



**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Financial Statements

June 30, 2020

(with comparative summarized financial information as of and for the
year ended June 30, 2019)

(With Independent Auditors' Reports in Accordance with
Government Auditing Standards Thereon)

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees Wildlife
Conservation Society:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Wildlife Conservation Society and subsidiaries (WCS), which comprise the consolidated balance sheet as of June 30, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated financial position of Wildlife Conservation Society and subsidiaries as of June 30, 2020, 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.



Report on Summarized Comparative Information

We have previously audited Wildlife Conservation Society and subsidiaries' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020 on our consideration of WCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WCS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WCS's internal control over financial reporting and compliance.

KPMG LLP

October 21, 2020

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Balance Sheet

June 30, 2020

(with summarized financial information as of June 30, 2019)

Assets	2020	2019
Cash and cash equivalents	\$ 52,699,600	40,657,576
Miscellaneous receivables	3,596,444	5,044,450
Receivables from the City of New York (note 13)	88,310,696	77,334,086
Receivables from the State of New York	2,233,064	2,298,867
Receivables from U.S. Federal sources	10,380,558	12,376,507
Contributions receivable, net (note 7)	9,136,674	7,489,582
Non-U.S. government and bilateral grants and contracts receivables (note 7)	11,783,645	17,932,452
Private organization grants and contracts receivables (note 7)	20,015,603	25,294,072
Inventories	2,898,497	2,658,439
Prepaid expenses	4,465,504	4,034,564
Advances to sub awardees	2,967,707	—
Investments (notes 3 and 4)	451,589,982	466,793,626
Amounts held in trust by others (note 3)	1,779,583	1,857,717
Funds held by bond trustee (notes 3 and 10)	282,940	3,122,038
Property and equipment (note 8)	453,305,308	440,745,375
Collections (note 2c)	—	—
Total assets	<u>\$ 1,115,445,805</u>	<u>1,107,639,351</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (notes 11 and 12)	\$ 45,975,368	49,374,074
Grants and contracts liabilities	35,601,293	22,883,799
Annuity liabilities	3,133,108	2,859,404
Line of credit (note 9)	30,000,000	—
Loans payable (note 9)	6,650,000	6,953,333
Bonds payable (note 10)	133,338,471	134,010,980
Postretirement benefit obligation (note 12)	56,967,555	48,778,892
Total liabilities	<u>311,665,795</u>	<u>264,860,482</u>
Commitments and contingencies (notes 2r, 3, 9, 12, and 13)		
Net assets:		
Without donor restrictions:		
General operating	(7,157,783)	(3,018,568)
Board designated (note 5)	71,723,143	101,082,650
Net investment in property and equipment	311,951,794	301,144,576
Total without donor restrictions	<u>376,517,154</u>	<u>399,208,658</u>
With donor restrictions (note 5):		
Purpose restricted (note 6)	154,565,460	172,057,815
Endowment corpus (note 6)	272,697,396	271,512,396
Total with donor restrictions	<u>427,262,856</u>	<u>443,570,211</u>
Total net assets	<u>803,780,010</u>	<u>842,778,869</u>
Total liabilities and net assets	<u>\$ 1,115,445,805</u>	<u>1,107,639,351</u>

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended June 30, 2020

(with comparative summarized financial information for the year ended June 30, 2019)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenues:				
Contributions	\$ 15,767,829	24,867,100	40,634,929	36,385,728
Bequests	6,573,304	12,109	6,585,413	1,112,167
Membership dues	9,720,389	—	9,720,389	15,894,345
Appropriation from the City of New York (note 13)	70,430,129	391,000	70,821,129	101,822,492
U.S. State agencies grants and contracts	5,383,993	—	5,383,993	5,137,700
U.S. Federal grants and contracts	30,997,363	—	30,997,363	14,936,030
Non-U.S. government and bilateral grants and contracts	20,216,379	—	20,216,379	7,987,607
Private organizations grants	17,296,849	22,799,432	40,096,281	25,886,238
Gate and exhibit admissions	25,949,923	—	25,949,923	41,403,262
Restaurant and merchandise sales and parking fees	19,191,980	—	19,191,980	29,884,301
Investment return (note 4)	5,740,525	4,055,961	9,796,486	19,862,477
Educational program and activities	2,531,944	—	2,531,944	3,860,348
Sponsorship, licensing, and royalties	740,034	—	740,034	1,286,188
Miscellaneous	2,513,653	—	2,513,653	2,722,903
	<u>233,054,294</u>	<u>52,125,602</u>	<u>285,179,896</u>	<u>308,181,786</u>
Net assets released from restrictions	<u>68,432,957</u>	<u>(68,432,957)</u>	<u>—</u>	<u>—</u>
Total revenues	<u>301,487,251</u>	<u>(16,307,355)</u>	<u>285,179,896</u>	<u>308,181,786</u>
Expenses:				
Program services:				
Bronx Zoo	80,145,828	—	80,145,828	79,989,715
New York Aquarium	31,212,237	—	31,212,237	29,444,773
City Zoos	26,191,151	—	26,191,151	26,975,440
Restaurant, merchandise, and parking expenses	15,805,549	—	15,805,549	21,236,265
Global Conservation Programs	123,013,082	—	123,013,082	120,480,404
Total program services	<u>276,367,847</u>	<u>—</u>	<u>276,367,847</u>	<u>278,126,597</u>
Supporting services:				
Management and general	30,987,384	—	30,987,384	29,117,694
Membership solicitation and fulfillment	1,936,481	—	1,936,481	2,419,880
Fund-raising	8,801,557	—	8,801,557	9,181,024
Total supporting services	<u>41,725,422</u>	<u>—</u>	<u>41,725,422</u>	<u>40,718,598</u>
Total expenses	<u>318,093,269</u>	<u>—</u>	<u>318,093,269</u>	<u>318,845,195</u>
Deficiency of revenues over expenses	(16,606,018)	(16,307,355)	(32,913,373)	(10,663,409)
Other changes:				
Postretirement-related changes other than net periodic postretirement benefit costs (note 12)	(6,085,486)	—	(6,085,486)	(2,381,923)
Changes in net assets	(22,691,504)	(16,307,355)	(38,998,859)	(13,045,332)
Net assets at beginning of year	<u>399,208,658</u>	<u>443,570,211</u>	<u>842,778,869</u>	<u>855,824,201</u>
Net assets at end of year	<u>\$ 376,517,154</u>	<u>427,262,856</u>	<u>803,780,010</u>	<u>842,778,869</u>

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

Year ended June 30, 2020

(with comparative summarized financial information for the year ended June 30, 2019)

	Bronx Zoo	New York Aquarium	City Zoos	Restaurant, merchandise, and parking expenses	Global conservation programs	Total program services	Management and general	Membership solicitation and fulfillment	Fund-raising	Total supporting services	Total 2020	Total 2019
Salaries and wages	\$ 30,238,316	6,822,367	12,507,723	5,291,744	44,970,301	99,830,451	16,115,474	499,989	4,978,197	21,593,660	121,424,111	116,116,391
Employee benefits and payroll taxes	15,459,269	3,567,523	7,191,859	2,327,097	12,686,099	41,231,847	5,441,700	195,024	1,576,070	7,212,794	48,444,641	42,575,390
Employment costs	44,068	4,331	8,393	9,705	2,709,969	2,776,466	222,322	1,250	1,464	225,036	3,001,502	2,912,956
Total salaries and related expenses	45,741,653	10,394,221	19,707,975	7,628,546	60,366,369	143,838,764	21,779,496	696,263	6,555,731	29,031,490	172,870,254	161,604,737
Consultancy fees	92,840	48,259	55,300	—	12,528,755	12,725,154	615,430	611,324	—	1,226,754	13,951,908	12,079,777
Purchased services	1,639,785	319,430	225,189	585,936	3,144,995	5,915,335	1,390,648	—	1,430,231	2,820,879	8,736,214	11,746,742
Grants	64,307	—	—	—	12,199,955	12,264,262	—	27,014	—	27,014	12,291,276	15,864,736
Professional fees	262,400	76,009	81,147	413	2,389,355	2,809,324	2,241,830	—	211,546	2,453,376	5,262,700	4,729,523
Property and casualty insurance	1,745,809	383,459	197,519	—	1,179,434	3,506,221	170,485	79,000	—	249,485	3,755,706	3,896,998
Advertising	1,917,276	340,270	26,760	66,949	73,703	2,424,958	48,971	25,833	85,543	160,347	2,585,305	3,264,988
Repairs and maintenance	3,724,093	1,316,671	884,084	516,778	1,902,099	8,343,725	1,274,990	355,058	28,594	1,658,642	10,002,367	8,645,977
Supplies and materials	2,981,722	1,079,023	1,270,990	387,001	10,125,981	15,844,717	542,153	—	144,004	686,157	16,530,874	17,742,827
Animal food and forage	2,020,424	402,708	505,760	655	—	2,929,547	2,366	5,424	—	7,790	2,937,337	2,833,697
Telephone	127,471	41,364	135,194	50,520	1,007,496	1,362,045	250,325	—	16,295	266,620	1,628,665	1,558,832
Heat, light, and power	3,695,120	1,611,962	97,846	18,425	375,841	5,799,194	1,492	9,007	—	10,499	5,809,693	5,490,440
Travel	311,808	78,645	91,473	26,547	13,050,403	13,558,876	469,276	—	94,061	563,337	14,122,213	15,752,146
Dues and fees	84,639	46,856	134,526	125	82,679	348,825	294,628	63,350	38,247	396,225	745,050	803,471
Postage and shipping	49,268	121,213	10,814	4,523	346,695	532,513	25,088	1,996	64,391	91,475	623,988	805,656
Cost of product sold	1,795	—	—	4,485,978	—	4,487,773	1,325	—	—	1,325	4,489,098	7,180,908
Collection accessions	160,255	60,283	4,829	—	—	225,367	—	—	—	—	225,367	561,769
Currency translation loss	—	—	—	—	211,474	211,474	84,536	—	—	84,536	296,010	1,485,568
Bond interest expense	3,886,725	2,221,500	—	—	—	6,108,225	—	—	—	—	6,108,225	4,731,317
Occupancy	—	897,346	990,125	77,840	2,004,728	3,970,039	483,488	—	—	483,488	4,453,527	5,601,929
Depreciation	11,525,759	11,757,738	1,524,757	1,185,857	1,265,676	27,259,787	764,971	24,195	—	789,166	28,048,953	29,334,120
Other	112,680	15,280	246,865	769,456	757,444	1,901,722	545,886	38,017	132,914	716,817	2,618,539	3,129,037
Total 2020 expenses	\$ 80,145,828	31,212,237	26,191,151	15,805,549	123,013,082	276,367,847	30,987,384	1,936,481	8,801,557	41,725,422	318,093,269	318,845,195
Total 2019 expenses	\$ 79,989,715	29,444,773	26,975,440	21,236,265	120,480,404	278,126,597	29,117,694	2,419,880	9,181,024	40,718,598	318,845,195	—

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Cash Flows

Year ended June 30, 2020

(with comparative summarized financial information for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ (38,998,859)	(13,045,332)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	28,048,953	29,334,120
Amortization of bond issuance costs	110,540	110,545
Amortization of bond premium	(783,049)	(783,049)
Net appreciation in fair value of investments	(11,207,828)	(22,490,662)
Postretirement-related change other than net periodic postretirement benefit cost	6,085,486	2,381,923
Increase in value of amounts held in trust by others	99,120	75,510
Endowment contributions	(1,185,000)	(110,000)
Contributions and grants restricted for building improvements	(60,000)	(65,000)
Changes in assets and liabilities:		
Miscellaneous receivables	1,448,006	(2,206,966)
Receivable from the City of New York	(10,100,007)	411,003
Receivable from the State of New York	65,803	214,547
Receivable from Federal sources	1,995,949	21,600,133
Grants and contributions receivable	(1,647,092)	(3,254,752)
Other government and bilateral grants	6,148,807	9,204,196
Private grants and contracts	5,278,189	10,529,524
Inventories	(240,058)	(243,346)
Advances to subawardees	(2,967,707)	—
Prepaid expenses and deferred charges	(430,940)	2,261,498
Accounts payable and accrued expenses	(5,698,182)	7,125,246
Grant and contract liability	12,717,494	22,883,799
Postretirement benefit obligation	2,103,177	827,234
Total adjustments	<u>29,781,661</u>	<u>77,805,503</u>
Net cash (used in) provided by operating activities	<u>(9,217,198)</u>	<u>64,760,171</u>
Cash flows from investing activities:		
Proceeds from sales of investments	101,058,991	70,151,593
Purchases of investments	(74,647,519)	(41,537,831)
Acquisition of property and equipment	(38,309,410)	(85,032,431)
Decrease in accounts payable and accrued expenses for construction projects	—	(16,888,440)
Net cash used in investing activities	<u>(11,897,938)</u>	<u>(73,307,109)</u>
Cash flows from financing activities:		
Endowment contributions	1,185,000	110,000
Contributions and grants restricted for building improvements	60,000	65,000
Increase in receivable from government sources for capital expenditure	(876,603)	(15,819,941)
Decrease in contributions and grants receivable for capital	280	78,755
Decrease in annuity liability, net	273,704	(109,897)
Withdrawal from line of credit	30,000,000	—
Payments for loans payable	(303,333)	(46,667)
Net cash provided by (used in) financing activities	<u>30,339,048</u>	<u>(15,722,750)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	9,223,912	(24,269,688)
Cash, cash equivalents and restricted cash at beginning of year	<u>43,868,229</u>	<u>68,137,917</u>
Cash, cash equivalents and restricted cash at end of year	\$ <u>53,092,141</u>	\$ <u>43,868,229</u>
Reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 52,471,057	40,462,141
Restricted cash for agency account included in cash and cash equivalents	228,543	195,435
Restricted cash included in amounts held in trust by others	109,601	88,615
Restricted cash included in funds held by bond trustee	282,940	3,122,038
Total cash, cash equivalents, and restricted cash shown above	\$ <u>53,092,141</u>	\$ <u>43,868,229</u>
Supplemental disclosure:		
Interest paid	\$ 6,108,225	6,108,225
Increase in accounts payable and accrued expenses for construction projects	2,299,476	—

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2020

(with comparative summarized financial information as of and for the
year ended June 30, 2019)

(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.

(Continued)

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Notes to Consolidated Financial Statements

June 30, 2020

(with comparative summarized financial information as of and for the
year ended June 30, 2019)

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.

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 Conservation Enterprises LLC (Conservation Enterprises) is a Delaware single member limited liability company organized January 13, 2020, whose sole member is WCS. Conservation Enterprises is a disregarded entity for tax purposes and is the sole shareholder of SVC Sam Veasna Conservation Tours Co., Ltd., a single member private limited company organized February 21, 2020, under Cambodian law.

WCS EU is an international nonprofit organization organized under the laws of Belgium, and is exempt from corporate income tax.

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.

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.

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.

(Continued)

**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2020

(with comparative summarized financial information as of and for the
year ended June 30, 2019)

(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 (U.S. GAAP). All intercompany transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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.

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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.

(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 grants and contracts liabilities.

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(f) Grants and Contracts

WCS receives funding under grants and contracts from the government of the United States of America, United Nation agencies Kreditanstalt für Wiederaufbau (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.

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 and when milestones are met. 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 2020, 25% 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

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are classified as construction in progress and are reclassified to the respective asset category and depreciated when completed and placed in service.

(j) Advances to Sub Awardees

ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made outlined the methodology to determine when award revenue is recognized by a recipient. That same methodology applies to the funder of a sub award to determine when to recognize the expense for a sub award issued to another organization. This portion of the guidance went into effect July 1, 2019. As a result of this guidance a sub awardee advance is recorded when a contribution containing conditions along with a right of return are made to a sub awardee. Once the sub awardee has reported that it has met the conditions of the sub award, the advance is then liquidated and it is recorded as an expense.

(k) 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.

(l) 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 \$3,888,039 and \$3,144,459 at June 30, 2020 and 2019, 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.

(m) 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 \$289,000 and \$1,486,000 as of June 30, 2020 and June 30, 2019, respectively.

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(n) 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.

(o) Collections

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

(p) Functional Expense Allocation

The consolidated 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.

(q) 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. GAAP. Accordingly, such information should be read in conjunction with WCS’s consolidated financial statements as of and for the year ended June 30, 2019 from which the summarized information was derived.

(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) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* - This guidance, effective for WCS’s fiscal year ended June 30, 2020, was added to clarify the classification and presentation of restricted cash in the consolidated statements of cash flows. WCS has adopted the provision of this guidance, which include a reconciliation between the consolidated balance sheets and the consolidated statements of cash flows. WCS applied the amendments in this

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ASU using a retrospective transition method which required that cash and cash equivalents at June 30, 2019 be reclassified. Management has determined that this ASU did not significantly impact WCS's consolidated financial statements

ASU 2016-02, as amended by ASU 2019-01, *Leases (Topic 842) – Codification Improvements* – This guidance, effective for WCS's fiscal year ending June 30, 2021, requires all lessees to recognize all leases, including operating leases, on-balance sheet via a right of use asset and lease liability, unless the lease is a short term lease. WCS is currently evaluating the impact of this ASU and plans to adopt ASU 2016-02 for the fiscal year ending June 30, 2021.

(3) Fair Value

WCS assets at June 30, 2020 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:				
Short-term investments	\$ 15,087,415	15,087,415	—	—
Common stocks – domestic	9,052,424	9,052,424	—	—
Mutual funds – equity domestic	1,869,235	1,869,235	—	—
Mutual funds – fixed income:				
U.S. government	5,082,084	5,082,084	—	—
U.S. corporate	12,581,394	12,581,394	—	—
Mutual funds – natural resources	2,283,654	2,283,654	—	—
	<u>45,956,206</u>	<u>45,956,206</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value (or its equivalent):				
Limited partnerships:				
Multi-asset class	289,040,006	—	—	—
Equity – domestic	24,282,413	—	—	—
Equity – global	7,953,747	—	—	—
Equity – international/ emerging markets	37,805,743	—	—	—
Fixed income – domestic	11,517	—	—	—
Other	156,738	—	—	—

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	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Alternative investments:	\$			
Private credit	844,048	—	—	—
Distressed securities	6,020,898	—	—	—
Equity – long/short	13,935,360	—	—	—
Multi-strategy	14,056,285	—	—	—
Private equity	5,349,939	—	—	—
Venture capital	6,177,082	—	—	—
Total investments reported at net asset value (or its equivalent)	<u>405,633,776</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 451,589,982</u>	<u>45,956,206</u>	<u>—</u>	<u>—</u>
Other assets:				
Funds held by bond trustee	\$ 282,940	282,940	—	—
Amounts held in trust by others	1,779,583	—	—	1,779,583
Total other assets	<u>\$ 2,062,523</u>	<u>282,940</u>	<u>—</u>	<u>1,779,583</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, 2020:

<u>Liquidity</u>	<u>Days' notice</u>	<u>Amount</u>
Monthly	15	\$ 50,657,297
	30	12,876,059
	60	6,492,956
Quarterly	30	2,666,585
	60	19,099,659
	90	11,517
Annual	90, pays 25% quarterly	6,237,447
	1 Year, at 12/31	289,040,006
Illiquid	Not applicable	18,552,250
		<u>\$ 405,633,776</u>

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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:				
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>
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	—	—	—
	<u>424,948,923</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments reported at net asset value (or its equivalent)	<u>\$ 466,793,626</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>
Other assets:				
Funds held by bond trustee	\$ 3,122,038	3,122,038	—	—
Amounts held in trust by others	<u>1,857,717</u>	<u>—</u>	<u>—</u>	<u>1,857,717</u>
Total other assets	<u>\$ 4,979,755</u>	<u>3,122,038</u>	<u>—</u>	<u>1,857,717</u>

The following tables present WCS's activity for the fiscal years ended June 30, 2020 and 2019 for Level 3 assets:

	<u>Amounts held in trust by others</u>
Fair value at June 30, 2019	\$ 1,857,717
Sales/distributions	(69,269)
Net depreciation in fair value of investments	<u>(8,865)</u>
Fair value at June 30, 2020	<u>\$ 1,779,583</u>

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

WCS had unfunded investment commitments totaling \$22.2 million as of June 30, 2020.

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(4) Investments

The fair value of investments at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Multi-asset class, including other alternative assets	\$ 289,040,006	295,110,059
Equity/equity funds	80,963,562	99,662,033
Alternative investments	46,540,350	41,270,581
Fixed income funds	17,674,995	25,914,705
Natural resources	2,283,654	4,480,077
Cash and short-term investments	<u>15,087,415</u>	<u>356,171</u>
	<u>\$ 451,589,982</u>	<u>466,793,626</u>

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 sheets.

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.

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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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Multi-asset class, including other alternative assets	\$ 289,040,006	295,110,059

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, 2020 are as follows:

<u>Asset class</u>	<u>Percentage of portfolio</u>
U.S. market equity	17 %
Developed markets equity	11
Emerging markets equity	15
Private equity	22
Real estate	10
Natural resources	6
Absolute return	9
Fixed income	10
	<u>100 %</u>

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The components of investment return for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income, net of investment expenses of \$3,508,234 and \$3,212,595 in 2020 and 2019, respectively	\$ (1,411,342)	(2,628,185)
Net appreciation in fair value of investments	<u>11,207,828</u>	<u>22,490,662</u>
Total investment return	9,796,486	19,862,477
Less investment return available under spending policy, including amounts restricted for time or purpose of \$10,318,333 in 2020 and \$9,637,604 in 2019	<u>(26,903,758)</u>	<u>(26,429,937)</u>
Investment return (less than) in excess of amount available under spending policy, including amounts restricted for time or purpose of (\$6,262,372) in 2020 and (\$2,555,654) in 2019	<u>\$ (17,107,272)</u>	<u>(6,567,460)</u>

(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.

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WCS's endowment consists of 104 and 102 individual funds at June 30, 2020 and 2019, respectively, established for a variety of purposes, including both donor-restricted endowment funds and funds functioning as endowment. At June 30, 2020 there were two 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.

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, 2020 and 2019 consisted of the following:

	2020		
	Without donor restrictions	With donor restrictions	Total
Board-designated	\$ 71,723,143	—	71,723,143
Donor-restricted:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	272,697,396	272,697,396
Accumulated investment gains	—	51,579,568	51,579,568
Total	<u>\$ 71,723,143</u>	<u>324,276,964</u>	<u>396,000,107</u>
	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	<u>\$ 101,082,650</u>	<u>329,177,886</u>	<u>430,260,536</u>

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Changes in endowment net assets for the fiscal years ended June 30, 2020 and 2019 were as follows:

	2020		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019 as reported	\$ 101,082,650	329,177,886	430,260,536
Net appreciation (realized and unrealized)	5,692,083	4,232,411	9,924,494
Contributions	—	1,185,000	1,185,000
Appropriation of endowment assets for expenditure	(16,585,425)	(10,318,333)	(26,903,758)
Withdrawal from board-designated endowment	(18,466,165)	—	(18,466,165)
Endowment net assets, June 30, 2020	<u>\$ 71,723,143</u>	<u>324,276,964</u>	<u>396,000,107</u>
		2019	
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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 to 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>

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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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Zoos and Aquarium programs	\$ 34,635,582	41,953,350
General purposes	4,239,404	25,042,446
Global conservation programs	<u>32,848,157</u>	<u>34,086,854</u>
	<u>\$ 71,723,143</u>	<u>101,082,650</u>

(6) Net Assets with Donor Restrictions

Net assets with purpose or time restrictions at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Amounts restricted for the following purposes:		
Zoos and Aquarium programs	\$ 102,934,363	107,649,010
Building and exhibit improvements	2,595,134	2,919,632
Global conservation programs	<u>49,035,963</u>	<u>61,489,173</u>
	<u>\$ 154,565,460</u>	<u>172,057,815</u>

Net assets that are restricted in perpetuity at June 30, 2020 and 2019 represent endowment gifts and consist of the following:

	<u>2020</u>	<u>2019</u>
Zoos and Aquarium programs	\$ 180,086,733	179,936,733
General purposes	6,374,514	5,374,514
Global conservation programs	<u>86,236,149</u>	<u>86,201,149</u>
	<u>\$ 272,697,396</u>	<u>271,512,396</u>

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(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, 2020 and 2019 are due to be collected as follows:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 30,734,178	40,382,227
One to five years	<u>10,408,077</u>	<u>10,853,161</u>
	41,142,255	51,235,388
Less present value discount (0.66% in 2020 and 2% in 2019)	<u>(206,333)</u>	<u>(519,282)</u>
	<u>\$ 40,935,922</u>	<u>50,716,106</u>

(8) Property and Equipment

At June 30, 2020 and 2019, the cost and accumulated depreciation of property and equipment are as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 651,268	651,268
Buildings and exhibits	592,865,165	586,900,447
Furniture, fixtures, and equipment	53,299,316	49,946,382
Construction in progress	<u>174,077,968</u>	<u>142,786,734</u>
	820,893,717	780,284,831
Less accumulated depreciation	<u>367,588,409</u>	<u>339,539,456</u>
	<u>\$ 453,305,308</u>	<u>440,745,375</u>

(9) Line of Credit and Loan Agreements

On March 17, 2020, WCS renewed a \$30,000,000, 3 year, unsecured line of credit facility with Bank of America to support working capital needs. The line of credit bears interest at the 1-month London Interbank Offered Rate (LIBOR) plus 0.30% (0.47825% at June 30, 2020). Interest is paid monthly and an unused credit facility is paid quarterly. WCS drew down on this line of credit in its entirety in March 2020. At June 30, 2020, \$30,000,000 was outstanding.

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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, 2020 and 2019 was \$6,650,000 and \$6,953,333, 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% (1.17825% at June 30, 2020 and 3.40238% at June 30, 2019). Interest expense on the loan for the years ended June 30, 2020 and 2019 was approximately \$197,944 and \$219,508, 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.

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

<u>Description</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount outstanding at June 30</u>	
			<u>2020</u>	<u>2019</u>
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

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Description	Maturity date	Interest rate	Amount outstanding at June 30	
			2020	2019
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	<u>2,080,000</u>	<u>2,080,000</u>
			123,610,000	123,610,000
Less unamortized bond issuance cost			(1,647,984)	(1,758,524)
Net unamortized premium			<u>11,376,455</u>	<u>12,159,504</u>
Bonds payable			<u>\$ 133,338,471</u>	<u>134,010,980</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, 2020 and 2019. Interest expense, net of interest income of \$1,376,908, has been capitalized in construction in progress at June 30, 2019.

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Projected interest and principal payments are as follows:

	Interest	Principal
Fiscal year:		
2021	\$ 6,108,225	—
2022	6,108,225	—
2023	6,108,225	—
2024	6,092,100	—
2025	6,025,850	—
Thereafter	57,959,662	123,610,000
Total	\$ 88,402,287	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 \$782,637 in 2020 and \$412,619 in 2019 related to the plans. A liability of \$2,183,683 and \$1,918,308 is reported in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2020 and 2019, 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 \$8,824,000 and \$8,353,000 for the years ended June 30, 2020 and 2019, respectively. There have been no significant changes that affect the comparability of fiscal years 2020 and 2019 contributions. WCS's contributions to the Plan represent more than 5% of the total contributions to this plan for the years ended June 30, 2020 and 2019. 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, 2020 and 2019 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

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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, 2020.

The expenses for the Group Life and Welfare Benefit Plans and the administrative costs for the Plans for the years ended June 30, 2020 and 2019 was as follows:

	2020	2019
Group Life and Welfare Benefits	\$ 199,000	196,000
Administration (all three plans)	1,184,000	1,122,000
	\$ 1,383,000	1,318,000

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 2020 and 2019, WCS recognized expense of \$81,964 and \$53,798 related to the terminal leave, respectively. The present value of the terminal leave obligation amounted to \$1,753,426 and \$1,835,399 at June 30, 2020 and 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 48,778,892	45,569,730
Service cost	2,328,503	2,023,735
Interest cost	1,756,220	1,739,043
Plan participants' contribution	196,985	240,710
Amendment – plan change	—	—
Actuarial (gain) loss	6,043,405	1,843,501
Benefits paid	<u>(2,136,450)</u>	<u>(2,637,827)</u>
Benefit obligation at end of year	<u>56,967,555</u>	<u>48,778,892</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	2,136,450	2,637,827
Benefits paid	<u>(2,136,450)</u>	<u>(2,637,827)</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Accumulated postretirement health and life insurance benefit obligation recognized in the consolidated balance sheet	<u>\$ (56,967,555)</u>	<u>(48,778,892)</u>
	<u>2020</u>	<u>2019</u>
Components of net periodic benefit expense:		
Service cost	\$ 2,328,503	2,023,735
Interest cost	1,756,220	1,739,043
Amortization of prior service credit	(709,359)	(868,715)
Amortization of net loss	<u>667,278</u>	<u>330,293</u>
Net periodic benefit expense	<u>\$ 4,042,642</u>	<u>3,224,356</u>

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

	<u>2020</u>	<u>2019</u>
Benefit obligation weighted average assumptions as of June 30, 2020 and 2019:		
Discount rate	2.70 %	3.57 %
Benefit cost weighted average assumptions for the years ended June 30, 2020 and 2019:		
Discount rate	3.57 %	4.12 %

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of 7% in 2020 grading down to 4.75% in 2024 and thereafter was assumed.

As of June 30, 2020, a total loss of \$17,194,308 consisting of \$17,111,322 net actuarial loss and \$82,986 prior service cost, has not yet been recognized as a component of net periodic benefit cost.

During the years ended June 30, 2020 and 2019, \$(6,085,486) and (\$2,381,923) were reported, respectively, as postretirement-related change other than net periodic postretirement benefit costs. The components of the amounts are as follows:

	<u>2020</u>	<u>2019</u>
Net actuarial loss (gain)	\$ 5,376,127	1,513,208
Prior service cost	709,359	868,715
	<u>\$ 6,085,486</u>	<u>2,381,923</u>

It is estimated that \$709,359 of the prior service credit and \$570,426 of amortization of the net actuarial loss will be recognized as components of net periodic benefit cost in fiscal year 2021.

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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 2020:

	<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	\$ 734,618	(557,699)
Effect on the postretirement benefit obligation	8,614,963	(6,695,589)

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

2021	\$ 1,905,000
2022	2,013,000
2023	2,177,000
2024	2,280,000
2025	2,474,000
2026 through 2030	<u>13,764,000</u>
	<u>\$ 24,613,000</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 \$17,273,665 and \$16,194,766 in operating support during 2020 and 2019, 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 \$17,667,397 and \$12,514,985 in support during 2020 and 2019, 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 2020 and 2019, this funding amounted to \$35,489,067 and \$71,750,499, respectively.

In fiscal year 2020 and 2019, WCS also received, through the DCA, grants with restrictions totaling \$391,000 and \$390,100, 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, 2020 and 2019 was \$94,786,345 and \$106,582,078, of which \$60,861,698 and \$59,348,709, respectively, is included in receivable from the City in the accompanying consolidated balance sheets.

(14) Liquidity and Availability

WCS financial assets and resources available to meet cash needs for general expenditure within one year of the consolidated balance sheets were as follows at June 30, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 52,471,057	40,657,576
Miscellaneous receivables	2,954,334	5,044,450
Contributions and grants receivable	30,734,178	40,382,227
Receivables from the City and State of New York	90,543,760	79,632,953
Receivables from U.S. Federal sources	10,380,558	12,376,507
Investments: appropriated to spend in following year	<u>22,914,034</u>	<u>26,766,055</u>
Total financial assets and other resources available within one year	<u>\$ 209,997,921</u>	<u>204,859,768</u>

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 manage unexpected liquidity WCS has committed bank lines of credit in the amount of \$30 million, which was drawn upon. Additionally, WCS has board-designated endowment funds of \$71.7 million as of June 30, 2020. Although WCS does not intend to spend from board designated endowment funds other than amounts appropriated

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for expenditure as part of the annual budget approval process, amounts from its board-designated endowment could be made available if necessary.

(15) Significant Event during the Fiscal Year

- (a) In January 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. Beginning March 16, 2020, all WCS's zoos and aquarium were temporarily closed to the public in accordance with New York State executive orders and guidance related to the pandemic. Outdoor exhibits at the Bronx Zoo, Central Park Zoo, Prospect Park Zoo and Queens Zoo reopened to the public on July 24, 2020. Indoor exhibits at those facilities and outdoor and indoor exhibits at the New York Aquarium reopened to the public on August 24, 2020. The reopened facilities are operating in accordance with New York State safety guidance and directives, including attendance capacity limitations. The operations of WCS's Global Conservation programs were also affected by local governmental and other guidance and requirements, which in some cases disrupted planned programmatic activity. The incidence of COVID-19 has therefore negatively affected WCS's operating results. It is anticipated that the effects of COVID-19 may continue to negatively affect WCS's financial position, results of operations and cash flows of WCS. However, given the uncertainty of the pandemic's duration, severity, and economic impacts, the ultimate financial effects cannot be known at this time.
- (b) WCS has applied for the employee retention credit for \$1,290,372. The credit will be claimed against WCS payroll taxes for each calendar quarter, in an amount equal to 50 percent of qualified wages limited to \$10,000 per quarter per employee.
- (c) WCS has elected to defer applicable payroll taxes under the Coronavirus Aid, Relief, and Economic Security (CARES) Act from April 30, 2020 through June 30, 2020. The Act permits companies to defer paying their portion of applicable payroll taxes from the date the act was signed into law through December 31, 2020. The deferred amount of \$922,541 has been accrued and will be due in two equal installments on December 31, 2021 and December 31, 2022.

(16) Subsequent Events

On August 13, 2020, WCS issued 30-year taxable bonds, Series 2020, to refund its outstanding long term debt. Upon issuance of the Series 2020 bonds, the outstanding aggregate principal amount of the Trust for Cultural Resources of The City of New York Revenue Bonds Series 2013A (Wildlife Conservation Society) and 2014A (Wildlife Conservation Society), totaling \$79.2 million and \$44.4 million respectively, were fully refunded and legally defeased. The outstanding principal amount of \$6.6 million on a 10-year taxable loan with T.D. Bank, N.A. was fully repaid. Including \$16.9 million in capitalized interest and \$1.1 million for the costs of issuance, proceeds totaled \$165.9 million.

In conjunction with the preparation of the consolidated financial statements, WCS evaluated subsequent events from June 30, 2020 and through October 21, 2020, the date on which the consolidated financial statements were issued, and has concluded that there are no additional disclosures.



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
Wildlife Conservation Society:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Wildlife Conservation Society and subsidiaries (WCS), which comprise the consolidated balance sheet as of June 30, 2020, 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, and have issued our report thereon dated October 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered WCS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of WCS's internal control. Accordingly, we do not express an opinion on the effectiveness of WCS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this Section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WCS's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WCS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WCS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 21, 2020