AFRICAN WILDLIFE FOUNDATION®

Financial Statements

For the Year Ended June 30, 2008
(With Summarized Financial Information for the Year Ended June 30, 2007)

and
Report Thereon

AFRICAN WILDLIFE FOUNDATION, INC.

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RAFFA

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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, 2008, 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 2007 financial statements and, in our report dated September 18, 2007, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, 2008, 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
September 11, 2008

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Financial Position

As of June 30, 2008

(With Summarized Financial Information as of June 30, 2007)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents (note 2)	$ 4,676,569	$ 1,639,411
Investments (note 3)	12,642,384	11,107,612
Accounts receivable	238,387	214,183
Loan receivable	148,334	-
Public sector grants receivable	613,312	714,853
Pledges and bequests receivable (note 4)	3,988,398	2,629,951
Advances to partners	247,920	135,921
Prepaid expenses	501,465	156,613
	23,056,769	*16,598,544*
Non-current assets		
Pledges and bequests receivable, non-current portion (note 4)	4,757,140	1,457,191
Property and equipment, net (note 5)	1,299,404	418,996
Office rental deposit	26,194	25,703
Beneficial interest in perpetual trusts (note 6)	486,297	509,903
	6,569,035	*2,411,793*
Total assets	**$ 29,625,804**	**$ 19,010,337**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 1,240,901	$ 471,201
Refundable advances	1,351,446	696,349
Capital lease obligation, current portion (note 7)	10,206	-
Annuities payable, current portion (note 8)	6,797	9,015
	2,609,350	*1,176,565*
Non-current liabilities		
Capital lease obligation, non-current portion (note 7)	34,022	-
Annuities payable, non-current portion (note 8)	80,022	81,149
	114,044	*81,149*
Total liabilities	**2,723,394**	**1,257,714**
Commitment, contingencies and risks (note 9)		
Net assets		
Unrestricted (note 11)	12,842,143	12,452,334
Temporarily restricted (note 12)	11,787,952	3,027,974
Permanently restricted (note 13)	2,272,315	2,272,315
Total net assets	**26,902,410**	**17,752,623**
Total liabilities and net assets	**$ 29,625,804**	**$ 19,010,337**

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

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Activities

For the Year Ended June 30, 2008

(With Summarized Financial Information for the Year Ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
Operating revenue and support					
Gifts from individuals	$ 5,378,571	$ 7,558,130	$ -	$ 12,936,701	$ 7,906,558
Legacy gifts	1,485,243	5,369	-	1,490,612	1,807,454
Corporate and foundation support	52,802	5,669,939	-	5,722,741	2,619,033
Public sector support	7,397,453	469,020	-	7,866,473	5,996,351
Royalties and other earned income	80,734	-	-	80,734	146,176
Payout from invested reserves	573,765	-	-	573,765	329,511
In-kind contributions	3,284,100	-	-	3,284,100	317,584
Net assets released from program restrictions	4,800,833	(4,800,833)	-	-	-
Total operating revenue and support	**23,053,501**	**8,901,625**	**-**	**31,955,126**	**19,122,667**
Operating expenses					
Program services					
Conservation programs	12,506,800	-	-	12,506,800	11,828,940
Public education	5,183,930	-	-	5,183,930	1,447,760
Membership programs	892,200	-	-	892,200	1,370,887
Total program services	*18,582,930*	-	-	*18,582,930*	*14,647,587*
Supporting services					
Finance and administration	1,199,454	-	-	1,199,454	1,166,675
Fundraising	1,885,111	-	-	1,885,111	1,702,070
Total supporting services	*3,084,565*	-	-	*3,084,565*	*2,868,745*
Total operating expenses	**21,667,495**	**-**	**-**	**21,667,495**	**17,516,332**
Change in net assets from operating activities	**1,386,006**	**8,901,625**	**-**	**10,287,631**	**1,606,335**
Non-operating activities					
Investment earnings	738,911	254,189	-	993,100	313,760
Unrealized gains (losses) from investments	(1,141,343)	(372,230)	-	(1,513,573)	976,568
Unrealized gains (losses) on beneficial interest in perpetual trusts	-	(23,606)	-	(23,606)	45,818
Realized loss on sale of real estate	(20,000)	-	-	(20,000)	-
Payout to operations	(573,765)	-	-	(573,765)	(329,511)
Change in net assets from non-operating activities	**(996,197)**	**(141,647)**	**-**	**(1,137,844)**	**1,006,635**
Change in net assets	**389,809**	**8,759,978**	**-**	**9,149,787**	**2,612,970**
Net assets, beginning of year	12,452,334	3,027,974	2,272,315	17,752,623	15,139,653
Net assets, end of year	**$ 12,842,143**	**$ 11,787,952**	**$ 2,272,315**	**$ 26,902,410**	**$ 17,752,623**

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

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2008

(With Summarized Financial Information for the Year Ended June 30, 2007)

	Program Services						Supporting Services				
	Conservation Programs	**Program Management**	**Total Conservation Programs**	**Public Education**	**Membership Programs**	**Total Program Services**	**Finance and Administration**	**Fundraising**	**Total Supporting Services**	**2008 Total**	**2007 Total**
Salaries and benefits	$ 4,209,502	$ 713,732	$ 4,923,234	$ 472,881	$ 105,643	$ 5,501,758	$ 852,045	$ 980,409	$ 1,832,454	$ 7,334,212	$ 6,532,755
Professional fees and construction	1,901,342	60,581	1,961,923	315,581	227,625	2,505,129	130,985	224,671	355,656	2,860,785	3,245,665
Travel and meetings	1,248,606	283,502	1,532,108	167,081	469	1,699,658	20,131	65,655	85,786	1,785,444	1,649,310
Partner expenses	828,455	2,500	830,955	137,509	-	968,464	-	-	-	968,464	803,281
Printing	55,796	6,697	62,493	123,627	277,685	463,805	5,337	298,684	304,021	767,826	827,704
Vehicle operations	541,584	50,615	592,199	81,659	-	673,858	474	1,880	2,354	676,212	721,547
Occupancy, maintenance and utilities	266,952	91,567	358,519	4,213	-	362,732	268,753	1,194	269,947	632,679	507,173
Supplies	480,204	21,193	501,397	19,483	26,881	547,761	29,785	28,704	58,489	606,250	551,447
Postage and delivery	24,225	6,841	31,066	38,860	211,974	281,900	3,515	196,443	199,958	481,858	645,348
Equipment rental and maintenance	262,944	52,016	314,960	28,695	-	343,655	41,835	844	42,679	386,334	347,649
Scholarships and training	77,165	2,658	79,823	261,796	-	341,619	8,775	998	9,773	351,392	197,117
Communications	234,055	68,062	302,117	12,889	-	315,006	30,611	2,201	32,812	347,818	248,537
Workshops	296,745	2,024	298,769	40,052	904	339,725	5,000	1,032	6,032	345,757	222,853
Miscellaneous	175,441	23,771	199,212	21,444	173	220,829	15,133	17,648	32,781	253,610	130,560
Administrative costs	91,534	32,256	123,790	12,071	1,555	137,416	22,184	20,477	42,661	180,077	136,137
Depreciation	-	53,234	53,234	42,680	-	95,914	27,451	-	27,451	123,365	69,309
Promotions and advertising	18,371	3,196	21,567	40,516	26,821	88,904	8,422	15,682	24,104	113,008	236,926
Membership dues	68,038	7,821	75,859	8,882	438	85,179	4,881	3,166	8,047	93,226	68,420
Exchange rate fluctuations	81,542	(6,637)	74,905	-	-	74,905	173	-	173	75,078	57,010
In-kind expenses	-	-	-	3,284,100	-	3,284,100	-	-	-	3,284,100	317,584
Total direct expenses	**10,862,501**	**1,475,629**	**12,338,130**	**5,114,019**	**880,168**	**18,332,317**	**1,475,490**	**1,859,688**	**3,335,178**	**21,667,495**	**17,516,332**
Allocation of facilities expenses	*148,495*	*20,175*	*168,670*	*69,911*	*12,032*	*250,613*	*(276,036)*	*25,423*	*(250,613)*	-	-
Total expenses	**$ 11,010,996**	**$ 1,495,804**	**$ 12,506,800**	**$ 5,183,930**	**$ 892,200**	**$ 18,582,930**	**$ 1,199,454**	**$ 1,885,111**	**$ 3,084,565**	**$ 21,667,495**	**$ 17,516,332**

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

AFRICAN WILDLIFE FOUNDATION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2008

(With Comparative Financial Information for the Year Ended June 30, 2007)

Increase (Decrease) in Cash and Cash Equivalents

	2008	2007
Cash flow from operating activities		
Change in net assets	$ 9,149,787	$ 2,612,970
Adjustments to reconcile change in net assets to net cash		
Provided by operating activities		
Depreciation and amortization	113,008	69,309
Bad debt expense on pledges and bequests	350,090	48,000
Bad debt expense on loans receivable	9,684	-
Donated stock	(1,763,715)	(1,279,550)
Realized gains on sales of investments	(577,754)	(2,999)
Realized losses on sales of real estate	20,000	-
Unrealized losses (gains) on investments	1,513,573	(976,568)
Unrealized losses (gains) on beneficial interest in perpetual trusts	23,606	(45,818)
Contributions restricted for long-term investment	-	(1,414,134)
Changes in assets and liabilities		
Accounts receivable	(24,204)	(31,707)
Public sector grants receivable	101,541	485,559
Pledges and bequests receivable	(5,008,486)	121,097
Advances to partners	(111,999)	285,999
Prepaid expenses	(344,852)	383,659
Office rental deposit	(491)	(10,352)
Accounts payable and accrued expenses	769,700	(33,751)
Refundable advances	655,097	147,484
Annuities payable	(3,345)	443
Net cash provided by operating activities	**4,851,240**	**359,641**
Cash flow from investing activities		
Proceeds from sales of property and equipment	140,451	-
Purchases of property and equipment	(1,082,835)	(384,632)
Proceeds from sales of investments	4,967,812	1,318,864
Purchases of investments	(5,674,688)	(2,853,482)
Issuance of loans receivable	(158,018)	-
Principal payments of capital lease obligations	(6,804)	-
Net cash used in investing activities	**(1,814,082)**	**(1,919,250)**
Cash flows from financing activities		
Contributions restricted for long-term investments	-	1,414,134
Net cash provided by financing activities	**-**	**1,414,134**
Net increase (decrease) in cash and cash equivalents	**3,037,158**	**(145,475)**
Cash and cash equivalents, at beginning of year	1,639,411	1,784,886
Cash and cash equivalents, at end of year	**$ 4,676,569**	**$ 1,639,411**
Supplemental cash flow information		
Donated stock	**$ 1,763,715**	**$ 1,279,550**
Noncash investing and financing activities		
Equipment acquired under capital lease	$ 51,032	$ -
Capital lease obligation	(51,032)	-
Total noncash investing and financing activities	$ -	$ -

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

1. Organization and Summary of Significant Accounting Policies

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 conversation organization headquartered in Nairobi, Kenya, and incorporated in the United States in Washington, DC.

Cash and Cash Equivalents

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

Investments

Investments consist of money market funds, equities, fixed income securities, and an investment in a limited partnership. Investments are reflected in the financial statements at fair value. Quoted market prices are used to value marketable debt and equity securities. The estimated fair value for AWF's investment in a limited partnership, which is subject to certain withdrawal restrictions, is provided by the general partner and external investment manager and are based on historical cost, appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of valuation for AWF's investment in the partnership and in certain of the underlying investments held by the partnership, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period and any resulting increase or decrease in the fair value of investments is reflected in the statement of activities and change in net assets under non-operating activities.

Property and Equipment and Depreciation

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. Accordingly, AWF expenses such purchases in the period they are incurred. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

Unrestricted net assets include unrestricted revenue and contributions 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 public sector grants receivable on 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.

Consistent with generally accepted accounting principles in the United States of America, public sector revenue excludes grant commitments and obligations not expended by AWF within the current fiscal year. These unrecorded grant commitments and obligations, if implemented consistent with the written intention of the related public sector donors, will represent a material pipeline of funding for AWF's programs in future years.

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.

In-Kind Contributions

In-kind contributions reflect goods and services items 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.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the 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 subcontractors 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.

Measure of Operations

In its statement of activities, AWF includes in its definition of operations all revenues that are an integral part of its programs and supporting activities. Investment income, including realized and unrealized gains and losses, earned in excess of AWF's aggregate authorized payout to operations are recognized as non-operating activities.

Continued

2. 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, 2008, $1,143,508 of AWF's cash balance as reported in the accompanying statement of financial position is restricted as required in the terms of these agreements.

3. Investments

AWF's investments as of June 30, 2008 were comprised of the following:

	Cost	Market
Equity mutual funds	$ 5,052,412	$ 5,419,280
Fixed income mutual funds	2,866,021	2,785,509
Alternative investment	850,000	1,485,008
Money market funds	2,952,587	2,952,587
Total	$ 11,721,020	$ 12,642,384

AWF's alternative investment consists of a limited partnership with the principal objective of achieving maximum capital appreciation while minimizing volatility. The limited partnership allows AWF the opportunity to invest in foreign and domestic investment managed accounts, partnerships and other entities, which in turn, invest in U.S. and foreign securities and derivatives. Additionally, the limited partnership invests with hedge fund managers who enter into short/long transactions, option contracts, future contracts, forward contracts and swap contracts. As part of their risk management and control procedures, the partnership may hold derivatives and certain other financial instruments to hedge or manage risks associated with foreign currency fluctuations, interest rate changes, commodity price fluctuations and equity market movements.

Because the liability associated with these financial investments has the potential to exceed the amount that the partnership recognizes as a liability in the statement of financial position, off-balance sheet risk exists. Future confirming events will also affect the estimates of fair value, including the ultimate liquidation of the investments.

Continued

3. Investments (continued)

Investment income, including $59,577 of interest earnings on cash and cash equivalents, for the year ended June 30, 2008 was comprised of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrealized losses	$ (1,141,343)	$ (372,230)	$ -	$ (1,513,573)
Interest and dividends	336,798	116,275	-	453,073
Realized gains	431,983	145,771	-	577,754
Investment fees	(29,869)	(7,857)	-	(37,726)
Investment earnings	738,912	254,189	-	993,100
Total investment income	$ (402,431)	$ (118,041)	$ -	$ (520,473)

4. Pledges and Bequests Receivable

As of June 30, 2008, pledges and bequests receivable consist of $9,607,485 in pledges and $80,526 in bequests and are promised as follows:

Due in less than one year	$ 3,988,398
Due in one to five years	5,499,613
Due in more than five years	200,000
Subtotal	9,688,011
Less: Discount of pledges and bequests	(458,072)
Less: Allowance for uncollectible pledges and bequests	(484,401)
Total pledges and bequests receivable	$ 8,745,538

5. Property and Equipment and Accumulated Depreciation

AWF held the following property and equipment as of June 30, 2008:

Property and equipment	$ 845,455
Land and building	950,470
Total property and equipment	1,795,925
Less: Accumulated depreciation	(496,521)
Property and equipment, net	$ 1,299,404

6. Beneficial Interest in Perpetual Trusts

AWF is the beneficiary of perpetual trusts held and administered by third parties. The present value of the estimated future cash flows (as measured by the fair value of the underlying investment) 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 $486,267 as of June 30, 2008. Periodically, AWF re-measures its beneficial interest at fair value. The resulting adjustment is included on the statement of activities as temporarily restricted unrealized losses on perpetual trusts and totaled $23,606 for the year ended June 30, 2008.

7. Capital Lease Obligation

AWF has entered into a non-cancellable capital leases relating to office equipment that expires December 2012. The leased equipment is included in property and equipment at a cost of $51,032 with accumulated amortization of $6,991 as of June 30, 2008. The future minimum lease payments required for these capital leases at June 30, 2008 are as follows:

Year Ended June 30,	
2009	$ 10,206
2010	10,206
2011	10,206
2012	10,206
2013	3,404
Total	$ 44,228

8. Annuities Payable

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

At June 30, 2008, the present value of all annuities is $86,819 of which $6,797 is a current liability and $80,022 is a long-term liability as included in the statement of financial position.

9. Commitments, Contingencies and Risks

Concentration of Credit Risk

AWF's cash is held in accounts at various domestic and foreign financial institutions. Amounts held in foreign accounts and balances held in domestic accounts that exceed the FDIC insurable limit are uninsured. AWF has never experienced nor anticipates any losses on its funds. As of June 30, 2008 uninsured amounts totaled $2,617,397.

Continued

9. Commitments, Contingencies and Risk (continued)

Foreign Operations

AWF 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 a noncancelable operating lease for its Washington office as well as its offices throughout Africa through June 2010. The Washington annual base rent is adjusted annually for increases in the Consumer Price Index. As of June 30, 2008, the future minimum rental payments required under the lease are as follows:

Year Ended June 30,	
2009	$ 411,467
2010	360,238
2011	58,843
2012	6,753
Total	$ 837,301

Total rent expense for the year ended June 30, 2008 is $530,523.

Loan Commitment

In May 2008, AWF committed to loan up to 22,400,000 Kenya Shillings ($361,524) to a conservation livestock venture located in its Samburu Heartland, Kenya. The terms of this loan allow the conversation livestock venture to draw funds up to the ceiling amount with thirty days notice. The loan carries a four percent interest rate and an initial two year repayment holiday. All funds under this loan commitment must be repaid within ten years of the signature date.

Land Purchase Commitment

In May 2008, AWF entered into a purchase agreement totaling $4,083,582 with the purpose of acquiring a 17,100 acre tract of land in AWF's Samburu Heartland, Kenya. The terms of this agreement required that AWF place in escrow a deposit of $204,179, and fixed the closing date of the transaction to be no later than November 2008.

OMB Circular A-133

AWF has instructed its independent auditors to audit its Federal programs for the year ended June 30, 2008 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 2008 will not have a material effect on the financial position of AWF.

9. Commitments, Contingencies and Risk (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 rates have been finalized for the year ended June 30, 2007, however USAID has not yet finalized indirect cost recovery rates for the years ended June 30, 2008. 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, 2008 or results of operations for the year then ended.

10. Unrestricted Net Assets

Unrestricted net assets include an operating reserve intended to fund the future endeavors of AWF. The Board of Trustees has stipulated that all unrestricted legacy gifts received by AWF be directed into this operating reserve, and be invested upon receipt. As of June 30, 2008, the operating reserve totals $10,543,068, of which $10,302,076 is invested, $121,016 is receivable on pledges and bequests, and $119,976 is intentionally withheld.

The Board has approved a policy for an annual earnings payout from the invested operating reserve, equal to seven percent of the beginning market value of the invested operating reserve. The payout of $573,765 for the year ended June 30, 2008 is included in the statement of activities as payout from invested reserves.

11. Temporarily Restricted Net Assets

As of June 30, 2008, the temporarily restricted net assets were for the support of the conservation program and consisted of the following:

African Heartlands	$ 5,065,971
Conservation enterprise	3,267,815
Capacity building and education	1,805,391
Species conservation	504,965
Other	1,143,810
Total	$ 11,787,952

Continued

12. Permanently Restricted Net Assets

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

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

Earnings on the general endowment are unrestricted. Earnings on purpose-specific endowment funds are temporarily restricted.

13. Retirement Plan

AWF has a retirement savings plan under Internal Revenue Code Section 401(k) that covers all U.S.-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 certain hours of service. All salaried U.S.-based employees are fully vested in all employer contributions upon entering the plan. Retirement expense relating to all retirement plans for the year ended June 30, 2008 total $349,709.

14. Allocation of Joint Costs

During the year ended June 30, 2008, AWF incurred joint costs of $1,652,677 from direct mail campaigns that included both educational materials and fundraising appeals. Of those costs, $712,334 was allocated to fundraising expenses, $880,301 to membership programs and $60,042 to public education.

15. 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. However, income from certain activities not directly related to AWF's tax-exempt purpose is subject to taxation as unrelated business income. AWF generates unrelated business income from investment income earned on hedge funds.

16. Subsequent Event Disclosure

In July 2008, AWF signed a $4,513,582 private grant and loan agreement with the Nature Conservancy to fund the acquisition of a 17,100 acre conservation land acquisition in AWF's Samburu Heartland, Kenya. Under the terms of this agreement, one half of the agreement value was granted to AWF, and the remaining half was loaned over a three year period. The land acquisition was completed in August 2008.

Continued

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, 2007, from which the summarized information was prepared.