



**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Financial Statements and Schedules

June 30, 2019

(with comparative summarized financial information as of and for the
year ended June 30, 2018)

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Wildlife Conservation Society:

We have audited the accompanying consolidated financial statements of Wildlife Conservation Society and subsidiaries, which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wildlife Conservation Society and subsidiaries as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 2(t) to the consolidated financial statements, the Wildlife Conservation Society and subsidiaries adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities* (ASU 2016-14), during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Wildlife Conservation Society and subsidiaries' 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 2(t) that were applied to adopt ASU 2016-14 retrospectively in the 2018 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

October 23, 2019

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Balance Sheet

June 30, 2019

(with summarized financial information as of June 30, 2018)

Assets	2019	2018
Cash and cash equivalents	\$ 40,657,576	53,193,856
Miscellaneous receivables	5,044,450	2,837,484
Receivables from the City of New York (note 13)	77,334,086	61,706,615
Receivables from the State of New York	2,298,867	2,731,947
Receivables from U.S. Federal sources	12,376,507	33,976,640
Contributions receivable, net (note 7)	7,489,582	4,313,585
Non-U.S. government and bilateral grants and contracts receivables (note 7)	17,932,452	27,136,648
Private organization grants and contracts receivables (note 7)	25,294,072	35,823,596
Inventories	2,658,439	2,415,093
Prepaid expenses	4,034,564	6,296,062
Investments (notes 3 and 4)	466,793,626	472,916,726
Amounts held in trust by others (note 3)	1,857,717	1,918,229
Funds held by bond trustee (notes 3 and 10)	3,122,038	14,870,444
Property and equipment (note 8)	440,745,375	385,047,064
Collections (note 2n)	—	—
Total assets	\$ 1,107,639,351	1,105,183,989
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (notes 11 and 12)	\$ 49,374,074	59,137,273
Grants and contracts liabilities	22,883,799	—
Annuity liabilities	2,859,404	2,969,301
Loans payable (note 9)	6,953,333	7,000,000
Bonds payable (note 10)	134,010,980	134,683,484
Postretirement benefit obligation (note 12)	48,778,892	45,569,730
Total liabilities	264,860,482	249,359,788
Commitments and contingencies (notes 2r, 9, 12, and 13)		
Net assets:		
Without donor restrictions:		
General operating	(3,018,568)	—
Board designated	101,082,650	102,617,253
Net investment in property and equipment	301,144,576	256,364,955
Total without donor restrictions	399,208,658	358,982,208
With donor restrictions:		
Purpose restricted (note 6)	172,057,815	225,439,597
Endowment corpus (note 6)	271,512,396	271,402,396
Total with donor restrictions	443,570,211	496,841,993
Total net assets	842,778,869	855,824,201
Total liabilities and net assets	\$ 1,107,639,351	1,105,183,989

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended June 30, 2019

(with comparative summarized financial information for the year ended June 30, 2018)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenues:				
Contributions	\$ 16,877,538	19,508,190	36,385,728	36,436,309
Bequests	1,084,517	27,650	1,112,167	3,783,119
Membership dues	15,894,345	—	15,894,345	13,119,019
Appropriation from the City of New York (note 13)	101,432,392	390,100	101,822,492	71,631,626
U.S. State agencies grants and contracts	5,048,158	89,542	5,137,700	4,983,471
U.S. Federal grants and contracts	14,936,030	—	14,936,030	39,458,055
Non-U.S. government and bilateral grants and contracts	7,987,607	—	7,987,607	15,100,928
Private organizations grants	11,333,228	14,553,010	25,886,238	43,821,792
Gate and exhibit admissions	41,403,262	—	41,403,262	32,463,456
Restaurant and merchandise sales and parking fees	29,884,301	—	29,884,301	27,033,303
Investment return (note 4)	12,780,527	7,081,950	19,862,477	41,029,709
Educational program and activities	3,860,348	—	3,860,348	2,811,236
Sponsorship, licensing, and royalties	1,286,188	—	1,286,188	919,345
Miscellaneous	2,722,903	—	2,722,903	3,494,648
	<u>266,531,344</u>	<u>41,650,442</u>	<u>308,181,786</u>	<u>336,086,016</u>
Net assets released from restrictions (note 6)	<u>94,922,224</u>	<u>(94,922,224)</u>	<u>—</u>	<u>—</u>
Total revenues	<u>361,453,568</u>	<u>(53,271,782)</u>	<u>308,181,786</u>	<u>336,086,016</u>
Expenses:				
Program services:				
Bronx Zoo	79,989,715	—	79,989,715	81,053,764
New York Aquarium	29,444,773	—	29,444,773	19,099,956
City Zoos	26,975,440	—	26,975,440	25,223,182
Restaurant, merchandise, and parking expenses	21,236,265	—	21,236,265	19,168,606
Global Conservation Programs	120,480,404	—	120,480,404	116,358,918
Total program services	<u>278,126,597</u>	<u>—</u>	<u>278,126,597</u>	<u>260,904,426</u>
Supporting services:				
Management and general	29,117,694	—	29,117,694	29,930,048
Membership solicitation and fulfillment	2,419,880	—	2,419,880	1,245,292
Fund-raising	9,181,024	—	9,181,024	10,718,352
Total supporting services	<u>40,718,598</u>	<u>—</u>	<u>40,718,598</u>	<u>41,893,692</u>
Total expenses	<u>318,845,195</u>	<u>—</u>	<u>318,845,195</u>	<u>302,798,118</u>
Excess (deficiency) of revenues over expenses and plant renewal funding	42,608,373	(53,271,782)	(10,663,409)	33,287,898
Other changes:				
Postretirement-related changes other than net periodic postretirement benefit costs (note 12)	<u>(2,381,923)</u>	<u>—</u>	<u>(2,381,923)</u>	<u>(1,934,997)</u>
Changes in net assets	40,226,450	(53,271,782)	(13,045,332)	31,352,901
Net assets at beginning of year	<u>358,982,208</u>	<u>496,841,993</u>	<u>855,824,201</u>	<u>824,471,300</u>
Net assets at end of year	<u>\$ 399,208,658</u>	<u>443,570,211</u>	<u>842,778,869</u>	<u>855,824,201</u>

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Statement of Functional Expenses

Year ended June 30, 2019

(with comparative summarized financial information for the year ended June 30, 2018)

	<u>Bronx Zoo</u>	<u>New York Aquarium</u>	<u>City Zoos</u>	<u>Restaurant, merchandise, and parking expenses</u>	<u>Global conservation programs</u>	<u>Total program services</u>
Salaries and wages	\$ 29,387,406	6,628,330	12,994,748	7,354,979	39,345,540	95,711,003
Employee benefits and payroll taxes	13,157,197	2,996,603	6,772,449	2,208,534	11,175,421	36,310,204
Employment costs	86,725	6,755	6,569	45	2,386,060	2,486,154
Total salaries and related expenses	42,631,328	9,631,688	19,773,766	9,563,558	52,907,021	134,507,361
Consultancy fees	82,376	25,255	19,509	—	11,333,217	11,460,357
Purchased services	1,791,215	600,607	326,486	630,383	4,980,030	8,328,721
Grants	103,470	—	—	—	15,745,522	15,848,992
Professional fees	163,792	110,401	92,195	11,723	1,831,136	2,209,247
Property and casualty insurance	1,771,617	389,311	214,189	100	1,361,872	3,737,089
Advertising	2,036,559	340,368	33,076	88,643	322,291	2,820,937
Repairs and maintenance	3,258,471	1,617,979	816,205	394,705	1,409,737	7,497,097
Supplies and materials	3,336,498	1,215,576	1,474,710	755,942	9,284,861	16,067,587
Animal food and forage	1,938,546	306,466	581,672	4,243	—	2,830,927
Telephone	110,057	58,027	134,142	44,925	1,007,751	1,354,902
Heat, light, and power	3,589,491	1,380,932	122,645	15,928	380,187	5,489,183
Travel	392,822	116,189	128,709	44,187	14,197,800	14,879,707
Dues and fees	128,398	88,402	130,882	623	134,111	482,416
Postage and shipping	50,162	120,078	12,038	4,513	439,446	626,237
Cost of product sold	—	—	—	7,180,908	—	7,180,908
Collection accessions	240,225	313,929	7,615	—	—	561,769
Currency translation loss	—	—	—	—	1,340,953	1,340,953
Bond interest expense	3,564,321	1,166,996	—	—	—	4,731,317
Occupancy	900,000	1,000,000	1,230,000	71,758	2,068,230	5,269,988
Depreciation	13,511,945	10,957,598	1,563,372	1,236,455	1,265,677	28,535,047
Other	388,422	4,971	314,229	1,187,671	470,562	2,365,855
Total 2019 expenses	\$ <u>79,989,715</u>	<u>29,444,773</u>	<u>26,975,440</u>	<u>21,236,265</u>	<u>120,480,404</u>	<u>278,126,597</u>
Total 2018 expenses	\$ 81,053,764	19,099,956	25,223,182	19,168,606	116,358,918	260,904,426

See accompanying notes to consolidated financial statements.

Management and general	Membership solicitation and fulfillment	Fund-raising	Total supporting services	Total 2019	Total 2018
15,018,955	368,854	5,017,579	20,405,388	116,116,391	111,718,264
4,623,883	104,770	1,536,533	6,265,186	42,575,390	40,524,008
415,227	—	11,575	426,802	2,912,956	3,086,596
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20,058,065	473,624	6,565,687	27,097,376	161,604,737	155,328,868
619,072	—	348	619,420	12,079,777	11,932,799
1,320,978	1,128,531	968,512	3,418,021	11,746,742	13,923,926
15,744	—	—	15,744	15,864,736	15,363,062
1,942,002	81,432	496,842	2,520,276	4,729,523	4,265,301
159,892	—	17	159,909	3,896,998	3,081,552
49,987	238,500	155,564	444,051	3,264,988	3,991,456
1,042,180	26,264	80,436	1,148,880	8,645,977	7,438,661
1,072,412	284,484	318,344	1,675,240	17,742,827	18,426,510
2,770	—	—	2,770	2,833,697	2,386,940
182,332	5,639	15,959	203,930	1,558,832	1,496,856
1,257	—	—	1,257	5,490,440	5,537,075
621,789	4,028	246,622	872,439	15,752,146	15,873,287
129,440	—	191,615	321,055	803,471	675,553
29,506	108,269	41,644	179,419	805,656	618,984
—	—	—	—	7,180,908	6,495,199
—	—	—	—	561,769	874,956
144,615	—	—	144,615	1,485,568	21,800
—	—	—	—	4,731,317	3,947,865
331,941	—	—	331,941	5,601,929	5,793,700
764,971	34,102	—	799,073	29,334,120	22,051,041
628,741	35,007	99,434	763,182	3,129,037	3,272,727
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29,117,694	2,419,880	9,181,024	40,718,598	318,845,195	302,798,118
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29,930,048	1,245,292	10,718,352	41,893,692		

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Cash Flows

Year ended June 30, 2019

(with comparative summarized financial information for the year ended June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ (13,045,332)	31,352,901
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	29,334,120	22,051,041
Amortization of bond issuance costs	110,545	110,545
Amortization of bond premium	(783,049)	(783,049)
Net appreciation in fair value of investments	(22,490,662)	(43,012,912)
Forgiveness of debt	—	(6,000,000)
Postretirement-related change other than net periodic postretirement benefit cost	2,381,923	1,934,997
Increase (decrease) in value of amounts held in trust by others	60,512	(29,580)
Endowment contributions	(110,000)	(136,000)
Contributions and grants restricted for building improvements	(65,000)	—
Changes in assets and liabilities:		
Accounts receivable	(2,206,966)	554,251
Receivable from the City of New York	411,003	(2,486,061)
Receivable from the State of New York	214,547	89,244
Receivable from Federal sources	21,600,133	4,805,061
Grants and contributions receivable	(3,254,752)	3,521,140
Other government and bilateral grants	9,204,196	2,621,933
Private grants and contracts	10,529,524	(4,284,796)
Inventories	(243,346)	267,907
Prepaid expenses and deferred charges	2,261,498	530,350
Accounts payable and accrued expenses	7,125,246	2,038,282
Grant and contract liability	22,883,799	—
Postretirement benefit obligation	827,234	1,346,344
	77,790,505	(16,861,303)
Total adjustments		
Net cash provided by operating activities	64,745,173	14,491,598
Cash flows from investing activities:		
Proceeds from sales of investments	70,151,593	111,746,660
Purchases of investments	(41,537,831)	(76,539,173)
Acquisition of property and equipment	(85,032,431)	(63,219,292)
(Decrease) increase in accounts payable and accrued expenses for construction projects	(16,888,440)	11,573,757
	(73,307,109)	(16,438,048)
Net cash used in investing activities		
Cash flows from financing activities:		
Endowment contributions	110,000	136,000
Contributions and grants restricted for building improvements	65,000	—
Increase in receivable from government sources for capital expenditure	(15,819,941)	(20,132,067)
Decrease in contributions and grants receivable for capital	78,755	61,160
Decrease in funds held by bond trustee	11,748,406	5,218,967
Decrease in annuity liability, net	(109,897)	(12,999)
Payments for loans payable	(46,667)	—
	(3,974,344)	(14,728,939)
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(12,536,280)	(16,675,389)
Cash and cash equivalents at beginning of year	53,193,856	69,869,245
Cash and cash equivalents at end of year	\$ 40,657,576	53,193,856
Supplemental disclosure:		
Interest paid	\$ 6,108,225	6,108,225

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019

(with comparative summarized financial information as of and for the
year ended June 30, 2018)

(1) The Organization

The accompanying consolidated financial statements present the financial position, changes in net assets, functional expenses and cash flows of the Wildlife Conservation Society (WCS) and its affiliates and wholly owned subsidiaries.

WCS is a New York not-for-profit corporation founded and incorporated in 1895 as the New York Zoological Society. The Internal Revenue Service has determined that WCS is an organization described in Sections 501(c)(3), 170(b)(1)(A)(vi), and 509(a)(1) of the Internal Revenue Code (the Code) and is exempt from Federal income tax under Section 501(a) of the Code. WCS saves wildlife and wild places worldwide through science, conservation action, education, and inspiring people to value nature. That mission is achieved through our global conservation programs and through the management of the world's largest system of urban wildlife parks—the Bronx Zoo; the New York Aquarium; and the Central Park, Queens, and Prospect Park Zoos (the City Zoos).

WCS has formed various corporate entities from time to time to enable it to carry out its mission more effectively and efficiently. The following are descriptions of the affiliates and wholly owned subsidiaries of WCS reflected in the accompanying consolidated financial statements. These entities each have charitable, educational, and scientific and conservation nonprofit objectives and purposes.

182 Flight Corp. (182 FC) is a Delaware nonprofit, nonstock corporation, whose sole member is WCS. 182 FC is not tax-exempt.

Autonomous Noncommercial Organization Wildlife Conservation Society (WCS ANO) is a nonmembership, unitary, autonomous, noncommercial organization organized and tax-exempt under the laws of the Russian Federation.

BATAGUR Co, Ltd. (BATAGUR) is a private limited liability company organized under Cambodian law to hold land for conservation purposes. BATAGUR is not tax exempt.

Conservation Flight LLC (CF) is a Delaware limited liability company whose sole member is WCS. CF is a disregarded entity for tax purposes.

Conservation Livelihoods International LLC (CLI) is a nonprofit Delaware limited liability company whose sole member is WCS. CLI is a disregarded entity for tax purposes.

Ibis Rice Conservation Co., LTD (Ibis Rice Co.) is a private limited company organized under Cambodian law. Ibis Rice Co. is not tax exempt.

Makira Carbon Company LLC (MCC) is a Delaware limited liability company whose sole member is WCS. MCC is a disregarded entity for tax purposes.

Professional Housing Corporation (PHC) is a nonprofit, nonstock corporation incorporated in the State of Delaware whose sole member is WCS. PHC is exempt from Federal income tax as a title holding company under Section 501(c)(2) of the Code.

**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2019

(with comparative summarized financial information as of and for the
year ended June 30, 2018)

SANSOM MLUP PREY (SMP) is a nonprofit organization organized under Cambodian law. SMP is exempt from income tax.

Seima Carbon Company LLC (SCC) is a Delaware limited liability company whose sole member is WCS. SCC is a disregarded entity for tax purposes.

Tierras LLC is a Delaware single-member limited liability company whose sole member is WCS. Tierras LLC is a disregarded entity for tax purposes and carries on wildlife and land conservation on certain lands in Chile held indirectly through wholly owned subsidiaries, including Tierra De Guanacos LLC, Tierra De Truchas LLC, Tierra de Guanacos LLC Uno Limitada, and Tierra de Guanacos LLC Dos Limitada.

WCS-Associação Conservação da Vida Silvestre (WCS Brasil) is a not-for-profit civil association organized and tax-exempt under the law of the State of Rio de Janeiro, Brazil.

WCS Wildlife Conservation Society Canada (WCSC) is a nonprofit corporation under the Canada Not-for-profit Corporations Act whose sole member is WCS. WCSC is a tax-exempt, Canadian registered charity.

WCS Global Conservation UK (f/k/a WCS Europe) is a private company limited by guarantee and a registered, tax-exempt charity formed under the law of England and Wales, whose sole member is WCS.

Wildlife Conservation Society India (WCS India) is a tax-exempt company limited by guarantee established under Indian law.

Wildlife Conservation and Science (Malaysia) Bhd (WCS Malaysia) is a company limited by guarantee incorporated under Malaysian law. WCS Malaysia is not tax-exempt.

Wild Lands Conservation Society (WLCS) is a nonprofit, nonstock corporation incorporated in the State of Delaware whose sole member is WCS. WLCS is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Code. WLCS is not operational.

YAYASAN CELEBICA (CELEBICA) is a nonprofit foundation organized under the laws of Indonesia principally to hold land for conservation purposes. CELEBICA is exempt from income tax on donation and grant revenues.

WCS EU is an international non-profit organization organized September 13, 2018 under the laws of Belgium, and is exempt from corporate income tax.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All intercompany transactions have been eliminated in consolidation.

**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2019

(with comparative summarized financial information as of and for the
year ended June 30, 2018)

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include net realizable value of receivables, the fair value of alternative investments, postretirement benefit obligations and related costs, and functional allocation of expenses. Actual results could differ from those estimates.

(c) Basis of Presentation

WCS's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of WCS and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. WCS delineates net assets without donor restrictions into the following categories:

General operating – Represents operating activity exclusive of depreciation expense, inclusive of the investment return allocated for spending based on WCS's spending rate, and transfers between general operating and board-designated;

Board-designated – Represents amounts designated by the board of trustees, principally for long-term investment, and transfers to and from general operating and net investment in property and equipment; and

Net investment in property and equipment (Plant) – Represents property (land, buildings, and exhibits) and equipment and associated activities, including debt.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of WCS and/or the passage of time or that will be maintained permanently by WCS. Generally, the donors of assets to be maintained permanently permit WCS to use all or part of the return on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2019

(with comparative summarized financial information as of and for the
year ended June 30, 2018)

(d) Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels in the fair value hierarchy are as follows:

Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that WCS has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted or published prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

(e) Contributions

Contributions, including unconditional promises to give, are recognized initially at fair value as revenues in the period received. Contributions subject to donor-imposed restrictions that are met in the same reporting period are reported as revenues without donor restrictions. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions). Contributions to be received after one year are discounted using a risk-adjusted rate.

Contributions received with donor-imposed conditions are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Amounts received in advance of satisfying the donor-imposed conditions are reported as deferred revenue and contract liabilities.

(f) Grants and Contracts

WCS receives funding under grants and contracts from the government of the United States of America, United Nation agencies Kreditanstalt fur Wierderanfbau (KfW), the European Union (EU), and other public and private grantors, for direct and indirect program costs and to provide certain whole or partial sub-grants to other agencies. This funding is subject to contractual conditions, which must be met through incurring qualifying expenses for particular programs.

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Revenue from grants and contracts is recognized only when funds are utilized by the Organization to carry out the activity stipulated in the grant or contract agreement. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as grants and contracts liabilities.

(g) Other Significant Forms of Income

A WCS membership allows the member access to WCS park(s) for one year. The price of the membership is dependent on which parks the member will have access to, the level of access in the park(s) and if parking is included. In 2019, 65% of memberships were sold at park admission gates and the remainder either by mail or via the WCS web site. All membership sales are final. Memberships are not refundable or exchangeable, and are not for resale. The full year of access to benefits is conferred at the time of purchase, whether or not a member elects to use them. WCS recognizes the revenue from membership sales at the time of purchase.

WCS receives revenue from the sale of gate and exhibit admission tickets at the five parks. WCS also engages in retail sales related to food, merchandise and parking at the five parks. In both cases revenue related to such transactions is recognized at the time of purchase.

(h) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted or published market values. As a practical expedient, investments without a readily determinable fair value, such as the limited partnerships and alternative investments, are reflected at net asset value as reported by the fund managers or general partners, and may differ significantly from the values that would have been reported had a ready market for these investments existed. WCS reviewed and evaluated the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the limited partnerships and alternative investments.

(i) Property and Equipment

Expenditures for property and equipment, including buildings and improvements constructed on land owned by the City of New York, are capitalized and depreciated on a straight-line basis over estimated useful lives, which range from 5 to 20 years. Major projects and exhibits initiated but not yet completed are classified as construction in progress and are reclassified to the respective asset category and depreciated when completed and placed in service.

(j) Cash Equivalents

Cash equivalents include highly liquid debt instruments with original maturities of three months or less at time of purchase, except those included as part of WCS investments.

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(k) Split-Interest Agreements

WCS's split-interest agreements consist primarily of charitable gift annuities and life income funds. Contribution revenue is recognized at the date the assets are received after recording liabilities for either (i) the present value of estimated future payments to be made to the donors and/or other beneficiaries, or (ii) the discount to present value for a term equal to the life expectancy of the donor for pooled life income funds gifts. These liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Assets related to such agreements amounted to approximately \$3,144,459 and \$2,986,358 at June 30, 2019 and 2018, respectively. The carrying amount of split-interest agreement obligations approximates fair value because these instruments are recorded at the estimated net present value of future cash flows.

(l) Foreign Currency Translation

The U.S. dollar (dollars) is the functional currency for WCS's operations worldwide. Transactions in currencies other than dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in foreign currencies are translated into dollars using the exchange rates in effect at the consolidated balance sheet date. Revenue and expenses are translated into dollars using the exchange rate in effect on the transaction date. The resulting translation gain or loss is reflected in the consolidated statements of activities. Translation losses were approximately \$1,486,000 and \$22,000 as of June 30, 2019 and June 30, 2018, respectively.

(m) Accounting for Uncertainty in Income Taxes

WCS recognizes the benefit of tax positions when it is more-likely than-not that the position will be sustainable based on the merits of the position. There are certain transactions which could be deemed "Unrelated Business Income" and would result in a tax liability. Management reviews transactions to estimate the potential tax liabilities using a threshold of more likely than not of being sustained. It is management's estimation that there are no material tax liabilities that need to be recorded.

(n) Collections

WCS-operated facilities care for and exhibit an extensive collection of animals, including rare and endangered species. Expenditures for collections are not capitalized.

(o) Functional Expense Allocation

The consolidated financial statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of WCS are reported as expenses of those functional areas. Expenses attributable to more than one program or supporting function are principally allocated based on activity.

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(p) Presentation of Certain Prior Year Information

The consolidated financial statements include certain prior year summarized information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with WCS's consolidated financial statements for the year ended June 30, 2018 from which the summarized information was derived.

(q) Subsequent Events

In conjunction with the preparation of the consolidated financial statements, WCS evaluated subsequent events from June 30, 2019 and through October 23, 2019, the date on which the consolidated financial statements were issued, and has concluded that there are no subsequent events to be disclosed.

(r) Contingencies

In the usual course of carrying out its mission, WCS may be a party to litigation and other claims. WCS carries insurance that, generally, covers costs of defending and settling such litigation and claims. While it is not feasible to predict the ultimate outcomes of such matters, WCS's management is not aware of any pending litigation or claims that would have a material adverse effect on WCS's financial position.

(s) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(t) New Authoritative Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities*. This guidance, effective for WCS's fiscal year ended June 30, 2019, is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. WCS adopted the provisions of this guidance which include presentation of two classes of net assets rather than the previously required three: net assets without donor restrictions, previously reported as unrestricted net assets of \$358,982,208; and net assets with donor restrictions, previously reported as temporarily restricted net assets of \$225,439,597 and permanently restricted net assets of \$271,402,396 in 2018. The guidance also enhances disclosures for Board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance, effective for WCS's fiscal year ended June 30, 2019, is intended to improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update assist an entity with (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Accounting Standards Codification Topic 958, Not-for-Profit Entities,

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or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The impact of the new time and restricted purpose rules for the recognition of grant contribution revenue required WCS to record grant expenditures of \$3 million in excess of grant revenue as a result of milestones that have not been met as of June 30, 2019. Additionally WCS recorded \$22 million in grants and contracts liabilities for cash received prior to fulfilling the conditions set forth in the grants and contracts agreements as of June 30, 2019.

ASU No. 2014-09, *Revenue from Contract with Customers (Topic 606)*. This guidance, effective for WCS's fiscal year ended June 30, 2019, clarifies the principles for recognizing revenue and creates a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). Management has determined that this ASU did not significantly impact the WCS's consolidated financial statements.

ASU No. 2016-02, *Leases (Topic 842)*. This guidance, effective for WCS's fiscal year ending June 30, 2020 with early application permitted, is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheet and disclosing key information about leasing arrangements. WCS is currently evaluating the impact of this ASU and expects to apply it using the modified retrospective approach for the year ending June 30, 2020.

(3) Fair Value

WCS assets at June 30, 2019 are summarized in the following table:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Directly managed investments:				
Cash and short-term investments	\$ 356,171	356,171	—	—
Common stocks – domestic	16,534,621	16,534,621	—	—
Mutual funds – equity domestic	1,594,163	1,594,163	—	—
Mutual funds – fixed income:				
U.S. government	4,700,470	4,700,470	—	—
U.S. corporate	14,179,201	14,179,201	—	—
Mutual funds – natural resources	4,480,077	4,480,077	—	—
	<u>41,844,703</u>	<u>41,844,703</u>	<u>—</u>	<u>—</u>

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	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments reported at net asset value (or its equivalent):				
Limited partnerships:				
Multi-asset class	\$ 295,110,059	—	—	—
Equity – domestic	26,002,252	—	—	—
Equity – international/ emerging markets	55,530,997	—	—	—
Fixed income – domestic	7,035,034	—	—	—
Other	149,083	—	—	—
Alternative investments:				
Private credit	1,596,541	—	—	—
Distressed securities	2,392,513	—	—	—
Equity – long/short	13,012,750	—	—	—
Multi-strategy	14,055,898	—	—	—
Private equity	4,707,203	—	—	—
Venture capital	5,356,593	—	—	—
Total investments reported at net asset value (or its equivalent)	<u>424,948,923</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 466,793,626</u>	<u>41,844,703</u>	<u>—</u>	<u>—</u>
Other assets:				
Funds held by bond trustee	\$ 3,122,038	3,122,038	—	—
Amounts held in trust by others	1,857,717	—	—	1,857,717
Total other assets	<u>\$ 4,979,755</u>	<u>3,122,038</u>	<u>—</u>	<u>1,857,717</u>

Information with respect to the redemption provisions of investments reported at net asset value (or its equivalent) is as follows as of June 30, 2019:

<u>Liquidity</u>	<u>Days' notice</u>	<u>Amount</u>
Monthly	15	\$ 51,851,226
	30	22,404,636
	60	8,107,902
Quarterly	30	2,363,908
	60	17,591,711
	90	7,035,034
Annual	90, pays 25% quarterly	6,218,649
	1 Year, at 12/31	295,110,059
Illiquid	Not applicable	<u>14,265,798</u>
		<u>\$ 424,948,923</u>

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WCS assets at June 30, 2018 are summarized in the following table:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Directly managed investments:				
Cash and short-term investments	\$ 4,793,371	4,793,371	—	—
Common stocks – domestic	20,002,420	20,002,420	—	—
Mutual funds – equity domestic	1,562,550	1,562,550	—	—
Mutual funds – fixed income:				
U.S. government	4,489,365	4,489,365	—	—
U.S. corporate	16,168,325	16,168,325	—	—
Mutual funds – natural resources	6,187,378	6,187,378	—	—
	<u>53,203,409</u>	<u>53,203,409</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value (or its equivalent):				
Limited partnerships:				
Multi-asset class	295,380,866	—	—	—
Equity – domestic	26,992,523	—	—	—
Equity – international/ emerging markets	58,381,853	—	—	—
Fixed income – domestic	6,838,838	—	—	—
Other	172,016	—	—	—
Alternative investments:				
Private credit	1,482,651	—	—	—
Distressed securities	1,609,659	—	—	—
Equity – long/short	7,778,480	—	—	—
Multi-strategy	13,586,496	—	—	—
Private equity	3,720,922	—	—	—
Venture capital	3,769,013	—	—	—
	<u>419,713,317</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments reported at net asset value (or its equivalent)	<u>419,713,317</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 472,916,726</u>	<u>53,203,409</u>	<u>—</u>	<u>—</u>
Other assets:				
Funds held by bond trustee	\$ 14,870,444	14,870,444	—	—
Amounts held in trust by others	1,918,229	—	—	1,918,229
Total other assets	<u>\$ 16,788,673</u>	<u>14,870,444</u>	<u>—</u>	<u>1,918,229</u>

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The following tables present WCS's activity for the fiscal years ended June 30, 2019 and 2018 for Level 3 assets:

	Amounts held in trust by others
Fair value at June 30, 2018	\$ 1,918,229
Sales/distributions	(69,269)
Net appreciation in fair value of investments	8,757
Fair value at June 30, 2019	\$ 1,857,717

	Amounts held in trust by others
Fair value at June 30, 2017	\$ 1,888,649
Sales/distributions	(69,269)
Net appreciation in fair value of investments	98,849
Fair value at June 30, 2018	\$ 1,918,229

WCS had unfunded investment commitments totaling \$17.4 million as of June 30, 2019.

(4) Investments

The fair value of investments at June 30, 2019 and 2018 is as follows:

	2019	2018
Multi-asset class, including other alternative assets	\$ 295,110,059	295,380,866
Equity/equity funds	99,662,033	106,939,346
Alternative investments	41,270,581	32,119,237
Fixed income funds	25,914,705	27,496,528
Natural resources	4,480,077	6,187,378
Cash and short-term investments	356,171	4,793,371
	\$ 466,793,626	472,916,726

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WCS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Investments reported at net asset value (or its equivalent) held by the WCS fall into the following basic strategies:

Private credit strategies – investments that provide debt financing to other lenders (or originating servicers) that originate and service consumer and other forms of debt.

Distressed securities hedge funds and private investments – investments through individual managers that invest in financial instruments that have suffered a substantial reduction in value. Distressed securities can include common and preferred shares, bank debt, trade claims (goods owed) and corporate bonds. WCS has one fund held in this strategy that does not provide redemption at this time.

Long/short equity hedge funds – investments through individual managers that take long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline.

Multi-strategy hedge funds – investments through individual managers that employ a broad range of investment strategies to seek benefit from opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies. WCS has one investment fund in the multi-strategy category which does not provide redemption due to side pocket investments.

Private equity – investments in fund managers that invest in the equity securities and debt in operating companies that are not publicly traded on a stock exchange. The investments have a long-term horizon and are illiquid in nature.

Venture capital – investments in fund managers that provide early stage financing to startup companies and small businesses that are believed to have long-term growth potential. The investments have a long-term horizon and are illiquid in nature.

WCS invests a significant portion of the investment portfolio in one manager, Makena Capital Management, LLC (Makena). Makena offers a pooled investment vehicle, the Makena Endowment Portfolio, utilizing a multi-asset manager structure. The net asset value of WCS investments in Makena as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Multi-asset class, including other alternative assets	\$ 295,110,059	295,380,866

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The Makena Endowment Portfolio is a highly diversified multi-asset class investment portfolio. The asset allocations for the Makena Endowment Portfolio as of June 30, 2019 are as follows:

Asset class	Percentage of portfolio
U.S. market equity	15%
Developed markets equity	10
Emerging markets equity	12
Private equity	22
Real estate	11
Natural resources	7
Absolute return	11
Fixed income	10
Cash	2
	100%

The components of investment return for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Interest and dividend income, net of investment expenses of \$3,212,595 and \$2,418,843 in 2019 and 2018, respectively	\$ (2,628,185)	(1,983,203)
Net appreciation in fair value of investments	22,490,662	43,012,912
Total investment return	19,862,477	41,029,709
Less investment return available under spending policy, including amounts restricted for time or purpose of \$9,637,604 in 2019 and \$7,678,071 in 2018	(26,429,937)	(22,125,526)
Investment return (less than) in excess of amount available under spending policy, including amounts restricted for time or purpose of (\$2,555,654) in 2019 and \$7,573,144 in 2018	\$ (6,567,460)	18,904,183

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(5) Endowment Funds

The WCS long-term investment portfolio includes donor-restricted endowment funds as well as funds without donor restrictions designated for long-term investment by the board of trustees, which are funds functioning as endowment. The primary management objective of the long-term investment portfolio is to preserve the real (inflation-adjusted) purchasing power of invested funds while providing a relatively predictable, stable, and constant (in real terms) payout for current use. The primary investment objective is to earn an average annual real (inflation-adjusted) return of at least 5% per year, net of management fees, over the long term (rolling five-year periods). The risk objective of the long-term investment portfolio is to achieve this return goal with minimal levels of risk and volatility through diversification. The primary objective of WCS's asset allocation policy is to provide a strategic mix of asset classes that produce the highest expected investment return while controlling risk.

The board of trustees has authorized a spending policy for endowments and funds functioning as endowment at a rate (spending rate) of up to 5% of the average fair value of its donor-restricted endowment funds and funds designated for long-term investment for the most recent 12-calendar-year quarters prior to the beginning of the current fiscal year. The average market value used for calculating endowment payout may be reduced to account for liquidity restrictions due to side pockets or other special restrictions to liquidity imposed by fund managers. The board of trustees may authorize additional spending, as needed, to finance special purposes, including capital expenditures, and operating deficits, if any, subject to donor restrictions.

WCS's endowment consists of 102 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds functioning as endowment). At June 30, 2019 and 2018, respectively, there were no endowment accounts that were less than their original fair value (i.e., were underwater).

WCS follows the provisions of the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA), a version of the Uniform Prudent Management of Institutional Funds Act. WCS has interpreted NYPMIFA as allowing WCS to appropriate for expenditure or accumulate so much of an endowment fund as WCS determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

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Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets at June 30, 2019 and 2018 consisted of the following:

	2019		
	Without donor restrictions	With donor restrictions	Total
Board-designated	\$ 101,082,650	—	101,082,650
Donor-restricted:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	271,512,396	271,512,396
Accumulated investment gains	—	57,665,490	57,665,490
Total	\$ 101,082,650	329,177,886	430,260,536

	2018		
	Without donor restrictions	With donor restrictions	Total
Board-designated	\$ 102,617,253	—	102,617,253
Donor-restricted:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	271,402,396	271,402,396
Accumulated investment gains	—	60,261,770	60,261,770
Total	\$ 102,617,253	331,664,166	434,281,419

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Changes in endowment net assets for the fiscal years ended June 30, 2019 and 2018 were as follows:

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2018			
as reported	\$ 102,617,253	331,664,165	434,281,418
Net appreciation (realized and unrealized)	12,148,221	7,041,325	19,189,546
Contributions	—	110,000	110,000
Appropriation of endowment assets for expenditure	(16,792,333)	(9,637,604)	(26,429,937)
Transfer from board-designated endowment	3,109,509	—	3,109,509
Endowment net assets, June 30, 2019	<u>\$ 101,082,650</u>	<u>329,177,886</u>	<u>430,260,536</u>

	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2017			
as reported	\$ 112,052,468	323,939,748	435,992,216
Net appreciation (realized and unrealized)	26,130,217	15,266,488	41,396,705
Contributions	—	136,000	136,000
Appropriation of endowment assets for expenditure	(14,447,455)	(7,678,071)	(22,125,526)
Transfer from board-designated endowment	(21,117,977)	—	(21,117,977)
Endowment net assets, June 30, 2018	<u>\$ 102,617,253</u>	<u>331,664,165</u>	<u>434,281,418</u>

Board designated net assets represent funds, subject to the spending policy and appropriation which support domestic and global programs as well as general operations. Board-designated endowment net assets at June 30, 2019 and 2018 consist of the following:

	2019	2018
Zoos and Aquarium programs	\$ 41,953,350	45,373,029
General purposes	25,042,446	22,603,538
Global conservation programs	34,086,854	34,640,686
	<u>\$ 101,082,650</u>	<u>102,617,253</u>

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(6) Net Assets with Donor Restrictions

Net assets with purpose or time restrictions at June 30, 2019 and 2018 consist of the following:

	2019	2018
Amounts restricted for the following purposes:		
Zoos and Aquarium programs	\$ 107,649,010	113,879,626
Building and exhibit improvements	2,919,632	2,884,764
Global conservation programs	61,489,173	108,675,207
	\$ 172,057,815	225,439,597

Net assets that are restricted in perpetuity at June 30, 2019 and 2018 represent endowment gifts and consist of the following:

	2019	2018
Zoos and Aquarium programs	\$ 179,936,733	179,836,733
General purposes	5,374,514	5,374,514
Global conservation programs	86,201,149	86,191,149
	\$ 271,512,396	271,402,396

(7) Grants and Contributions Receivable

Grants and contributions receivable comprised of contributions receivable, Non-U.S. government and bilateral grants and contracts and private organization grant and contracts as of June 30, 2019 and 2018 are due to be collected as follows:

	2019	2018
Within one year	\$ 40,382,227	57,414,099
One to five years	10,853,161	10,210,714
	51,235,388	67,624,813
Less present value discount (2% in 2019 and 2.85% in 2018)	(519,282)	(350,984)
	\$ 50,716,106	67,273,829

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(8) Property and Equipment

At June 30, 2019 and 2018, the cost and accumulated depreciation of property and equipment are as follows:

	2019	2018
Land	\$ 651,268	651,268
Buildings and exhibits	586,900,447	581,990,503
Furniture, fixtures, and equipment	49,946,382	47,885,821
Construction in progress	142,786,734	64,724,808
	780,284,831	695,252,400
Less accumulated depreciation	339,539,456	310,205,336
	\$ 440,745,375	385,047,064

(9) Line of Credit and Loan Agreements

On March 31, 2017, WCS renewed a 3 year unsecured line of credit facility with Bank of America to support working capital needs, increasing the amount of the line from \$15,000,000 to \$30,000,000. The line of credit bears interest at the 1 month London Interbank Offered Rate (LIBOR) plus 0.60%. Interest is paid monthly and an unused credit facility is paid quarterly. There were no borrowings in fiscal 2019 or fiscal 2018.

On March 24, 2014, WCS obtained a \$7,000,000 10 year term unsecured loan from TD Bank which expires February 28, 2024. A principal payment of \$46,667 was paid during the fiscal year. The amount outstanding as of June 30, 2019 and 2018 was \$6,953,333 and \$7,000,000, respectively. The purpose of the loan is to finance the capital costs of the implementation of a new suite of financial and administrative systems. The loan bears interest at the 1-Month LIBOR plus 1.0%. Interest expense on the loan for the years ended June 30, 2019 and 2018 was approximately \$219,508 and \$176,833, respectively.

(10) Bonds Payable

On March 12, 2013, WCS entered into a Loan Agreement with the Trust for Cultural Resources of the City of New York (the Trust) to finance the costs of capital improvements at the Bronx Zoo and to refund the \$65,530,000 Series 2004 Revenue Bonds. The Trust issued \$79,180,000 in Revenue Bonds and including an original issue premium of \$13,726,479, proceeds totaled \$92,906,479. Upon issuance of the Series 2013A Bonds, the Series 2004 Bonds were refunded and legally defeased.

On February 13, 2014, WCS entered into a Loan Agreement with the Trust to finance improvements at the New York Aquarium as well as other improvements. In connection with the Agreement, the Trust issued \$44,430,000 of Revenue Bonds, Series 2014A. Including an original issue premium of \$3,109,846, proceeds totaled \$47,539,846.

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Obligations under Series 2013A Revenue Bonds and 2014A Revenue Bonds (collectively, the Bonds) consist of the following:

Description	Maturity date	Interest rate	Amount outstanding at June 30	
			2019	2018
Revenue Bonds Series A 2013:				
2032 Term Bond	2032	3.25 % \$	4,130,000	4,130,000
2042 Term Bond	2042	5.00	11,475,000	11,475,000
Serial Bond	2023	5.00	645,000	645,000
Serial Bond	2024	5.00	680,000	680,000
Serial Bond	2025	5.00	715,000	715,000
Serial Bond	2026	5.00	750,000	750,000
Serial Bond	2027	5.00	790,000	790,000
Serial Bond	2028	5.00	295,000	295,000
Serial Bond	2033	5.00	59,700,000	59,700,000
Revenue Bonds Series A 2014:				
2038 Term Bond	2038	5.00	12,110,000	12,110,000
2043 Term Bond	2043	5.00	15,545,000	15,545,000
Serial Bond	2024	5.00	1,325,000	1,325,000
Serial Bond	2025	5.00	1,395,000	1,395,000
Serial Bond	2026	5.00	1,465,000	1,465,000
Serial Bond	2027	5.00	1,540,000	1,540,000
Serial Bond	2028	5.00	1,620,000	1,620,000
Serial Bond	2029	5.00	1,700,000	1,700,000
Serial Bond	2030	5.00	1,790,000	1,790,000
Serial Bond	2031	5.00	1,880,000	1,880,000
Serial Bond	2032	5.00	1,980,000	1,980,000
Serial Bond	2033	5.00	2,080,000	2,080,000
			123,610,000	123,610,000
Less unamortized bond issuance cost			(1,758,524)	(1,869,069)
Net unamortized premium			12,159,504	12,942,553
			<u>\$ 134,010,980</u>	<u>134,683,484</u>

While the Bonds are not the debt of WCS, the Loan Agreements obligate WCS to make payments equal to the debt service on the Bonds. The loans can be prepaid, without penalty, at any time.

Interest expense on the Bonds amounted to \$6,108,225 in both fiscal years ended June 30, 2019 and 2018. Interest expense, net of interest income of \$1,376,908 and \$2,160,360, has been capitalized in construction in progress at June 30, 2019 and 2018, respectively.

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Projected interest and principal payments are as follows:

	Interest	Principal
Fiscal year:		
2020	\$ 6,108,225	—
2021	6,108,225	—
2022	6,108,225	—
2023	6,108,225	—
2024	6,092,100	—
Thereafter	63,985,512	123,610,000
Total	\$ 94,510,512	123,610,000

WCS is required to establish and deposit with bond trustees certain funds for the benefit of bondholders, and to fulfill capital commitments. The funds are invested, principally in money market funds, by the trustees until withdrawn to effect the purposes for which they were generated.

(11) Deferred Compensation

WCS has established two deferred compensation plans which provide for certain benefits currently payable through June 30, 2024. WCS accrues the present value of the estimated future benefit payments over the period from the date of the plans' inception through the dates payable. WCS recognized expense of \$412,619 in 2019 and \$662,766 in 2018 related to the plans. A liability of \$1,918,308 and \$1,559,449 is reported in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2019 and 2018, respectively.

(12) Retirement Benefits

All eligible WCS employees are members of the Cultural Institutions Retirement System's (CIRS) Pension, 401(k) Savings, and Group Life and Welfare Benefits Plans (the Plans). The CIRS Pension Plan (the Plan) is a cost sharing multiemployer plan that offers benefits related to years of service and final average salary. All participants become 100% vested after five years of service. There are no partial vesting provisions. WCS's pension expense related to this Plan was approximately \$8,353,000 and \$8,425,000 for the years ended June 30, 2019 and 2018, respectively. There have been no significant changes that affect the comparability of fiscal years 2019 and 2018 contributions. WCS's contributions to the Plan represent more than 5% of the total contributions to this plan for the years ended June 30, 2019 and 2018. The Employer Identification Number of the plan is 11-2001170. The three digit plan number is 001. On September 27, 2016, a new five-year contract was ratified governing CIRS benefits for the period July 1, 2015 through June 30, 2020. The most recent Pension Protection Act (PPA) zone status is green at June 30, 2019 and 2018 and, as required by the PPA, is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. As of the date the financial statements were issued, Form 5500 was not available for the plan year ended June 30, 2019.

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The expenses for the Group Life and Welfare Benefit Plans and the administrative costs for the Plans for the years ended June 30, 2019 and 2018 was as follows:

	2019	2018
Group Life and Welfare Benefits	\$ 196,000	191,000
Administration (all three plans)	1,122,000	1,055,000
	\$ 1,318,000	1,246,000

In addition, WCS has the practice of converting a portion of accrued sick leave into a lump-sum terminal leave payout upon the retirement of certain nonunion employees retiring from active service meeting certain age and service criteria. Terminal leave payout is a contractual obligation for WCS's unionized staff. WCS accrues for this accumulated terminal leave payment obligation. During 2019 and 2018, WCS recognized expense of \$53,798 and \$168,672 related to the terminal leave, respectively. The present value of the terminal leave obligation amounted to \$1,835,399 and \$1,781,592 at June 30, 2019 and 2018, respectively, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Furthermore, WCS also provides certain health care benefits for retired employees. Substantially all of WCS's employees may become eligible for those benefits if they reach normal retirement age while working for WCS. Effective January 1, 2013, WCS's contribution towards Medicare eligible nonunion post-retirement benefits was reduced to new fixed amounts that coincide with a change in plan design.

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The following table provides a summary of this unfunded plan as of June 30, 2019 and 2018:

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 45,569,730	42,288,389
Service cost	2,023,735	1,907,756
Interest cost	1,739,043	1,724,820
Plan participants' contribution	240,710	260,752
Amendment – plan change	—	—
Actuarial (gain) loss	1,843,501	1,657,803
Benefits paid	(2,637,827)	(2,269,790)
Benefit obligation at end of year	48,778,892	45,569,730
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	2,637,827	2,269,790
Benefits paid	(2,637,827)	(2,269,790)
Fair value of plan assets at end of year	—	—
Accumulated postretirement health and life insurance benefit obligation recognized in the consolidated balance sheet	\$ (48,778,892)	(45,569,730)
	2019	2018
Components of net periodic benefit expense:		
Service cost	\$ 2,023,735	1,907,756
Interest cost	1,739,043	1,724,820
Amortization of prior service credit	(868,715)	(868,715)
Amortization of net loss	330,293	591,521
Net periodic benefit expense	\$ 3,224,356	3,355,382

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Information with respect to plan assumptions and estimated future benefit payments is as follows:

	2019	2018
Benefit obligation weighted average assumptions as of June 30, 2019 and 2018:		
Discount rate	3.57%	4.12%
Benefit cost weighted average assumptions for the years ended June 30, 2019 and 2018:		
Discount rate	4.12%	3.97%

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of 7.5% in 2019 grading down to 4.75% in 2023 and thereafter was assumed.

As of June 30, 2019, a total loss of \$11,108,622, consisting of \$11,735,195 net actuarial loss and \$626,373 prior service credit, has not yet been recognized as a component of net periodic benefit costs.

As of June 30, 2018, a total loss of \$8,726,899, consisting of \$10,221,987 net actuarial loss and \$1,495,088 prior service credit, has not yet been recognized as a component of net periodic benefit costs.

During the years ended June 30, 2019 and 2018, (\$2,381,923) and (\$1,934,997) were reported, respectively, as postretirement-related change other than net periodic postretirement benefit costs. The components of the amounts are as follows:

	2019	2018
Net actuarial loss (gain)	\$ 1,513,208	1,066,282
Prior service cost	868,715	868,715
	\$ 2,381,923	1,934,997

It is estimated that \$868,715 of the prior service credit and \$511,065 of amortization of the net actuarial loss will be recognized as components of net periodic benefit costs in fiscal year 2019.

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Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the amounts reported for fiscal year 2019:

	<u>One- percentage- point increase</u>	<u>One- percentage- point decrease</u>
Impact of one-percentage-point change in health care cost trend rates:		
Effect on total service and interest cost components	\$ 630,998	(485,040)
Effect on the postretirement benefit obligation	6,991,050	(5,479,138)

Projected contributions and benefit payments for each of the next five fiscal years and the five fiscal years thereafter are as follows:

2020	\$ 1,813,000	
2021	1,905,000	
2022	2,013,000	
2023	2,177,000	
2024	2,280,000	
2025 through 2029	<u>13,357,000</u>	
	<u>\$ 23,545,000</u>	

(13) The City of New York Support (the City)

Funds from the City support the Bronx Zoo, the New York Aquarium, and the City Zoos, in part, for operations and capital improvement purposes.

WCS operates the Bronx Zoo pursuant to a city grant made in 1897 and the New York Aquarium pursuant to an agreement with the City made in 1950. The Bronx Zoo and the New York Aquarium are under WCS's management and control. The City, through the Department of Cultural Affairs (DCA), appropriates funds to support certain operating costs. WCS received \$16,194,766 and \$15,660,917 in operating support during 2019 and 2018, respectively.

WCS and the City have entered into renewable agreements with respect to the City Zoos in Central Park, Prospect Park, and Queens providing for WCS's operation and management of these facilities. The City, through the Department of Parks and Recreation, reimburses for the excess of eligible expenses over revenues at these facilities and pays WCS a management fee. WCS received \$12,514,985 and \$12,199,406 in support during 2019 and 2018, respectively, under these agreements.

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The City, through its capital improvement budget, makes expenditures benefiting the Bronx Zoo, the New York Aquarium, and the City Zoos. In addition, the City provides capital appropriations directly to WCS for capital improvements. In fiscal years 2019 and 2018, this funding amounted to \$71,750,499 and \$40,283,340, respectively. In fiscal year 2019 and 2018, DCA made a capital expenditure of \$972,142 and \$3,255,463, respectively, for parking lot improvements and Con Edison Switchgear Upgrade for the Bronx Zoo and \$11,074,186 and \$8,418,086, respectively, related to the Ocean Wonders: Sharks! Exhibit and Sandy restoration for the New York Aquarium, which are included in the appropriation from the City of New York

In fiscal year 2019 and 2018, WCS also received, through the DCA, grants with restrictions totaling \$390,100 and \$232,500, respectively.

The amounts above are included in appropriation from the City in the accompanying consolidated statement of activities.

During 2017, WCS executed an agreement with the City for reimbursement of costs related to the restoration of storm damage at the New York Aquarium associated with Hurricane Sandy. The total amount incurred as of June 30, 2019 and 2018 was \$106,582,078 and \$52,140,715, of which \$59,348,709 and \$42,787,309, respectively, is included in receivable from the City in the accompanying consolidated balance sheet.

(14) Liquidity and Availability

WCS financial assets and resources available to meet cash needs for general expenditure within one year of the consolidated balance sheet were as follows at June 30, 2019:

	2019
Financial assets:	
Cash and cash equivalents	\$ 40,657,576
Miscellaneous receivables	5,044,450
Contributions and grants receivable	40,382,227
Receivables from the City and State of New York	79,632,953
Receivables from U.S. Federal sources	12,376,507
Investments: appropriated to spend in following year (fiscal 2020)	26,766,045
Total financial assets and other resources available within one year	\$ 204,859,758

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As a part of WCS liquidity management strategy, WCS structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. Cash withdrawals from the managed investment pool normally coincide with the endowment spending distribution. To help managed unexpected liquidity WCS has committed bank lines of credit in the amount of \$30 million, which can be drawn upon. Additionally, WCS has board-designated endowment funds of \$133.3 million as of June 30, 2019. Although WCS does not intend to spend from board designated endowment funds other than amounts appropriated for expenditure as part of the annual budget approval process, amounts from its board-designated endowment could be made available if necessary.

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Consolidating Schedule of Activities

Year ended June 30, 2019

	WCS do Brazil	WCS Canada	WCS Malaysia	Conservation Flight LLC	WCS India	WCS Belgium	WCS USA	Elimination	WCS Consolidated
Revenues:									
Contributions	\$ 987,666	2,702,961	2,963	—	51,172	—	32,640,966	—	36,385,728
Bequests	—	—	—	—	—	—	1,112,167	—	1,112,167
Membership dues	—	—	—	—	—	—	15,894,345	—	15,894,345
Appropriation from The City of New York	—	—	—	—	—	—	101,822,492	—	101,822,492
U.S. State agencies grants and contracts	—	—	—	—	—	—	5,137,700	—	5,137,700
U.S. Federal grants and contracts	9,613	873,443	—	—	126,449	—	13,926,525	—	14,936,030
Non-U.S. government and bilateral grants and contracts	31,270	—	—	—	87,664	—	7,868,673	—	7,987,607
Private organizations grants and contracts	—	268,018	870,593	—	—	142,162	26,524,158	(1,918,693)	25,886,238
Gate and exhibit admissions	—	—	—	—	—	—	41,403,262	—	41,403,262
Restaurant and merchandise sales and parking fees	—	—	—	—	—	—	29,884,301	—	29,884,301
Investment return	—	—	—	—	—	—	19,862,477	—	19,862,477
Educational program and activities	—	—	—	—	—	—	3,860,348	—	3,860,348
Sponsorship, licensing, and royalties	—	—	1,999	—	—	—	1,284,189	—	1,286,188
Miscellaneous	545	279,138	34,457	—	—	—	2,408,763	—	2,722,903
Total revenues	<u>1,029,094</u>	<u>4,123,560</u>	<u>910,012</u>	<u>—</u>	<u>265,285</u>	<u>142,162</u>	<u>303,630,366</u>	<u>(1,918,693)</u>	<u>308,181,786</u>
Expenses and losses:									
Salaries and wages	146,853	1,758,584	501,370	—	131,687	41,686	113,536,211	—	116,116,391
Employee benefits and payroll taxes	207,042	—	74,911	—	24,696	68,834	42,199,907	—	42,575,390
Employment costs	—	—	—	—	—	—	2,912,956	—	2,912,956
Consultancy fees	36,840	—	—	—	7,075	—	12,035,862	—	12,079,777
Purchased services	22,472	655,180	42,700	—	—	—	11,026,390	—	11,746,742
Grants	56,582	129,944	—	—	809,443	—	16,787,460	(1,918,693)	15,864,736
Professional fees	5,574	4,709	4,887	—	—	5,700	4,708,653	—	4,729,523
Property and casualty insurance	9,217	33,168	—	—	—	258	3,854,355	—	3,896,998
Advertising	—	—	—	—	—	—	3,264,988	—	3,264,988
Repairs and maintenance	3,151	41,810	1,536	—	—	—	8,599,480	—	8,645,977
Supplies and materials	12,039	333,386	37,447	—	—	3,258	17,356,697	—	17,742,827
Animal food and forage	—	—	—	—	—	—	2,833,697	—	2,833,697
Telephone	816	16,534	6,440	—	—	432	1,534,610	—	1,558,832
Heat, light, and power	—	6,936	4,741	—	—	—	5,478,763	—	5,490,440
Travel	39,821	662,624	165,031	—	1,001	3,782	14,879,887	—	15,752,146
Dues and fees	734	2,002	—	—	—	—	800,735	—	803,471
Postage and shipping	555	15,489	485	—	33	33	789,061	—	805,656
Cost of product sold	—	—	—	—	—	—	7,180,908	—	7,180,908
Collection accessions	—	—	—	—	—	—	561,769	—	561,769
Currency translation loss	(18,529)	(22,051)	(5,234)	—	—	(560)	1,531,942	—	1,485,568
Bond interest expense	—	—	—	—	—	—	4,731,317	—	4,731,317
Occupancy	—	72,566	—	—	—	5,660	5,523,703	—	5,601,929
Depreciation	—	—	—	—	—	—	29,334,120	—	29,334,120
Other	1,978	16,241	64,129	80,691	108	2,344	2,963,546	—	3,129,037
Total expenses	<u>525,145</u>	<u>3,727,122</u>	<u>898,443</u>	<u>80,691</u>	<u>974,043</u>	<u>131,427</u>	<u>314,427,017</u>	<u>(1,918,693)</u>	<u>318,845,195</u>
(Deficiency) excess of revenues over expenses	503,949	396,438	11,569	(80,691)	(708,758)	10,735	(10,796,651)	—	(10,663,409)
Other changes:									
Postretirement-related change other than net periodic postretirement benefit cost	—	—	—	—	—	—	(2,381,923)	—	(2,381,923)
Changes in net assets	503,949	396,438	11,569	(80,691)	(708,758)	10,735	(13,178,574)	—	(13,045,332)
Net assets at beginning of year	494,528	1,827,716	617,362	79,988	213,810	—	852,590,797	—	855,824,201
Net assets at end of year	<u>\$ 998,477</u>	<u>2,224,154</u>	<u>628,931</u>	<u>(703)</u>	<u>(494,948)</u>	<u>10,735</u>	<u>839,412,223</u>	<u>—</u>	<u>842,778,869</u>

See accompanying independent auditors' report.