162,173**	**51,371**	**-**	**213,544**	**(2,908,194)**
Change in net assets	**2,519,733**	**(2,201,582)**	**-**	**318,151**	**(1,148,310)**
Net assets, beginning of year, as restated	13,694,203	9,787,582	2,272,315	25,754,100	26,902,410
Net assets, end of year	**$ 16,213,936**	**$ 7,586,000**	**$ 2,272,315**	**$ 26,072,251**	**$ 25,754,100**

AFRICAN WILDLIFE FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)

	Program Services					Supporting Services				
	Conservation Programs	**Program Management**	**Total Conservation Programs**	**Education and Outreach**	**Total Program Services**	**Finance and Administration**	**Fundraising**	**Total Supporting Services**	**2010 Total**	**2009 Total**
Salaries and benefits	$ 4,446,983	$ 1,195,692	$ 5,642,675	$ 452,793	$ 6,095,468	$ 644,045	$ 736,542	$ 1,380,587	$ 7,476,055	$ 6,780,547
Professional fees and construction	3,141,123	78,944	3,220,067	323,166	3,543,233	113,587	358,328	471,915	4,015,148	3,707,715
Travel and meetings	1,510,627	201,879	1,712,506	10,566	1,723,072	35,773	75,697	111,470	1,834,542	2,313,734
Partner expenses	1,493,966	51,023	1,544,989	-	1,544,989	-	-	-	1,544,989	1,239,997
Supplies	909,732	65,274	975,006	19,193	994,199	35,348	11,735	47,083	1,041,282	795,408
Printing	56,434	10,287	66,721	370,984	437,705	985	356,187	357,172	794,877	680,589
Occupancy, maintenance and utilities	244,135	63,436	307,571	-	307,571	325,717	3,224	328,941	636,512	657,285
Vehicle operations and related depreciation	530,498	25,255	555,753	901	556,654	1,344	1,556	2,900	559,554	547,114
Postage and delivery	22,098	11,296	33,394	185,526	218,920	3,346	243,155	246,501	465,421	505,797
Equipment rental and maintenance	118,705	38,628	157,333	11,631	168,964	78,423	5,119	83,542	252,506	456,152
Workshops	531,569	52,240	583,809	28,300	612,109	3,477	127,042	130,519	742,628	347,970
Scholarships and training	322,576	25,090	347,666	2,483	350,149	-	6,250	6,250	356,399	336,636
Communications	202,991	93,111	296,102	1,045	297,147	36,940	1,663	38,603	335,750	332,731
Administrative costs	250,624	96,700	347,324	4,056	351,380	72,709	55,083	127,792	479,172	366,199
Depreciation and amortization	-	33,600	33,600	57,082	90,682	94,714	-	94,714	185,396	165,152
Promotions and advertising	15,961	1,999	17,960	52,275	70,235	335	90,989	91,324	161,559	132,368
Membership dues	8,155	33,732	41,887	1,993	43,880	5,969	1,828	7,797	51,677	63,233
Exchange rate fluctuations	70,915	61,737	132,652	-	132,652	-	-	-	132,652	90,349
In-kind expenses	-	-	-	838,759	838,759	2,250	1,306	3,556	842,315	663,300
Total direct expenses	**13,877,092**	**2,139,923**	**16,017,015**	**2,360,753**	**18,377,768**	**1,454,962**	**2,075,704**	**3,530,666**	**21,908,434**	**20,182,276**
Allocation of facilities expenses	*266,306*	*41,066*	*307,372*	*45,304*	*352,676*	*(392,510)*	*39,834*	*(352,676)*	-	-
Total	**$ 14,143,398**	**$ 2,180,989**	**$ 16,324,387**	**$ 2,406,057**	**$ 18,730,444**	**$ 1,062,452**	**$ 2,115,538**	**$ 3,177,990**	**$ 21,908,434**	**$ 20,182,276**

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Cash Flows
For the Year Ended June 30, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)

	2010	2009
Cash flow from operating activities		
Change in net assets	$ 318,151	$ (1,148,310)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	244,132	165,152
Lease incentive amortization	2,672	-
Provision for doubtful pledges and bequests receivable	(156,576)	(8,065)
Provision for doubtful loans receivable	8,495	10,390
Donated stock	(2,329,526)	(385,154)
Realized (gains) losses on sales of investments	(812)	886,158
Unrealized (gains) losses on investments	(95,280)	1,541,434
Unrealized (gains) losses on beneficial interest in perpetual trusts	(82,238)	139,119
Changes in assets and liabilities:		
Pledges and bequests receivable	2,889,779	318,274
Public sector grants receivable	(493,115)	(481,226)
Advances to partners	309,397	(535,430)
Prepaid expenses and other assets	446,440	(299,483)
Accounts receivable	(225,770)	80,540
Office rental deposit	747	(2,749)
Accounts payable and accrued expenses	(332,258)	1,323,065
Refundable advances	2,237,216	387,791
Deferred rent and lease incentives	291,573	-
Annuities payable	25,954	(6,540)
Net cash provided by operating activities	**3,058,981**	**1,984,966**
Cash flows from investing activities		
Purchases of property and equipment	(2,557,034)	(301,569)
Purchase of conservation land	-	(4,083,583)
Sales of investments	20,217,291	12,662,851
Purchases of investments	(19,303,182)	(12,685,764)
Issuance of loans receivable	-	(986,893)
Retirement of loans receivable	639,206	-
Net cash used in investing activities	**(1,003,719)**	**(5,394,958)**
Cash flows from financing activities		
Principal payments on capital lease obligation	(9,356)	(10,207)
Principal payments on debt	(96,555)	(758,998)
Proceeds received from issuance of debt	237,687	2,863,433
Net cash provided by financing activities	**131,776**	**2,094,228**
Net increase (decrease) in cash and cash equivalents	**2,187,038**	**(1,315,764)**
Cash and cash equivalents, at beginning of year	3,360,805	4,676,569
Cash and cash equivalents, at end of year	**$ 5,547,843**	**$ 3,360,805**
Supplemental cash flow information: Donated Stock	*$ 2,329,526*	*$ 385,154*

1. Organization

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

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents held in certain board-designated investment reserves are considered investments as such amounts are not used for general operating purposes.

Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities which are measured at fair value on a recurring basis, as of and for the year ended June 30, 2010, 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.

Continued

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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, 2010, only AWF's investments, as described in Note 4 of these financial statements, were measured at fair value on a recurring basis.

Investments

Investments consist of money market funds, equity mutual funds, fixed income mutual funds, commodity mutual funds, credit/hybrid mutual funds, and a portfolio hedge program fund. Quoted market prices are used to value marketable debt and equity securities. The estimated fair value for AWF's investment in a portfolio hedge program fund is provided by the external investment manager, and is based on historical cost, current market values of marketable securities within the fund, appraisals, obtainable prices for similar assets, or other estimates. Any resulting increase or decrease in the fair value of investments is reflected in the statement of activities under non-operating activities.

Conservation Land

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

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. AWF purchases property and equipment under certain of its grants for use in its foreign field offices. Under the terms of these grant agreements, 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.

Continued

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

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

Temporarily restricted net assets represent amounts that are specifically restricted by the donor for specific programs or are time restricted based upon the payment schedule of the related promises to give.

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

Revenue Recognition

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

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

Gifts and contributions not designated for specific purposes by the donor are recorded as unrestricted revenue when received.

Continued

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

In-kind contributions reflect goods and services donated to AWF and are recorded at their estimated fair market value as of the date of the gift. In-kind contributions recorded relate to an ongoing advertising campaign and are classified within AWF's public education program.

Functional Allocation of Expenses

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

Transactions in Foreign Currencies

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

Advances to Partners

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

Estimates

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

Continued

2. Summary of Significant Accounting Policies (continued)

Measure of Operations

In its statement of activities, AWF includes in its definition of operations all revenues that are an integral part of its programs and supporting activities. Investment income, including realized and unrealized gains and losses, earned in excess of AWF's aggregate authorized payout to operations 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, 2010, $3,935,389 of AWF's cash and cash equivalents balance as reported in the accompanying statement of financial position is restricted as required in the terms of these agreements.

4. Investments

AWF's investments as of June 30, 2010 were comprised of the following:

	Cost	Market
Equity mutual funds	$ 5,786,765	$ 5,209,161
Money market funds	3,154,660	3,154,660
Credit/hybrid mutual funds	1,475,894	1,490,628
Fixed income mutual funds	1,266,259	1,302,641
Commodity mutual funds	791,134	789,895
Portfolio hedge program fund	194,000	187,383
Total	$12,668,712	$12,134,368

4. Investments (continued)

AWF has used the following fair value measurements as of June 30, 2010:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	$5,209,161	$5,209,161	$ -	$ -
Money market funds	3,154,660	3,154,660	-	-
Credit/hybrid mutual funds	1,490,628	1,490,628	-	-
Fixed income mutual funds	1,302,641	1,302,641	-	-
Commodity mutual funds	789,895	789,895	-	-
Portfolio hedge program fund	187,383	-	187,383	-
Total	$12,134,368	$11,946,985	$ 187,383	$ -

Money market funds and mutual funds—Where quoted prices are available in an active market, investments and other assets are classified within Level 1 of the valuation hierarchy. Level 1 investments include money market funds and publicly traded mutual funds that invest in domestic and international equity and fixed income funds.

Investment in portfolio hedge program fund— If quoted market prices in an active market are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

4. Investments (continued)

Investment income, including $5,482 of interest earnings on cash and cash equivalents, for the year ended June 30, 2010 was comprised of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrealized losses	$ 87,642	$ 7,638	$ -	$ 95,280
Interest and dividends	95,902	2,623	-	98,525
Realized gains (losses)	2,176	(1,364)	-	812
Investment fees	(23,547)	(8,326)	-	(31,873)
Investment earnings	74,531	(7,067)	-	67,464
Total investment income	$ 162,173	$ 571	$ -	$ 162,744

5. Pledges and Bequest Receivable

As of June 30, 2010, pledges and bequest receivable consist of $6,370,200 in pledges and $25,000 in bequests and are promised as follows:

	Amount
Due in less than one year	$ 3,217,629
Due in one to five years	2,519,824
Due in more than five years	657,747
Subtotal	6,395,200
Less: Discount of pledges and bequests (5%)	(373,314)
Less: Allowance for uncollectible pledges and bequests	(319,760)
Total pledges and bequests receivable	$ 5,702,126

Continued

6. Property and Equipment and Accumulated Depreciation and Amortization

AWF held the following property and equipment as of June 30, 2010:

	Amount
Buildings and leasehold improvements	$ 1,709,656
Land	961,961
Software	654,855
Furniture and equipment	639,291
Vehicles	327,186
Total property and equipment	4,292,949
Less: Accumulated depreciation	(544,227)
Property and equipment, net	$ 3,748,722

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

7. Loans Receivable

As of June 30, 2010, there are two outstanding loans for $371,404 and $200,000 are due to be received as follows:

	Amount
Principal due within one year	$ 72,764
Principal due in one to five years	393,496
Principal due in more than five years	105,144
Subtotal	571,404
Less: Allowance for uncollectible loans receivable	(94,268)
Total loans receivable	$ 477,136

Continued

8. Beneficial Interest in Perpetual Trusts

AWF is the beneficiary of perpetual trusts administered by third parties where the investments are held by AWF. The present value of the estimated future cash flows (as measured by the fair value of the underlying investments) was recognized as an asset and contribution revenue at the date the trusts were established. Distributions of annual earnings of the trusts are recorded as investment income.

The beneficial interest in perpetual trust is $429,416 as of June 30, 2010. AWF re-measures its beneficial interest on a monthly basis. The resulting adjustment (gain/loss) is included in the statement of activities as temporarily restricted unrealized gains (losses) on interest in trusts and annuities and totaled a gain of $82,238 for the year ended June 30, 2010.

9. Notes Payable

Notes payable consisted of the following as of June 30, 2010:

	Current Maturities	Long-Term Debt
Loan from the Nature Conservancy's Land Purchase Fund in the original principal amount of $2,253,433, secured by a portion of AWF's investments. Interest is due annually at a rate of 5%, with the principal due in a balloon payment August 4, 2011.	$ -	$ 1,815,638
Unsecured term loan issued by Bank of America in the original principal amount of $305,000. Payments are due in monthly installments based on an interest rate of 4.7%, with full repayment by March 31, 2012.	101,262	90,980
Unsecured line of credit issued by Bank of America with a limit of up to $500,000. Interest payments are due monthly based on the lesser of an interest rate of 1.75% over the U.S. Prime rate of lending or 5.00%. The maturity date of the line of credit is January 9, 2011.	237,687	-
Total notes payable	$ 338,949	$ 1,906,618

Continued

10. Annuities Payable

AWF administers twelve gift annuities with a total face value of $173,000. In return, AWF has agreed to pay the donors annual annuities totaling $13,974.

At June 30, 2010, the present value of all annuities is $106,233 of which $8,281 is a current liability and $97,952 is a long-term liability. Periodically, AWF re-measures its gift annuities at fair value. The resulting adjustment (gain/loss) is included in the statement of activities as temporarily restricted unrealized gains (losses) on interest in trusts and annuities, and totaled a loss of $31,438 for the year ended June 30, 2010.

11. Commitments, Contingencies and Risks

Concentration of Credit Risk

AWF's cash is held in accounts at various domestic and foreign financial institutions. Amounts held in foreign accounts and balances held in domestic accounts that exceed the FDIC insurable limit are uninsured. AWF has never experienced nor does management anticipate any losses on its funds. As of June 30, 2010 uninsured amounts totaled $5,123,272.

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, 2017. The Washington, DC lease provides for rent adjustments based on increases in real estate taxes and operating expenses, increases in the base rent of 3% per year and three months rental abatement. The lease also provided for an allowance of up to $227,150 for building improvements and furniture as an incentive to enter into the lease. Under accounting principles generally accepted in the United States of America, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying statement of financial position.

Continued

11. Commitments, Contingencies and Risks (continued)

Lease Commitments (continued)

As of June 30, 2010, the future minimum rental payments required under the office leases are as follows:

Year Ended June 30,	Amount
2011	$ 312,345
2012	297,017
2013	294,628
2014	303,467
2015	321,948
Thereafter	699,715
Total	$ 2,229,120

Total rent expense under all these office leases for the year ended June 30, 2010 was $562,923.

OMB Circular A-133

AWF has instructed its independent auditors to audit its Federal programs for the year ended June 30, 2010 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 2010 will not have a material effect on the financial position of AWF.

Litigation

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

Continued

11. Commitments, Contingencies and Risks (continued)

Provisional Indirect Cost Rates

Billings under cost reimbursable United States government grants and contracts are calculated using provisional rates that permit recovery of indirect costs in accordance with AWF's negotiated indirect cost rate agreement with USAID. These rates are subject to final determination by USAID six months after the end of each calendar year. AWF's rate has been finalized for the year ended June 30, 2009. 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, 2010 or results of operations for the year then ended.

12. 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, 2010, the Board designated endowment funds totaled $10,568,876, of which $10,201,093 is invested.

13. Temporarily Restricted Net Assets

As of June 30, 2010, temporarily restricted net assets consisted of the following:

	Amount
Land and ecosystems	$ 3,812,067
Conservation enterprise	615,318
Capacity building and education	1,086,495
Conservation Science	683,018
Time restricted for fiscal year 2011	104,175
Headquarters construction	439,259
Other	845,668
Total	$ 7,586,000

Continued

14. Permanently Restricted Net Assets

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

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

15. Prior Period Adjustment

During fiscal year 2009 an error was made in accounting for a pledge payment. As a result, AWF recorded a prior period adjustment to correct this error. The effect of this restatement was to decrease temporarily restricted net assets and decrease pledges and bequests receivable by $300,032 as of June 30, 2009. The effect on the change in net assets for the year ended June 30, 2009 was a decrease of $300,032.

16. 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, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Continued

16. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

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

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, 2010, AWF's various donor-restricted endowment funds had total accumulated deficiencies of $417,569, which is the result of unfavorable market fluctuations.

Composition of Endowment Funds by Net Asset Category

As of June 30, 2010, AWF's endowment consists of six individual funds established for a variety of purposes, and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. AWF's invested endowment funds break out as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted funds:			
Program restricted (3)	$ (397,736)	$ 2,172,315	$ 1,774,579
General endowment (1)	(19,833)	100,000	80,167
Subtotal donor-restricted funds:	*(417,569)*	*2,272,315*	*1,854,746*
Board-designated funds:			
Program restricted (1)	309,271	-	309,271
General endowment (1)	10,259,605	-	10,259,605
Subtotal Board-designated funds:	*10,568,876*	-	*10,568,876*
Total endowment funds:	$10,151,307	$ 2,272,315	$12,423,622

Continued

16. Endowment Funds (continued)

Return Objectives and Risk Parameters and Strategies Employed in Achieving Objectives

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.

AWF generally targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. During the year ended June 30, 2010 AWF's Board of Trustees temporarily altered its investment strategy toward preservation of capital in response to the extreme volatility present in the capital markets.

Spending Policy on Donor and Purpose-Restricted Endowment Funds

As of June 30, 2010, AWF's endowment included four individuals funds that were either donor-restricted (four funds) or purpose-restricted by the Board of Trustees (two funds). In the absence of specific spending guidelines established by a donor, AWF has a policy to spend five percent of these endowment funds' average beginning invested market values for the prior three fiscal years. However, a fund's spending rate is reduced or eliminated if the resulting invested balance of that fund would fall below the fair value of the original gift(s). In establishing this policy, AWF considered its stated return objective with the intent to, over the long term, allow its endowment funds to grow at or above that of inflation. This is consistent with the organization'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, 2010, no spending payouts were withdrawn from endowment funds that were either donor-restricted or purpose-restricted by the Board of Trustees, as payouts would have increased the fund deficiencies created by recent unfavorable market fluctuations.

Continued

16. Endowment Funds (continued)

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

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, 2010, no spending payouts were withdrawn from the Board-designated endowment for use in operations.

Changes in Endowment Net Assets for the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 9,103,463	$ -	$2,272,315	$11,375,778
Investment returns:				
Interest and dividends	72,625	26,041	-	98,666
Realized gains	1,890	-	-	1,890
Unrealized gains	49,847	37,794	-	87,641
Contributions	859,647	-		859,647
Amounts appropriated for expenditure	63,835	(63,835)	-	-
Total change in endowment funds	$ 10,151,307	$ -	$2,272,315	$12,423,622

Continued

17. Retirement Plan

AWF has a retirement savings plan under Internal Revenue Code Section 401(k) that covers all Washington, DC based salaried employees. AWF's Africa-based employees participate in a separate retirement savings plan located outside the United States. In both plans, employees are eligible to participate in the plan immediately upon hire. All salaried Washington-based employees are fully vested in all employer contributions upon entering the plan. During the year ended June 30, 2009, AWF made a discretionary contribution of 6% of each participant's eligible compensation to the Plan. Retirement expense relating to all retirement plans for the year ended June 30, 2010 total $474,608.

18. Allocation of Joint Costs

During the year ended June 30, 2010, AWF incurred joint costs of $1,804,241 from direct mail campaigns that included both educational materials and fundraising appeals. Of those costs, $1,052,798 was allocated to fundraising expenses, $751,443 to education and outreach.

19. Income Taxes

AWF is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. No provision for income taxes is required as of June 30, 2010, as AWF had no net unrelated business income.

Effective January 1, 2009, AWF adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. AWF performed an evaluation of uncertain tax positions for the year ended June 30, 2010 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on the tax-exempt status of AWF. As of June 30, 2010, the statute of limitations for tax years 2007 through 2009 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, 2010, AWF had no accruals for interest and/or penalties.

Continued

20. 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, 2009, from which the summarized information was prepared.

21. Reclassifications

Certain 2009 amounts have been reclassified to conform with the 2010 financial statement presentation.

22. Subsequent Events

AWF's management has evaluated subsequent events through October 22, 2010, the date the financial statements were available to be issued. There were no subsequent events identified required to be disclosed in these financial statements through October 22, 2010.