



**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Financial Statements and Supplementary
Information on Expenditures of Federal Awards

Year Ended June 30, 2017

(With Independent Auditors' Report and
Reports on Internal Control and Compliance 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, 2017, and the related consolidated statements of activities 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 entity'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 entity'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, 2017, 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' 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the indirect cost rate calculation are presented for purposes of additional analysis, and are 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 schedule of expenditures of federal awards and indirect cost rate calculation are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017 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 17, 2017, except for our report on the supplementary schedules of expenditures of federal awards and indirect cost rate calculation, for which the date is March 23, 2018.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Balance Sheet

June 30, 2017

(with summarized financial information as of June 30, 2016)

| Assets | 2017 | 2016 |
|---|-------------------------|----------------------|
| Cash and cash equivalents | \$ 69,869,245 | 76,529,751 |
| Accounts receivable | 3,391,735 | 3,204,895 |
| Receivable from the City of New York (note 13) | 39,207,020 | 18,732,579 |
| Receivable from the State of New York | 2,702,658 | 2,252,834 |
| Receivable from U.S. Federal sources | 38,781,701 | 30,579,325 |
| Grants and contributions receivable, net (note 7) | 69,193,266 | 65,061,959 |
| Inventories | 2,683,000 | 2,432,448 |
| Prepaid expenses | 6,826,412 | 4,383,520 |
| Investments (notes 3 and 4) | 465,111,301 | 456,955,526 |
| Amounts held in trust by others (note 3) | 1,888,649 | 1,842,625 |
| Funds held by bond trustee (notes 3 and 10) | 20,089,411 | 28,293,590 |
| Property and equipment (note 8) | 343,878,813 | 333,215,520 |
| Collections (note 1m) | | |
| Total assets | <u>\$ 1,063,623,211</u> | <u>1,023,484,572</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses (notes 11 and 12) | \$ 45,525,234 | 37,087,482 |
| Annuity liability | 2,982,300 | 3,055,787 |
| Loans payable (note 9) | 13,000,000 | 17,000,000 |
| Bonds payable (note 10) | 135,355,988 | 136,232,382 |
| Postretirement benefit obligation (note 12) | 42,288,389 | 43,070,880 |
| Total liabilities | <u>239,151,911</u> | <u>236,446,531</u> |
| Commitments and contingencies (notes 2p, 9, 12, and 13) | | |
| Net assets: | | |
| Unrestricted: | | |
| Board designated | 112,052,468 | 104,870,270 |
| Net investment in property and equipment | 219,632,622 | 206,131,765 |
| Total unrestricted | 331,685,090 | 311,002,035 |
| Temporarily restricted (note 6) | 221,519,814 | 205,440,980 |
| Permanently restricted (note 6) | 271,266,396 | 270,595,026 |
| Total net assets | <u>824,471,300</u> | <u>787,038,041</u> |
| Total liabilities and net assets | <u>\$ 1,063,623,211</u> | <u>1,023,484,572</u> |

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended June 30, 2017

(with comparative summarized financial information for the year ended June 30, 2016)

| | <u>Unrestricted</u> | | | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>2017 Total</u> | <u>2016 Total</u> |
|--|---------------------|------------------------------|-------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| | <u>General</u> | <u>Board- designated</u> | <u>Plant</u> | | | | |
| Revenues: | | | | | | | |
| Contributions | \$ 11,130,154 | — | — | 11,130,154 | 59,245,555 | 671,370 | 59,878,414 |
| Bequests | — | 1,088,140 | — | 1,088,140 | 142,841 | — | 3,067,857 |
| Membership dues | 13,926,650 | — | — | 13,926,650 | — | — | 13,804,120 |
| Appropriation from the City of New York (note 13) | 25,410,541 | — | — | 25,410,541 | 25,192,039 | — | 56,408,098 |
| U.S. State agencies grants and contracts | — | — | — | — | 4,875,129 | — | 4,987,728 |
| U.S. Federal grants and contracts | — | — | — | — | 42,786,514 | — | 42,786,514 |
| Non-U.S. government and bilateral grants and contracts | — | — | — | — | 17,058,570 | — | 17,529,685 |
| Private organizations grants and contracts | — | — | — | — | 2,993,205 | — | 5,290,695 |
| Gate and exhibit admissions | 31,871,912 | — | — | 31,871,912 | — | — | 34,262,024 |
| Investment return (note 4) | 14,048,128 | 20,421,235 | — | 34,469,363 | 16,424,793 | — | (11,689,530) |
| Educational program and activities | 3,246,526 | — | — | 3,246,526 | — | — | 2,806,127 |
| Sponsorship, licensing, and royalties | 1,245,179 | — | — | 1,245,179 | — | — | 719,923 |
| Miscellaneous | 2,797,401 | — | — | 2,797,401 | — | — | 3,886,763 |
| | <u>103,676,491</u> | <u>21,509,375</u> | <u>—</u> | <u>125,185,866</u> | <u>168,718,646</u> | <u>671,370</u> | <u>233,633,038</u> |
| Restaurant and merchandise sales and parking fees | 26,215,292 | — | — | 26,215,292 | — | — | 26,666,151 |
| Net assets released from restrictions and designations (note 6) | <u>132,704,688</u> | <u>(6,022,795)</u> | <u>25,957,919</u> | <u>152,639,812</u> | <u>(152,639,812)</u> | <u>—</u> | <u>—</u> |
| Total revenues | <u>262,596,471</u> | <u>15,486,580</u> | <u>25,957,919</u> | <u>304,040,970</u> | <u>16,078,834</u> | <u>671,370</u> | <u>260,299,189</u> |
| Expenses: | | | | | | | |
| Program services: | | | | | | | |
| Bronx Zoo | 56,753,001 | — | 12,833,289 | 69,586,290 | — | — | 66,211,181 |
| New York Aquarium | 12,467,608 | — | 2,621,345 | 15,088,953 | — | — | 14,088,489 |
| City Zoos | 24,754,885 | — | 1,693,683 | 26,448,568 | — | — | 24,507,984 |
| Global Conservation Programs | 112,236,288 | — | 1,268,122 | 113,504,410 | — | — | 107,392,398 |
| Total program services | <u>206,211,782</u> | <u>—</u> | <u>18,416,439</u> | <u>224,628,221</u> | <u>—</u> | <u>—</u> | <u>212,200,052</u> |

(Continued)

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended June 30, 2017

(with comparative summarized financial information for the year ended June 30, 2016)

| | Unrestricted | | | Temporarily restricted | Permanently restricted | 2017 Total | 2016 Total | |
|---|---------------|----------------------|--------------|---------------------------|---------------------------|---------------|---------------|-----------------------|
| | General | Board- designated | Plant | | | | | Total unrestricted |
| Restaurant, merchandise, and parking expenses | \$ 17,025,050 | — | 1,273,924 | 18,298,974 | — | — | 18,298,974 | 17,607,674 |
| Supporting services: | | | | | | | | |
| Management and general | 31,849,079 | — | 868,356 | 32,717,435 | — | — | 32,717,435 | 30,881,407 |
| Membership solicitation and fulfillment | 2,096,827 | — | 34,971 | 2,131,798 | — | — | 2,131,798 | 2,176,581 |
| Fund-raising | 8,317,642 | — | 2,153 | 8,319,795 | — | — | 8,319,795 | 8,695,344 |
| Total supporting services | 42,263,548 | — | 905,480 | 43,169,028 | — | — | 43,169,028 | 41,753,332 |
| Total expenses | 265,500,380 | — | 20,595,843 * | 286,096,223 | — | — | 286,096,223 | 271,561,058 |
| Plant renewal funding | (1,620,000) | 1,620,000 | — | — | — | — | — | — |
| (Deficiency) excess of revenues over expenses and plant renewal funding | (4,523,909) | 17,106,580 | 5,362,076 | 17,944,747 | 16,078,834 | 671,370 | 34,694,951 | (11,261,869) |
| Other changes: | | | | | | | | |
| Postretirement-related change other than net periodic postretirement benefit cost (note 12) | 2,738,308 | — | — | 2,738,308 | — | — | 2,738,308 | (12,541,701) |
| Other transfers | 1,785,601 | (9,924,382) | 8,138,781 | — | — | — | — | — |
| Changes in net assets | — | 7,182,198 | 13,500,857 | 20,683,055 | 16,078,834 | 671,370 | 37,433,259 | (23,803,570) |
| Net assets at beginning of year | | 104,870,270 | 206,131,765 | 311,002,035 | 205,440,980 | 270,595,026 | 787,038,041 | 810,841,611 |
| Net assets at end of year | \$ — | 112,052,468 | 219,632,622 | 331,685,090 | 221,519,814 | 271,266,396 | 824,471,300 | 787,038,041 |

* Represents depreciation expense

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Cash Flows

Year ended June 30, 2017

(with comparative summarized financial information for the year ended June 30, 2016)

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|---------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 37,433,259 | (23,803,570) |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 20,595,843 | 19,669,309 |
| Amortization of bond issuance costs | 165,348 | 73,724 |
| Amortization of bond premium | (1,041,742) | (524,356) |
| Net (appreciation) depreciation in fair value of investments | (52,548,300) | 11,083,598 |
| Postretirement-related change other than net periodic postretirement benefit cost | (2,738,308) | 12,541,701 |
| Decrease in value of amounts held in trust by others | (46,024) | 155,052 |
| Endowment contributions | (671,370) | (1,000) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (186,840) | 857,672 |
| Receivable from the City of New York | (152,221) | 2,457,012 |
| Receivable from the State of New York | 65,148 | 2,642,574 |
| Receivable from Federal sources | (8,202,376) | (6,068,227) |
| Grants and contributions receivable | (6,753,413) | 11,163,089 |
| Inventories | (250,552) | 218,464 |
| Prepaid expenses and deferred charges | (2,442,892) | (1,092,000) |
| Accounts payable and accrued expenses | 6,465,691 | 3,400,844 |
| Postretirement benefit obligation | 1,955,817 | (129,070) |
| Total adjustments | <u>(45,786,191)</u> | <u>56,448,386</u> |
| Net cash (used in) provided by operating activities | <u>(8,352,932)</u> | <u>32,644,816</u> |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments | 119,960,374 | 126,622,470 |
| Purchases of investments | (75,567,849) | (106,236,241) |
| Acquisition of property and equipment | (31,259,136) | (54,630,654) |
| Increase (decrease) in accounts payable and accrued expenses for construction projects | 1,972,061 | (5,961,769) |
| Net cash provided by (used in) investing activities | <u>15,105,450</u> | <u>(40,206,194)</u> |
| Cash flows from financing activities: | | |
| Endowment contributions | 671,370 | 1,000 |
| (Increase) decrease in receivable from government sources for capital expenditure | (20,837,192) | 6,766,803 |
| Decrease in contributions and grants receivable for capital | 2,622,106 | 2,720,782 |
| Decrease in funds held by bond trustee | 8,204,179 | 12,599,836 |
| Decrease in annuity liability, net | (73,487) | (114,399) |
| Proceeds from loans payable | 6,000,000 | — |
| Payments for loans payable | (10,000,000) | — |
| Net cash (used in) provided by financing activities | <u>(13,413,024)</u> | <u>21,974,022</u> |
| Net (decrease) increase in cash and cash equivalents | (6,660,506) | 14,412,644 |
| Cash and cash equivalents at beginning of year | <u>76,529,751</u> | <u>62,117,107</u> |
| Cash and cash equivalents at end of year | <u>\$ 69,869,245</u> | <u>76,529,751</u> |
| Supplemental disclosure: | | |
| Interest paid | \$ 6,301,586 | 6,301,741 |

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2017

(with comparative summarized financial information as of and for the
year ended June 30, 2016)

(1) The Organization

The accompanying consolidated financial statements present the financial position, changes in net assets, 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.

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.

SANSOM MLUP PREY (SMP) is a nonprofit organization organized under Cambodian law to promote wildlife conservation through various means and initiatives including by supporting local communities in their efforts to produce and market wildlife friendly products. SMP is exempt from income tax.

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**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2017

(with comparative summarized financial information as of and for the
year ended June 30, 2016)

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 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.

Wildlife Conservation Society Singapore Limited (WCS Singapore) is a tax-exempt public company limited by guarantee formed under Singapore law. WCS Singapore was dissolved on September 5, 2016.

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 on March 23, 2017 principally to hold land for conservation purposes. CELEBICA is exempt from income tax on donation and grant revenues.

Zoological Kingdom, Inc. (ZK) is a New York not-for-profit corporation. ZK is exempt from Federal income tax as an organization described in Sections 501(c)(3) and 509(a)(3) of the Code. ZK is not operational.

(2) Tax 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.

(Continued)

**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2017

(with comparative summarized financial information as of and for the
year ended June 30, 2016)

(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:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. WCS delineates unrestricted net assets 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.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of WCS and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by WCS. Generally, the donors of these assets permit WCS to use all or part of the return on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated pledge period has elapsed) are reported as net assets released from restriction.

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Notes to Consolidated Financial Statements

June 30, 2017

(with comparative summarized financial information as of and for the
year ended June 30, 2016)

(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. 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.

(f) Grants and Contracts

WCS accounts for its grants and contracts, including those from Federal and other governmental sources, as contributions. As such, awards which are obligated by the funding source are recorded as temporarily restricted revenue, and sub grants to other organizations are recognized as expense and a liability when awarded by WCS. All Federal receivables are due within one year.

(g) 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.

(Continued)

**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2017

(with comparative summarized financial information as of and for the
year ended June 30, 2016)**(h) 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.

(i) 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.

(j) 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 \$3,122,000 and \$3,265,000 at June 30, 2017 and 2016, 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.

(k) 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 \$64,000 and \$3,016,000 as of June 30, 2017 and 2016, respectively.

(l) 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.

(m) Collections

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

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(n) 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, 2016 from which the summarized information was derived.

(o) Subsequent Events

In conjunction with the preparation of the consolidated financial statements, WCS evaluated subsequent events from June 30, 2017 and through October 17, 2017, the date on which the consolidated financial statements were issued, and has concluded that there are no subsequent events to be disclosed.

(p) 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.

(q) Reclassifications

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

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(3) Fair Value

WCS assets at June 30, 2017 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 | \$ 1,621,337 | 1,621,337 | — | — |
| Common stocks – domestic | 21,712,797 | 21,712,797 | — | — |
| Mutual funds – equity domestic | 1,584,875 | 1,584,875 | — | — |
| Mutual funds – fixed income: | | | | |
| U.S. Government | 3,912,432 | 3,912,432 | — | — |
| U.S. Corporate | 23,053,114 | 23,053,114 | — | — |
| Mutual funds – natural resources | 5,271,112 | 5,271,112 | — | — |
| | <u>57,155,667</u> | <u>57,155,667</u> | <u>—</u> | <u>—</u> |
| Investments reported at net asset value (or its equivalent): | | | | |
| Limited partnerships: | | | | |
| Multi-asset class | 283,018,880 | | | |
| Equity – domestic | 27,318,777 | | | |
| Equity – international/ emerging markets | 57,420,249 | | | |
| Fixed income – domestic | 7,529,625 | | | |
| Natural resources | 2,549,755 | | | |
| Other | 170,008 | | | |
| Alternative investments: | | | | |
| Private credit | 814,532 | | | |
| Distressed securities | 573,445 | | | |
| Equity – directional | 519,861 | | | |
| Equity – long/short | 14,281,532 | | | |
| Event-driven | 615,339 | | | |
| Multi-strategy | 12,930,587 | | | |
| Real estate | 213,044 | | | |
| Total investments reported at net asset value (or its equivalent) | <u>407,955,634</u> | | | |
| Total investments | <u>\$ 465,111,301</u> | | | |
| Other assets: | | | | |
| Funds held by bond trustee | \$ 20,089,411 | 20,089,411 | — | — |
| Amounts held in trust by others | 1,888,649 | — | — | 1,888,649 |
| Total other assets | <u>\$ 21,978,060</u> | <u>20,089,411</u> | <u>—</u> | <u>1,888,649</u> |

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Information with respect to the redemption provisions of investments reported at net asset value (or its equivalent) is as follows as of June 30, 2017:

| <u>Liquidity</u> | <u>Days' notice</u> | <u>Amount</u> |
|------------------|------------------------|-----------------------|
| Monthly | 15 | \$ 52,336,851 |
| | 30 | 24,661,036 |
| | 60 | 5,325,300 |
| Quarterly | 30 | 3,140,931 |
| | 60 | 18,615,571 |
| | 90 | 7,529,625 |
| Annual | 45, at 6/30 | 19,420 |
| | 90, pays 25% quarterly | 6,092,850 |
| | 1 Year, at 12/31 | 283,018,880 |
| Biennial | 65 | 4,626,266 |
| Illiquid | Not applicable | 2,588,904 |
| | | <u>\$ 407,955,634</u> |

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WCS assets at June 30, 2016 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 | \$ 6,476,316 | 6,476,316 | — | — |
| Common stocks – domestic | 20,414,662 | 20,414,662 | — | — |
| Mutual funds – equity domestic | 1,721,325 | 1,721,325 | — | — |
| Mutual funds – fixed income: | | | — | — |
| U.S. Government | 3,943,323 | 3,943,323 | — | — |
| U.S. Corporate | 26,762,365 | 26,762,365 | — | — |
| Mutual funds – natural resources | 8,629,757 | 8,629,757 | — | — |
| | <u>67,947,748</u> | <u>67,947,748</u> | <u>—</u> | <u>—</u> |
| Investments reported at net asset value (or its equivalent): | | | | |
| Limited partnerships: | | | | |
| Multi-asset class | 268,442,158 | | | |
| Equity – domestic | 25,368,011 | | | |
| Equity – international/ emerging markets | 48,150,715 | | | |
| Fixed income – domestic | 7,014,269 | | | |
| Natural resources | 3,493,278 | | | |
| Other | 173,671 | | | |
| Alternative investments: | | | | |
| Distressed securities | 615,204 | | | |
| Equity – directional | 284,663 | | | |
| Equity – long/short | 12,363,088 | | | |
| Event-driven | 10,419,291 | | | |
| Multi-strategy | 12,152,038 | | | |
| Real estate | 531,392 | | | |
| Total investments reported at net asset value (or its equivalent) | <u>389,007,778</u> | | | |
| Total investments | <u>\$ 456,955,526</u> | | | |
| Other assets: | | | | |
| Funds held by bond trustee | \$ 28,293,590 | 26,290,970 | 2,002,620 | — |
| Amounts held in trust by others | 1,842,625 | — | — | 1,842,625 |
| Total other assets | <u>\$ 30,136,215</u> | <u>26,290,970</u> | <u>2,002,620</u> | <u>1,842,625</u> |

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The following tables present WCS's activity for the fiscal years ended June 30, 2017 and 2016 for Level 3 assets:

| | | Amounts held in trust by others |
|---|----|--|
| Fair value at June 30, 2016 | \$ | 1,842,625 |
| Sales/distributions | | (69,269) |
| Net appreciation in fair value of investments | | <u>115,293</u> |
| Fair value at June 30, 2017 | \$ | <u><u>1,888,649</u></u> |

| | | Amounts held in trust by others |
|---|----|--|
| Fair value at June 30, 2015 | \$ | 1,997,677 |
| Sales/distributions | | (69,269) |
| Net depreciation in fair value of investments | | <u>(85,783)</u> |
| Fair value at June 30, 2016 | \$ | <u><u>1,842,625</u></u> |

WCS had unfunded investment commitments totaling \$11.8 million as of June 30, 2017.

(4) Investments

The fair value of investments at June 30, 2017 and 2016 is as follows:

| | 2017 | 2016 |
|---|------------------------------|---------------------------|
| Multi-asset class, including other alternative assets | \$ 283,018,880 | 268,442,158 |
| Equity/equity funds | 108,036,698 | 95,654,713 |
| Alternative investments | 30,118,348 | 36,539,347 |
| Fixed income funds | 34,495,171 | 37,719,957 |
| Natural resources | 7,820,867 | 12,123,035 |
| Cash and short-term investments | <u>1,621,337</u> | <u>6,476,316</u> |
| | <u><u>\$ 465,111,301</u></u> | <u><u>456,955,526</u></u> |

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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. The one fund held in this strategy does not provide redemption at this time.

Directional equity hedge funds – investments through individual managers that invest in companies believed to be undervalued via marketable securities or private transactions. The one fund held in this strategy 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.

Event-driven hedge funds – investments through individual managers that attempt to take advantage of events such as mergers and restructurings that can result in the short-term mispricing of a company's stock.

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.

Natural resources hedge funds – investments through individual managers that invest in companies related to energy production, commodity futures, timber, agriculture, metals, and other energy-related infrastructure and services.

Real estate – investments through individual managers that focus on the purchase and development, improvement, and management of residential, commercial, and industrial real estate with value attempted to be realized through both rental income and gains in eventual property sale through held properties. The one fund held in this strategy does not provide redemption at this time.

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

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multi-asset manager structure. The net asset value of WCS investments in Makena as of June 30, 2017 and 2016 is as follows:

| | <u>2017</u> | <u>2016</u> |
|---|----------------|-------------|
| Multi-asset class, including other alternative assets | \$ 283,018,880 | 268,442,158 |

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, 2017 are as follows:

| <u>Asset class</u> | <u>Percentage of portfolio</u> |
|--------------------------|------------------------------------|
| Developed markets equity | 16 % |
| Emerging markets equity | 8 |
| Long/Short equity | 11 |
| Private equity | 20 |
| Real estate | 12 |
| Natural resources | 8 |
| Absolute return | 18 |
| Fixed income | 7 |
| Cash | — |
| | <u>100 %</u> |

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The components of investment return for the years ended June 30, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|---------------------|
| Interest and dividend income, net of investment expenses of \$3,352,136 and \$3,790,044 in 2017 and 2016, respectively | \$ (1,654,144) | (605,932) |
| Net appreciation (depreciation) in fair value of investments | <u>52,548,300</u> | <u>(11,083,598)</u> |
| Total investment return | 50,894,156 | (11,689,530) |
| Less investment return available under spending policy, including temporarily restricted amounts of \$8,043,813 in 2017 and \$8,154,627 in 2016 | <u>(22,091,941)</u> | <u>(22,041,470)</u> |
| Investment return less than amount available under spending policy, including temporarily restricted amounts of \$8,380,980 in 2017 and \$(11,704,560) in 2016 | <u>\$ 28,802,215</u> | <u>(33,731,000)</u> |

(5) Endowment Funds

The WCS long-term investment portfolio includes donor-restricted endowment funds as well as unrestricted funds 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 102 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by WCS to function as endowments (funds functioning as endowment). At June 30, 2017, the fair values of 3 donor-restricted endowment accounts were less than their original fair value (i.e., were underwater) by a total of approximately \$212,000. At June 30, 2016, the fair values of 14 donor-restricted endowment accounts were less than their original fair value (i.e., were underwater) by a total of approximately \$2,547,000.

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, 2017 and 2016 consisted of the following:

| | | 2017 | | | |
|------------------|----|---------------------|-----------------------------------|-----------------------------------|--------------|
| | | Unrestricted | Temporarily restricted | Permanently restricted | Total |
| Donor-restricted | \$ | (211,806) | 52,673,352 | 271,266,396 | 323,727,942 |
| Board-designated | | 136,900,396 | — | — | 136,900,396 |
| Total | \$ | 136,688,590 | 52,673,352 | 271,266,396 | 460,628,338 |
| | | 2016 | | | |
| | | Unrestricted | Temporarily restricted | Permanently restricted | Total |
| Donor-restricted | \$ | (2,546,590) | 44,805,960 | 270,595,026 | 312,854,396 |
| Board-designated | | 128,678,717 | — | — | 128,678,717 |
| Total | \$ | 126,132,127 | 44,805,960 | 270,595,026 | 441,533,113 |

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Changes in endowment net assets for the fiscal years ended June 30, 2017 and 2016 were as follows:

| | 2017 | | | |
|--|-----------------------|-----------------------------------|-----------------------------------|--------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
| Endowment net assets, June 30, 2016 as reported | \$ 126,132,127 | 44,805,960 | 270,595,026 | 441,533,113 |
| Net appreciation (realized and unrealized) | 34,316,451 | 15,911,205 | — | 50,227,656 |
| Contributions | — | — | 671,370 | 671,370 |
| Appropriation of endowment assets for expenditure | (14,048,128) | (8,043,813) | — | (22,091,941) |
| Transfer from board-designated endowment | (9,711,860) | — | — | (9,711,860) |
| Endowment net assets, June 30, 2017 | <u>\$ 136,688,590</u> | <u>52,673,352</u> | <u>271,266,396</u> | <u>460,628,338</u> |
| | | | | |
| | 2016 | | | |
| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
| Endowment net assets, June 30, 2015 as reported | \$ 158,241,925 | 54,922,816 | 270,594,026 | 483,758,767 |
| Net depreciation (realized and unrealized) | (9,297,838) | (1,962,229) | — | (11,260,067) |
| Contributions | — | — | 1,000 | 1,000 |
| Appropriation of endowment assets for expenditure | (13,886,843) | (8,154,627) | — | (22,041,470) |
| Transfer from board-designated endowment | (8,925,117) | — | — | (8,925,117) |
| Endowment net assets, June 30, 2016 | <u>\$ 126,132,127</u> | <u>44,805,960</u> | <u>270,595,026</u> | <u>441,533,113</u> |

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(6) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

| | 2017 | 2016 |
|--|----------------|-------------|
| Amounts restricted for the following purposes: | | |
| Domestic programs | \$ 108,003,236 | 98,597,274 |
| Building and exhibit improvements | 7,327,802 | 7,802,187 |
| Global conservation programs | 106,188,776 | 99,041,519 |
| | \$ 221,519,814 | 205,440,980 |

Temporarily restricted net assets by revenue source and changes therein as of and for the years ended June 30, 2017 and 2016 were as follows:

| | Balance at beginning of year | Revenues pending release | Released from restrictions and reclassifications | | | | Balance at end of year |
|--|------------------------------|--------------------------|--|------------------|------------|----------------|------------------------|
| | | | Operations | Board-designated | Capital | Total released | |
| 2017: | | | | | | | |
| Contributions and bequests | \$ 90,901,626 | 59,388,396 | 59,953,320 | (6,022,795) | 989,384 | 54,919,909 | 95,370,113 |
| Appropriation from the City of New York | 118,971 | 25,192,039 | — | — | 24,968,535 | 24,968,535 | 342,475 |
| U.S. State agencies grants and contracts | 1,233,300 | 4,875,129 | 5,123,464 | — | — | 5,123,464 | 984,965 |
| U.S. Federal grants and contracts | 26,103,573 | 42,786,514 | 39,734,673 | — | — | 39,734,673 | 29,155,414 |
| Non-U.S. government and bilateral grants and contracts | 30,931,662 | 17,058,570 | 16,849,259 | — | — | 16,849,259 | 31,140,973 |
| Private organizations grants and contracts | 5,063,289 | 2,993,205 | 3,087,784 | — | — | 3,087,784 | 4,968,710 |
| Gate and exhibit admissions | — | — | — | — | — | — | — |
| Investment return | 50,529,601 | 16,424,793 | 7,956,188 | — | — | 7,956,188 | 58,998,206 |
| Other | 558,958 | — | — | — | — | — | 558,958 |
| | \$ 205,440,980 | 168,718,646 | 132,704,688 | (6,022,795) | 25,957,919 | 152,639,812 | 221,519,814 |

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| | Balance at beginning of year | Revenues pending release | Released from restrictions and reclassifications | | | Total released | Balance at end of year |
|---|------------------------------------|--------------------------------|--|----------------------|-------------------|--------------------|---------------------------|
| | | | Operations | Board- designated | Capital | | |
| 2016: | | | | | | | |
| Contributions and bequests | \$ 87,385,799 | 51,360,027 | 51,016,037 | (5,694,496) | 2,522,659 | 47,844,200 | 90,901,626 |
| Appropriation from the City of New York | 289,208 | 34,020,416 | — | — | 34,190,653 | 34,190,653 | 118,971 |
| U.S. State agencies grants and contracts | 600,786 | 4,987,728 | 4,355,214 | — | — | 4,355,214 | 1,233,300 |
| U.S. Federal grants and contracts | 18,872,849 | 42,681,134 | 35,450,410 | — | — | 35,450,410 | 26,103,573 |
| Non-U.S. government and bilateral grants and contracts | 29,889,301 | 17,529,685 | 16,487,324 | — | — | 16,487,324 | 30,931,662 |
| Private organizations grants and contracts | 5,332,330 | 5,290,695 | 5,559,736 | — | — | 5,559,736 | 5,063,289 |
| Gate and exhibit admissions | — | — | 800,000 | (800,000) | — | — | — |
| Investment return | 61,713,256 | (3,549,933) | 7,633,722 | — | — | 7,633,722 | 50,529,601 |
| Other | 558,958 | — | — | — | — | — | 558,958 |
| | <u>\$ 204,642,487</u> | <u>152,319,752</u> | <u>121,302,443</u> | <u>(6,494,496)</u> | <u>36,713,312</u> | <u>151,521,259</u> | <u>205,440,980</u> |

Permanently restricted net assets at June 30, 2017 and 2016 represent endowment gifts as follows:

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|--------------------|
| Lila Acheson Wallace Endowment Fund | \$ 151,363,015 | 151,363,015 |
| Income unrestricted | 21,169,943 | 21,169,943 |
| Income restricted (principally for global conservation programs) | <u>98,733,438</u> | <u>98,062,068</u> |
| | <u>\$ 271,266,396</u> | <u>270,595,026</u> |

The Lila Acheson Wallace Endowment Fund was established when WCS agreed to accept the assets transferred to it upon the dissolution of the Lila Acheson Wallace Fund for WCS and to maintain those assets in perpetuity in accordance with the terms of an Endowment Agreement. That Agreement provides that WCS may make expenditures from the endowment based on the annual spending policy applied to WCS's other endowment funds and the Agreement provides that spending from the Lila Acheson Wallace Endowment Fund may reduce the value of the endowment to an amount less than its original fair value and WCS need not restore the Endowment to its original fair value. The Endowment Agreement also provides that WCS may expend a portion of the Endowment as a special contribution in addition to the annual spending for special priority needs provided that certain conditions are satisfied and the fair value of the endowment fund is not reduced below 80% of the original value. The dissolution grant totaled \$189,203,769, of which \$151,363,015 was recorded as permanently restricted.

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(7) Grants and Contributions Receivable

Grants and contributions receivable as of June 30, 2017 and 2016 are due to be collected as follows:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|-------------------|
| Within one year | \$ 55,687,200 | 56,973,427 |
| One to five years | 13,885,532 | 8,275,283 |
| | <u>69,572,732</u> | <u>65,248,710</u> |
| Less present value discount (2.31% in 2017 and 1.49% in 2016) | <u>(379,466)</u> | <u>(186,751)</u> |
| | <u>\$ 69,193,266</u> | <u>65,061,959</u> |

(8) Property and Equipment

At June 30, 2017 and 2016, the cost and accumulated depreciation of property and equipment are as follows:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-----------------------|--------------------|
| Land | \$ 651,268 | 651,268 |
| Buildings and exhibits | 435,176,056 | 424,896,163 |
| Furniture, fixtures, and equipment | 42,990,527 | 38,239,223 |
| Construction in progress | <u>153,215,257</u> | <u>136,987,318</u> |
| | 632,033,108 | 600,773,972 |
| Less accumulated depreciation | <u>288,154,295</u> | <u>267,558,452</u> |
| | <u>\$ 343,878,813</u> | <u>333,215,520</u> |

(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 2017 or fiscal 2016.

On March 24, 2014, WCS obtained a \$7,000,000 10 year term unsecured loan from TD Bank which expires February 28, 2024. The full balance of the loan was outstanding as of June 30, 2017 and 2016. 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%. Interest expense on the loan for the years ended June 30, 2017 and 2016 was approximately \$121,000 and \$94,000, respectively.

(Continued)

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On March 7, 2014, WCS obtained a \$10,000,000 program related investment in the form of a 3 year term loan from the David and Lucile Packard Foundation. The purpose of the loan was to provide bridge funding for construction of new facilities at the New York Aquarium pending contractual reimbursement of those costs by the City of New York. The loan bore an interest rate of 1%. Interest expense on the loan for the years ended June 30, 2017 and 2016 was approximately \$73,000 and \$100,000, respectively. This loan was fully paid on March 7, 2017.

On May 1, 2017, WCS signed a \$6,000,000 promissory note from a WCS trustee. The purpose of the loan was for general operations. The note is interest free and payable on the three year anniversary of the signed document.

(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.

(Continued)

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(with comparative summarized financial information as of and for the
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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 | |
|-------------------------------------|---------------|---------------|----------------------------------|-------------|
| | | | 2017 | 2016 |
| 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 | | | (1,979,614) | (2,144,962) |
| Net unamortized premium | | | 13,725,602 | 14,767,344 |
| Bonds payable | | | \$ 135,355,988 | 136,232,382 |

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 June 30, 2017 and 2016. Interest expense, net of interest income of \$2,911,882 and \$2,294,507, has been capitalized in construction in progress at June 30, 2017 and 2016, respectively.

(Continued)

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(with comparative summarized financial information as of and for the
year ended June 30, 2016)

Projected interest and principal payments are as follows:

| | <u>Interest</u> | <u>Principal</u> |
|--------------|-----------------------|--------------------|
| Fiscal year: | | |
| 2018 | \$ 6,108,225 | — |
| 2019 | 6,108,225 | — |
| 2020 | 6,108,225 | — |
| 2021 | 6,108,225 | — |
| 2022 | 6,108,225 | — |
| Thereafter | <u>76,185,837</u> | <u>123,610,000</u> |
| Total | <u>\$ 106,726,962</u> | <u>123,610,000</u> |

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 \$678,818 in 2017 and \$529,077 in 2016 related to the plans. A liability of \$2,290,638 and \$1,754,129 is reported in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2017 and 2016, 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 \$8,086,000 and \$7,776,000 for the years ended June 30, 2017 and 2016, respectively. There have been no significant changes that affect the comparability of fiscal years 2017 and 2016 contributions. WCS's contributions to the Plan represent more than 5% of the total contributions to this plan for the years ended June 30, 2017 and 2016. 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, 2017 and 2016 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, 2017.

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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, 2017 and 2016 was as follows:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|---------------------|----------------|
| Group Life and Welfare Benefits | \$ 183,000 | 211,000 |
| Administration (all three plans) | <u>932,000</u> | <u>756,000</u> |
| | <u>\$ 1,115,000</u> | <u>967,000</u> |

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 2017 and 2016, WCS recognized expense of \$45,665 and \$50,288 related to the terminal leave, respectively. The present value of the terminal leave obligation amounted to \$1,950,264 and \$1,995,929 at June 30, 2017 and 2016, 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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Notes to Consolidated Financial Statements

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(with comparative summarized financial information as of and for the
year ended June 30, 2016)

The following table provides a summary of this unfunded plan as of June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--|------------------------|---------------------|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | \$ 43,070,880 | 30,658,249 |
| Service cost | 1,816,591 | 982,929 |
| Interest cost | 1,520,758 | 1,343,666 |
| Plan participants' contribution | 290,276 | 225,306 |
| Amendment – plan change | 1,526,521 | — |
| Actuarial (gain) loss | (4,454,045) | 11,442,631 |
| Benefits paid | <u>(1,482,592)</u> | <u>(1,581,901)</u> |
| Benefit obligation at end of year | <u>42,288,389</u> | <u>43,070,880</u> |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | — | — |
| Employer contribution | 1,482,592 | 1,581,901 |
| Benefits paid | <u>(1,482,592)</u> | <u>(1,581,901)</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>\$ (42,288,389)</u> | <u>(43,070,880)</u> |
| | <u>2017</u> | <u>2016</u> |
| Components of net periodic benefit expense: | | |
| Service cost | \$ 1,816,591 | 982,929 |
| Interest cost | 1,520,758 | 1,343,666 |
| Amortization of prior service credit | (1,009,601) | (1,200,543) |
| Amortization of net loss | <u>820,385</u> | <u>101,473</u> |
| Net periodic benefit expense | <u>\$ 3,148,133</u> | <u>1,227,525</u> |

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**WILDLIFE CONSERVATION SOCIETY
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(with comparative summarized financial information as of and for the
year ended June 30, 2016)

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

| | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|
| Benefit obligation weighted average assumptions as of June 30, 2017 and 2016: | | |
| Discount rate | 3.97 % | 3.53 % |
| Benefit cost weighted average assumptions for the years ended June 30, 2017 and 2016: | | |
| Discount rate | 3.53 | 4.53 |

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of 7.50% in 2017 grading down to 4.75% in 2023 and thereafter was assumed.

As of June 30, 2017, a total loss of \$6,791,902, consisting of \$9,155,705 net actuarial loss and \$2,363,803 prior service credit, has not yet been recognized as a component of net periodic benefit costs.

As of June 30, 2016, a total loss of \$9,530,210, consisting of \$14,430,135 net actuarial loss and \$4,899,925 prior service credit, has not yet been recognized as a component of net periodic benefit costs.

During the years ended June 30, 2017 and 2016, \$2,738,308 and \$(12,541,701) were reported, respectively, as postretirement-related change other than net periodic postretirement benefit costs. The components of the amounts are as follows:

| | <u>2017</u> | <u>2016</u> |
|---------------------------|-----------------------|-------------------|
| Net actuarial (gain) loss | \$ (5,274,430) | 11,341,158 |
| Prior service cost | 2,536,122 | 1,200,543 |
| | <u>\$ (2,738,308)</u> | <u>12,541,701</u> |

It is estimated that \$868,715 of the prior service credit and \$486,706 of amortization of the net actuarial loss will be recognized as components of net periodic benefit costs in fiscal year 2018.

There was a change to the administration of the nonunion medical plan offered to pre- 65 individuals. Previously, the plan's premiums were determined on 2-tier structure. As of September 1, 2016, WCS moved to a 4-tier structure. The premium structure and relationships between the premiums for each coverage level were adjusted accordingly.

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(with comparative summarized financial information as of and for the
year ended June 30, 2016)

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 2017:

| | <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 | \$ 624,309 | (430,736) |
| Effect on the postretirement benefit obligation | 5,927,050 | (4,661,294) |

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

| | |
|-------------------|----------------------|
| 2018 | \$ 1,791,000 |
| 2019 | 1,911,000 |
| 2020 | 1,886,000 |
| 2021 | 1,962,000 |
| 2022 | 2,061,000 |
| 2023 through 2027 | <u>11,632,000</u> |
| | <u>\$ 21,243,000</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, appropriates funds to support certain operating costs. WCS received \$15,006,909 and \$14,737,188 in operating support during 2017 and 2016, respectively.

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(with comparative summarized financial information as of and for the
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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 \$10,403,632 and \$7,650,494 in support during 2017 and 2016, respectively, under these agreements.

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 certain capital improvements. In fiscal years 2017 and 2016, this funding amounted to \$24,958,535 and \$34,020,416, respectively.

In fiscal year 2017, WCS also received, through the Department of Cultural Affairs, temporarily restricted grants totaling \$233,504.

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, 2017 was \$14,223,826, which is included in receivable from the City in the accompanying consolidated balance sheet.

**WILDLIFE CONSERVATION SOCIETY
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Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

| <u>Pass-through grantor/program title</u> | <u>CFDA number/ identifying number</u> | <u>Pass through entity identifying number</u> | <u>Amount provided to subrecipients</u> | <u>Expenditures</u> |
|--|--|---|---|---------------------|
| Research and development: | | | | |
| Direct awards: | | | | |
| Agency for International Development | 98.001 | | \$ 6,169,708 | 24,231,758 |
| National Science Foundation | 47.RD | | 58,070 | 329,586 |
| National Oceanic and Atmospheric Administration | 11.RD | | — | 23,477 |
| Department of the Interior | 15.RD | | 184,738 | 4,927,757 |
| Institute of Museum and Library Services | 45.301 | | — | 1,897 |
| National Endowment for the Humanities | 45.149 | | — | 15,452 |
| National Archives and Records Administration | 89.003 | | — | 57,428 |
| Department of Agriculture | 10.684 | | — | 136,457 |
| Department of Defense | 12.630 | | 351,309 | 682,299 |
| Department of State | 19.RD | | 170,630 | 1,508,389 |
| Marine Mammal Commission | 11.439 | | — | 24,860 |
| Total direct awards | | | <u>6,934,455</u> | <u>31,939,360</u> |
| Pass-through awards: | | | | |
| Agency for International Development: | | | | |
| World Wildlife Fund – Biodiversity and Conservation in the Lower Mekong: | | | | |
| Empowering Female Herpetologist through Capacity Building and Regional Networking | 98.001 | AM44 | — | 80,615 |
| University of California Davis – PREDICT 2 | 98.001 | AID-OAA-A-14-00102 | — | 726,242 |
| Rainforest Alliance – Climate Nature and Communities in Guatemala | 98.001 | SF-1906 | — | 256,524 |
| Winrock – Supporting Forests and Biodiversity (SFB) Project | 98.001 | 6499-16-AM-03 | — | 79,765 |
| National Academy of Science – Biodiversity and Conservation in the Lower Mekong: | | | | |
| Empowering Female Herpetologist through Capacity Building and Regional Networking | 98.001 | PGA-2000003506 | — | 21,273 |
| World Wildlife Fund – CAFEC: Virunga Forest Landscapes | 98.001 | AW79 | — | 348,448 |
| World Wildlife Fund – CAFEC: Salonga Forest Landscapes | 98.001 | AW78 | — | 634,945 |
| World Wildlife Fund – Paraguay Forest Conservation Agriculture Alliance | 98.001 | OT08 | — | 266,473 |
| PACT – Melong Partnership for the Environment Project (MPE) | 98.001 | P4048-003 | — | 148,221 |
| Fondo Patrimonio Natural – Environmental Monitoring – Central Region of the Colombian Amazon Piedmont | 98.001 | C&G-G-09 | — | 79,277 |
| World Resource Institute – Strengthening Central Africa Environmental Management and Policy Support | 98.001 | 4517 | — | 267,955 |
| Chemonics International – Bijak Indonesia Project | 98.001 | S253 | — | 525,236 |
| Chemonics International – Philippines Biodiversity and Watersheds Improved for Stronger Economy and Ecosystem Resilience (B+WISER) Program | 98.001 | B+WISER_WCS_1 | — | 91,065 |
| Tetra Tech – USAID Saving Species Project | 98.001 | 1089-WCS-001 | — | 48,447 |
| Tetra Tech – Development of SMART Connect | 98.001 | PREPARED008 | — | 35,106 |
| Tetra Tech – LESTARI | 98.001 | AID-OAA-I-12-00032 / AID-497-15-00005 | — | 536,687 |
| Tetra Tech – Indonesia Sustainable Ecosystems Advanced Project | 98.001 | 001-S-HO-1087 | — | 508,939 |
| Institut Pasteur – PREDICT 2 Project | 98.001 | AID-OAA-A-14-00102 | — | 4,722 |
| WorldFish – Improve Resilience and Governance of the Padma-Meghna River-Estuarine | 98.001 | PLA11573 | — | 9,220 |
| WorldFish – Protection of Marine Megafauna from Entanglement in Fishing Gears | 98.001 | PLA10988 | — | 64,980 |
| Small Grants and Ambassador’s Fund Program – Improving Governance, Livelihood and Wildlife Conservation Through Community | 98.001 | SGAFP/205/AFP/158 | — | 19,581 |
| Nature Conservancy – Strengthening Landscape Scale Conservation in Northern Tanzania | 98.001 | NTRI-WCS-012816 | 79,358 | 441,992 |
| | | | <u>79,358</u> | <u>5,195,713</u> |

(Continued)

**WILDLIFE CONSERVATION SOCIETY
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Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

| <u>Pass-through grantor/program title</u> | <u>CFDA number/ identifying number</u> | <u>Pass through entity identifying number</u> | <u>Amount provided to subrecipients</u> | <u>Expenditures</u> |
|--|--|---|---|---------------------|
| National Science Foundation: | | | | |
| Research Foundation of City University of New York – Integrative Graduate Research and Training in Evolutionary Primatology | 47.074 | 40A66A | \$ — | 4,591 |
| Hawaii University – Understanding the Links Between Local Ecological Knowledge, Ecosystem Services, and Resilience | 47.UNK | MA140016 | — | 10,908 |
| Pace University – Curriculum and Community Enterprise for New York Harbor Restoration in New York City | 47.076 | CW2283344 | — | 17,361 |
| | | | — | 32,860 |
| Department of the Interior: | | | | |
| Fish and Wildlife Service: | | | | |
| PCI Media Impact – My Gorilla – My Community, Season Two | 15.629 | F13AP00876 | — | 3,028 |
| World Wildlife Fund – Improving Management in the Sangha Tri-National and Northern Congo Forest Landscape | 15.651 | AW76 | — | 1,152,268 |
| Agence Nationale des parcs Nationaux – Gabon Bleu Funding Marine Protection | 15.UNK | N/A | — | 48,605 |
| Bureau of Land Management: | | | | |
| National Fish and Wildlife Foundation – Trapper's Point Wildlife Overpass Interpretive Pullout | 15.231 | 0103.14.040040 | 10,000 | 12,210 |
| | | | 10,000 | 1,216,111 |
| Department of Agriculture Forest Services: | | | | |
| SUNY Research Foundation – Impacts of Recreation Activity on Wildlife Communities in the Adirondacks | 10.UNK | 69461 | — | 12,160 |
| Department of National Oceanic and Atmospheric Administration: | | | | |
| Stevens Institute of Technology – Quantifying the Value and Communicating the Protective Services of Living Shorelines Using Flood Risk Assessment | 11.431 | 2102310-02 | — | 4,585 |
| North Pacific Research Board – Determining Marine Mammal Distribution | 11.472 | 1511A | 64,148 | 242,220 |
| Pacific Marine Environmental Laboratory – Understanding and Adapting to Observed Changes in the Alaskan Arctic | 11.UNK | WE-133R-15-SE-1686 | — | 33,336 |
| RAND Corporation – Coastal and Ocean Climate Applications – Ecosystem Services for a Resilient Coast in a Changing Climate | 11.431 | 9920170012 | — | 62,906 |
| National Fish and Wildlife Foundation – Strengthening Capacity in the Solomon Islands to Plan and Implement Fisheries Management | 11.482 | 0302.16.053188 | — | 22,400 |
| National Fish and Wildlife Foundation – Building Management Capacity in Taka Bonerate Marine National Park | 11.482 | 0302.14.043864 | — | 29,303 |
| National Fish and Wildlife Foundation – Building Provincial and Community Capacity for Sustainable Small-Scale Fisheries Management in New Ireland, Papua New Guinea | 11.482 | 0302.15.048606 | — | 32,310 |
| | | | 64,148 | 427,060 |
| Department of Health and Human Services: | | | | |
| New York State Department of Health – Comprehensive Adolescent Pregnancy Prevention | 93.778 | 1508281104 | — | 100,145 |
| | | | — | 100,145 |
| Total pass-through awards | | | 153,506 | 6,984,049 |
| Total research and development | | | 7,087,961 | 38,923,409 |
| Federal Emergency Management Agency: | | | | |
| City of New York, Department of Cultural Affairs: | | | | |
| New York State Department of Homeland Security and Emergency Services – Disaster Grants – Public Assistance | 97.036 | N/A | — | 16,872,807 |
| | | | — | 16,872,807 |
| Total expenditures of federal awards | | | \$ 7,087,961 | 55,796,216 |

See accompanying independent auditors' report.

**WILDLIFE CONSERVATION SOCIETY
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Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Wildlife Conservation Society and subsidiaries (WCS) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Society, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of WCS.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance or the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Schedule includes all eligible expenditures incurred by WCS that were approved by the Federal Emergency Management Agency (FEMA) in fiscal year 2017. Eligible expenditures reported on the Schedule for the year ended June 30, 2017 include \$14,115,487 of eligible expenditures incurred in a prior year.

(3) Indirect Cost Rate

In connection with its ongoing relationship with United States Agency for International Development and the regulatory provision for its negotiated indirect cost rate agreement, WCS has been involved in finalizing provisional rates. As of June 30, 2017, WCS has finalized rates through fiscal year 2015, and has been given provision rates for fiscal year 2016 and onward until amended. Provisional rates provided by the government are charged to the grants and adjusted in the period after the final rate is determined. WCS has not elected to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Indirect Cost Rate Calculation

Year ended June 30, 2017

| | Direct costs | | | Indirect costs | | | Total expenditures |
|--|--|-------------------------|-----------------------------|------------------------|-------------------------|---------------------------------|--------------------|
| | All other excluding management and general | Reclass of direct costs | Adjusted total direct costs | Management and general | Reclass of direct costs | Adjusted management and general | |
| Elements of cost: | | | | | | | |
| Salaries and wages | \$ 89,537,435 | (6,563,462) | 82,973,973 | 15,116,081 | 6,563,462 | 21,679,543 | 104,653,516 |
| Employee benefits and payroll taxes | 36,099,855 | (2,522,400) | 33,577,455 | 4,811,700 | 2,522,400 | 7,334,100 | 40,911,555 |
| Employment costs | 1,830,282 | (15,363) | 1,814,919 | 284,363 | 15,363 | 299,726 | 2,114,645 |
| Stipends and contract labor | 11,843,187 | — | 11,843,187 | 1,083,566 | — | 1,083,566 | 12,926,753 |
| Purchased services | 11,155,120 | (158,436) | 10,996,684 | 2,382,342 | 158,436 | 2,540,778 | 13,537,462 |
| Subgrants and subawards | 16,376,228 | (138,173) | 16,238,055 | — | 138,173 | 138,173 | 16,376,228 |
| Professional fees | 2,837,228 | (81,772) | 2,755,456 | 1,166,657 | 81,772 | 1,248,429 | 4,003,885 |
| Property and casualty insurance | 3,023,690 | (813,462) | 2,210,228 | 133,563 | 813,462 | 947,025 | 3,157,253 |
| Advertising | — | — | — | 1,310,099 | — | 1,310,099 | 1,310,099 |
| Repair and maintenance | 7,086,736 | (448,306) | 6,638,430 | 611,723 | 448,306 | 1,060,029 | 7,698,459 |
| Supplies and materials | 15,602,866 | (375,427) | 15,227,439 | 75,743 | 375,427 | 451,170 | 15,678,609 |
| Animal food and forage | 2,365,875 | — | 2,365,875 | — | — | — | 2,365,875 |
| Telephone | 1,333,537 | (162,871) | 1,170,666 | 213,241 | 162,871 | 376,112 | 1,546,778 |
| Utilities | 4,839,052 | (399,059) | 4,439,993 | 3,230 | 399,059 | 402,289 | 4,842,282 |
| Rent | 4,793,148 | — | 4,793,148 | 347,824 | — | 347,824 | 5,140,972 |
| Travel | 13,931,248 | (326,921) | 13,604,327 | 509,959 | 326,921 | 836,880 | 14,441,207 |
| Dues and fees | 652,194 | (87,019) | 565,175 | 169,547 | 87,019 | 256,566 | 821,741 |
| Postage and shipping | 620,413 | (23,067) | 597,346 | 79,126 | 23,067 | 102,193 | 699,539 |
| Cost of product sold | 6,280,425 | — | 6,280,425 | — | — | — | 6,280,425 |
| Collection accessions | 375,718 | (17,975) | 357,743 | — | 17,975 | 17,975 | 375,718 |
| Currency translation loss | 138,838 | — | 138,838 | (74,480) | — | (74,480) | 64,358 |
| Bond interest expense | — | — | — | 3,196,343 | — | 3,196,343 | 3,196,343 |
| Other | 3,356,678 | (160,110) | 3,196,568 | — | 160,110 | 160,110 | 3,356,678 |
| Total expenses exclusive of depreciation | 234,079,753 | (12,293,823) | 221,785,930 | 31,420,627 | 12,293,823 | 43,714,450 | 265,500,380 |
| Less direct cost adjustments – distorting items: | | | | | | | |
| Salaries and wages | — | — | — | — | — | — | — |
| Employee benefits and payroll taxes | — | — | — | — | — | — | — |
| Purchased services | (1,571,015) | — | (1,571,015) | — | — | — | (1,571,015) |
| Subgrants and subawards | (16,376,228) | — | (16,376,228) | — | — | — | (16,376,228) |
| Professional fees | — | — | — | — | — | — | — |
| Advertising | — | — | — | — | — | — | — |
| Repair and maintenance | (3,548,622) | — | (3,548,622) | — | — | — | (3,548,622) |
| Supplies and materials | (37,332) | — | (37,332) | — | — | — | (37,332) |
| Animal food and forage | (2,365,875) | — | (2,365,875) | — | — | — | (2,365,875) |
| Utilities | (4,348,323) | — | (4,348,323) | — | — | — | (4,348,323) |
| Rent | (2,715,000) | — | (2,715,000) | — | — | — | (2,715,000) |
| Dues and fees | (150,110) | — | (150,110) | — | — | — | (150,110) |
| Postage and shipping | (124,787) | — | (124,787) | — | — | — | (124,787) |
| Cost of product sold | (6,280,425) | — | (6,280,425) | — | — | — | (6,280,425) |
| Collection accessions | — | — | — | — | — | — | — |
| Currency translation loss | (64,358) | — | (64,358) | — | — | — | (64,358) |
| Bond interest expense | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — |
| Subtotal direct cost adjustments | (37,582,075) | — | (37,582,075) | — | — | — | (37,582,075) |
| Balance forward | 196,497,678 | (12,293,823) | 184,203,855 | 31,420,627 | 12,293,823 | 43,714,450 | 227,918,305 |

(Continued)

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Indirect Cost Rate Calculation

Year ended June 30, 2017

| | Direct costs | | | Indirect costs | | | Total expenditures |
|-------------------------------------|--|-------------------------|-----------------------------|------------------------|-------------------------|---------------------------------|--------------------|
| | All other excluding management and general | Reclass of direct costs | Adjusted total direct costs | Management and general | Reclass of direct costs | Adjusted management and general | |
| Less indirect cost adjustments: | | | | | | | |
| Salaries and wages | \$ — | — | — | (120,741) | — | (120,741) | (120,741) |
| Employee benefits and payroll taxes | — | — | — | (49,854) | — | (49,854) | (49,854) |
| Purchased services | — | — | — | (2,290) | — | (2,290) | (2,290) |
| Subgrants and subawards | — | — | — | — | — | — | — |
| Professional fees | — | — | — | (20,000) | — | (20,000) | (20,000) |
| Property and casualty insurance | — | — | — | (373) | — | (373) | (373) |
| Advertising | — | — | — | (1,310,099) | — | (1,310,099) | (1,310,099) |
| Repair and maintenance | — | — | — | (1,735) | — | (1,735) | (1,735) |
| Supplies and materials | — | — | — | (60,207) | — | (60,207) | (60,207) |
| Animal food and forage | — | — | — | — | — | — | — |
| Telephone | — | — | — | (2,650) | — | (2,650) | (2,650) |
| Utilities | — | — | — | (399,059) | — | (399,059) | (399,059) |
| Rent | — | — | — | (46,709) | — | (46,709) | (46,709) |
| Travel | — | — | — | (12,212) | — | (12,212) | (12,212) |
| Dues and fees | — | — | — | — | — | — | — |
| Postage and shipping | — | — | — | — | — | — | — |
| Currency translation loss | — | — | — | — | — | — | — |
| Bond interest expense | — | — | — | (3,196,343) | — | (3,196,343) | (3,196,343) |
| Other | — | — | — | (80,224) | — | (80,224) | (80,224) |
| Subtotal indirect cost adjustments | — | — | — | (5,302,496) | — | (5,302,496) | (5,302,496) |
| Adjusted costs | \$ 196,497,678 | (12,293,823) | 184,203,855 | 26,118,131 | 12,293,823 | 38,411,954 | 222,615,809 |
| Indirect cost rate: | | | | | | | |
| Adjusted management and general | | | \$ 38,411,954 | 20.85 % | | | |
| Adjusted total direct costs | | | \$ 184,203,855 | | | | |

See accompanying independent auditors' report.



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New York, NY 10154-0102

II-1

**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, 2017, and the related consolidated statements of activities 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 17, 2017.

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) to determine the 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 determination of financial statement amounts. 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 17, 2017



KPMG LLP
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New York, NY 10154-0102

II-3

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
Wildlife Conservation Society:

Report on Compliance for the Major Federal Program

We have audited Wildlife Conservation Society and subsidiaries' (WCS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on WCS's major federal program for the year ended June 30, 2017. WCS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for WCS's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WCS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of WCS's compliance.

Opinion on the Major Federal Program

In our opinion, Wildlife Conservation Society and subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of WCS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WCS's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WCS's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

March 23, 2018

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Schedule of Findings and Questioned Costs
Year ended June 30, 2017

(1) Summary of Auditors' Results

- a. Type of auditors' report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- c. Noncompliance material to the consolidated financial statements: **No**
- d. Internal control deficiencies over its major program disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- e. Type of report issued on compliance for its major program: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major program: **Research Disaster Grants – Public Assistance – 97.036**
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$1,673,886**
- i. Auditee qualified as low-risk auditee: **Yes**

**(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance With
Government Auditing Standards**

None

(3) Findings and Questioned Costs Relating to Federal Awards

None