WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2018
(with comparative summarized financial information as of and for the year ended June 30, 2017)

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
Wildlife Conservation Society:

We have audited the accompanying consolidated financial statements of Wildlife Conservation Society and subsidiaries, which comprise the consolidated balance sheet as of June 30, 2018, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wildlife Conservation Society and subsidiaries as of June 30, 2018, 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' 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

October 24, 2018

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Balance Sheet

June 30, 2018
(with summarized financial information as of June 30, 2017)

Assets		**2018**	**2017**
Cash and cash equivalents	$	53,193,856	69,869,245
Accounts receivable		2,837,484	3,391,735
Receivable from the City of New York (note 13)		61,706,615	39,207,020
Receivable from the State of New York		2,731,947	2,702,658
Receivable from U.S. Federal sources		33,976,640	38,781,701
Grants and contributions receivable, net (note 7)		67,273,829	69,193,266
Inventories		2,415,093	2,683,000
Prepaid expenses		6,296,062	6,826,412
Investments (notes 3 and 4)		472,916,726	465,111,301
Amounts held in trust by others (note 3)		1,918,229	1,888,649
Funds held by bond trustee (notes 3 and 10)		14,870,444	20,089,411
Property and equipment (note 8)		385,047,064	343,878,813
Collections (note 1m)		—	—
Total assets	$	1,105,183,989	1,063,623,211
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (notes 11 and 12)	$	59,137,273	45,525,234
Annuity liability		2,969,301	2,982,300
Loans payable (note 9)		7,000,000	13,000,000
Bonds payable (note 10)		134,683,484	135,355,988
Postretirement benefit obligation (note 12)		45,569,730	42,288,389
Total liabilities		249,359,788	239,151,911
Commitments and contingencies (notes 2p, 9, 11, 12, and 13)			
Net assets:			
Unrestricted:			
Board designated (note 5)		102,617,253	112,052,468
Net investment in property and equipment		256,364,955	219,632,622
Total unrestricted		358,982,208	331,685,090
Temporarily restricted (note 5 and 6)		225,439,597	221,519,814
Permanently restricted (note 5 and 6)		271,402,396	271,266,396
Total net assets		855,824,201	824,471,300
Total liabilities and net assets	$	1,105,183,989	1,063,623,211

See accompanying notes to consolidated financial statements.

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2018
(with comparative summarized financial information for the year ended June 30, 2017)

	Unrestricted							
	General	Board-designated	Plant	Total unrestricted	Temporarily restricted	Permanently restricted	2018 Total	2017 Total
Revenues:								
Contributions	$ 17,910,294	—	—	17,910,294	18,515,015	11,000	36,436,309	29,043,503
Bequests	—	3,579,559	—	3,579,559	78,560	125,000	3,783,119	1,230,981
Membership dues	13,119,019	—	—	13,119,019	—	—	13,119,019	13,926,650
Appropriation from the City of New York (note 13)	27,860,323	—	—	27,860,323	43,771,303	—	71,631,626	50,602,580
U.S. State agencies grants and contracts	—	—	—	—	4,983,471	—	4,983,471	4,875,129
U.S. Federal grants and contracts	—	—	—	—	39,458,055	—	39,458,055	42,786,514
Non-U.S. government and bilateral grants and contracts	—	—	—	—	15,100,928	—	15,100,928	17,058,570
Private organizations grants and contracts	—	—	—	—	43,821,792	—	43,821,792	44,996,781
Gate and exhibit admissions	32,463,456	—	—	32,463,456	—	—	32,463,456	31,871,912
Investment return (note 4)	14,447,455	11,331,039	—	25,778,494	15,251,215	—	41,029,709	50,894,156
Educational program and activities	2,811,236	—	—	2,811,236	—	—	2,811,236	3,246,526
Sponsorship, licensing, and royalties	919,345	—	—	919,345	—	—	919,345	1,245,179
Miscellaneous	3,494,648	—	—	3,494,648	—	—	3,494,648	2,797,401
	113,025,776	14,910,598	—	127,936,374	180,980,339	136,000	309,052,713	294,575,882
Restaurant and merchandise sales and parking fees	27,033,303	—	—	27,033,303	—	—	27,033,303	26,215,292
Net assets released from restrictions and designations (note 6)	143,266,209	(14,284,992)	48,079,339	177,060,556	(177,060,556)	—	—	—
Total revenues	283,325,288	625,606	48,079,339	332,030,233	3,919,783	136,000	336,086,016	320,791,174
Expenses:								
Program services:								
Bronx Zoo	67,564,925	—	13,488,839	81,053,764	—	—	81,053,764	71,822,485
New York Aquarium	15,479,993	—	3,619,963	19,099,956	—	—	19,099,956	14,988,034
City Zoos	23,628,548	—	1,594,634	25,223,182	—	—	25,223,182	26,380,189
Global Conservation Programs	115,086,696	—	1,272,222	116,358,918	—	—	116,358,918	115,212,412
Total program services	221,760,162	—	19,975,658	241,735,820	—	—	241,735,820	228,403,120

(Continued)

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2018
(with comparative summarized financial information for the year ended June 30, 2017)

	Unrestricted							
	General	Board-designated	Plant	Total unrestricted	Temporarily restricted	Permanently restricted	2018 Total	2017 Total
Restaurant, merchandise, and parking expenses	$ 17,909,009	—	1,259,597	19,168,606	—	—	19,168,606	18,298,974
Supporting services:								
Management and general	29,150,847	—	779,201	29,930,048	—	—	29,930,048	26,638,798
Membership solicitation and fulfillment	1,210,321	—	34,971	1,245,292	—	—	1,245,292	2,131,799
Fund-raising	10,716,738	—	1,614	10,718,352	—	—	10,718,352	10,623,532
Total supporting services	41,077,906	—	815,786	41,893,692	—	—	41,893,692	39,394,129
Total expenses	280,747,077	—	22,051,041 *	302,798,118	—	—	302,798,118	286,096,223
Plant renewal funding	(2,600,000)	2,600,000	—	—	—	—	—	—
(Deficiency) excess of revenues over expenses and plant renewal funding	(21,789)	3,225,606	26,028,298	29,232,115	3,919,783	136,000	33,287,898	34,694,951
Other changes:								
Postretirement-related change other than net periodic postretirement benefit cost (note 12)	(1,934,997)	—	—	(1,934,997)	—	—	(1,934,997)	2,738,308
Other transfers	1,956,786	(12,660,821)	10,704,035	—	—	—	—	—
Changes in net assets	—	(9,435,215)	36,732,333	27,297,118	3,919,783	136,000	31,352,901	37,433,259
Net assets at beginning of year	—	112,052,468	219,632,622	331,685,090	221,519,814	271,266,396	824,471,300	787,038,041
Net assets at end of year	$ —	102,617,253	256,364,955	358,982,208	225,439,597	271,402,396	855,824,201	824,471,300

* Represents depreciation expense

See accompanying notes to consolidated financial statements.

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended June 30, 2018
(with comparative summarized financial information for the year ended June 30, 2017)

		2018	2017
Cash flows from operating activities:			
Changes in net assets	$	31,352,901	37,433,259
Adjustments to reconcile changes in net assets to net cash provided (used in) by operating activities:			
Depreciation		22,051,041	20,595,843
Amortization of bond issuance costs		110,545	165,348
Amortization of bond premium		(783,049)	(1,041,742)
Net appreciation in fair value of investments		(43,012,912)	(52,548,300)
Forgiveness of debt		(6,000,000)	—
Postretirement-related change other than net periodic postretirement benefit cost		1,934,997	(2,738,308)
Decrease in value of amounts held in trust by others		(29,580)	(46,024)
Endowment contributions		(136,000)	(671,370)
Changes in assets and liabilities:			
Accounts receivable		554,251	(186,840)
Receivable from the City of New York		(2,486,061)	(152,221)
Receivable from the State of New York		89,244	65,148
Receivable from Federal sources		4,805,061	(8,202,376)
Grants and contributions receivable		1,858,277	(6,753,413)
Inventories		267,907	(250,552)
Prepaid expenses and deferred charges		530,350	(2,442,892)
Accounts payable and accrued expenses		2,038,282	6,465,691
Postretirement benefit obligation		1,346,344	1,955,817
Total adjustments		(16,861,303)	(45,786,191)
Net cash provided by (used in) operating activities		14,491,598	(8,352,932)
Cash flows from investing activities:			
Proceeds from sales of investments		111,746,660	119,960,374
Purchases of investments		(76,539,173)	(75,567,849)
Acquisition of property and equipment		(63,219,292)	(31,259,136)
Increase in accounts payable and accrued expenses for construction projects		11,573,757	1,972,061
Net cash (used in) provided by investing activities		(16,438,048)	15,105,450
Cash flows from financing activities:			
Endowment contributions		136,000	671,370
Increase in receivable from government sources for capital expenditure		(20,132,067)	(20,837,192)
Decrease in contributions and grants receivable for capital		61,160	2,622,106
Decrease in funds held by bond trustee		5,218,967	8,204,179
Decrease in annuity liability, net		(12,999)	(73,487)
Proceeds from loans payable		—	6,000,000
Payments for loans payable		—	(10,000,000)
Net cash used in financing activities		(14,728,939)	(13,413,024)
Net decrease in cash and cash equivalents		(16,675,389)	(6,660,506)
Cash and cash equivalents at beginning of year		69,869,245	76,529,751
Cash and cash equivalents at end of year	$	53,193,856	69,869,245
Supplemental disclosure:			
Interest paid	$	6,108,225	6,301,586

See accompanying notes to consolidated financial statements.

(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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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 was dissolved on March 20, 2018.

(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.

(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 will 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.

(Continued)

(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)

(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 $2,986,358 and $3,122,000 at June 30, 2018 and 2017, 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 $22,000 and $64,000 as of June 30, 2018 and June 30, 2017, 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 an extensive collection of animals, including rare and endangered species. Expenditures for collections are not capitalized.

(Continued)

(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, 2017 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, 2018 and through October 24, 2018, 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.

(r) New Authoritative Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which among other things, changes how not-for-profit entities report net asset classes, expenses, and liquidity in their financial statements. The significant requirements of the ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the Statement of Financial Position; and retaining the option to present operating cash flows in the Statements of Cash Flows using either the direct or indirect method. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted. WCS is in the process of evaluating the impact of the ASU on its financial statements. WCS plans to adopt ASU 2016-14 for the year ending June 30, 2019.

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, Not-for-Profit Entities that clarifies the accounting for contributions received and made. ASU 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expense (resource provided). The provisions in this ASU are effective for annual periods beginning after December 15, 2017. WCS has evaluated the impact of the ASU and has implemented the provisions of ASU 2018-08 as of July 1, 2018.

(3) Fair Value

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

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

	Fair value	Level 1	Level 2	Level 3
Other assets:				
Funds held by bond trustee	$ 14,870,444	14,870,444	—	—
Amounts held in trust by others	1,918,229	—	—	1,918,229
Total other assets	$ 16,788,673	14,870,444	—	1,918,229

Information with respect to the redemption provisions of investments reported at net asset value (or its equivalent) is as follows as of June 30, 2018:

Liquidity	Days' notice	Amount
Monthly	15	$ 53,593,203
	30	24,587,499
	60	2,938,505
Quarterly	30	2,199,464
	60	17,058,901
	90	6,838,838
Annual	45, at 6/30	19,420
	90, pays 25% quarterly	6,008,494
	1 Year, at 12/31	295,380,866
Biennial	65	230,301
Illiquid	Not applicable	10,857,826
		$ 419,713,317

WCS assets at June 30, 2017 are summarized in the following table:

	Fair value	Level 1	Level 2	Level 3
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	—	—
	57,155,667	57,155,667	—	—

(Continued)

	Fair value	Level 1	Level 2	Level 3
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)	407,955,634	—	—	—
Total investments	$ 465,111,301	57,155,667	—	—
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	$ 21,978,060	20,089,411	—	1,888,649

The following tables present WCS's activity for the fiscal years ended June 30, 2018 and 2017 for Level 3 assets:

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

		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		115,293
Fair value at June 30, 2017	$	1,888,649

WCS had unfunded investment commitments totaling $20.9 million as of June 30, 2018.

(4) Investments

The fair value of investments at June 30, 2018 and 2017 is as follows:

		2018	2017
Multi-asset class, including other alternative assets	$	295,380,866	283,018,880
Equity/equity funds		106,939,346	108,036,698
Alternative investments		32,119,237	30,118,348
Fixed income funds		27,496,528	34,495,171
Natural resources		6,187,378	7,820,867
Cash and short-term investments		4,793,371	1,621,337
	$	472,916,726	465,111,301

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

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

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

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

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

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

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

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

WCS invests a significant portion of the investment portfolio in one manager, Makena Capital Management, LLC (Makena). Makena offers a pooled investment vehicle, the Makena Endowment Portfolio, utilizing a multi-asset manager structure. The net asset value of WCS investments in Makena as of June 30, 2018 and 2017 is as follows:

		2018	2017
Multi-asset class, including other alternative assets	$	295,380,866	283,018,880

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, 2018 are as follows:

Asset class	Percentage of portfolio
Developed markets equity	14%
Emerging markets equity	9
Long/Short equity	11
Private equity	21
Real estate	12
Natural resources	6
Absolute return	14
Fixed income	7
Cash	6
	100%

(Continued)

The components of investment return for the years ended June 30, 2018 and 2017 are as follows:

		2018	2017
Interest and dividend income, net of investment expenses of $2,418,843 and $3,352,136 in 2018 and 2017, respectively	$	(1,983,203)	(1,654,144)
Net appreciation in fair value of investments		43,012,912	52,548,300
Total investment return		41,029,709	50,894,156
Less investment return available under spending policy, including temporarily restricted amounts of $7,678,071 in 2018 and $8,043,813 in 2017		(22,125,526)	(22,091,941)
Investment return in excess of amount available under spending policy, including temporarily restricted amounts of $7,573,144 in 2018 and $8,380,980 in 2017	$	18,904,183	28,802,215

(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.

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, 2018, there were no endowment accounts that were less than their original fair value (i.e., were underwater). 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.

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, 2018 and 2017 consisted of the following:

		2018			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted	$	—	60,261,769	271,402,396	331,664,165
Board-designated		138,604,207	—	—	138,604,207
Total	$	138,604,207	60,261,769	271,402,396	470,268,372

		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

(Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2018 and 2017 were as follows:

	2018			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2017 as reported	$ 136,688,590	52,673,352	271,266,396	460,628,338
Net appreciation (realized and unrealized)	26,130,217	15,266,488	—	41,396,705
Contributions	—	—	136,000	136,000
Appropriation of endowment assets for expenditure	(14,447,455)	(7,678,071)	—	(22,125,526)
Transfer from board-designated endowment	(9,767,145)	—	—	(9,767,145)
Endowment net assets, June 30, 2018	$ 138,604,207	60,261,769	271,402,396	470,268,372

	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	$ 136,688,590	52,673,352	271,266,396	460,628,338

(6) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Amounts restricted for the following purposes:		
Domestic programs	$ 113,879,626	108,003,236
Building and exhibit improvements	2,884,764	7,327,802
Global conservation programs	108,675,207	106,188,776
	$ 225,439,597	221,519,814

Temporarily restricted net assets by revenue source and changes therein as of and for the years ended June 30, 2018 and 2017 were as follows:

	Balance at beginning of year	Revenues pending release	Released from restrictions and reclassifications: Operations	Board-designated	Capital	Total released	Balance at end of year
2018:							
Contributions and bequests	$ 75,575,954	18,593,575	39,561,653	(14,284,992)	4,590,012	29,866,673	64,302,856
Appropriation from the City of New York	342,475	43,771,303	—	—	43,489,327	43,489,327	624,451
U.S. State agencies grants and contracts	984,965	4,983,471	5,055,727	—	—	5,055,727	912,709
U.S. Federal grants and contracts	29,155,414	39,458,055	38,602,862	—	—	38,602,862	30,010,607
Non-U.S. government and bilateral grants and contracts	31,140,973	15,100,928	19,623,077	—	—	19,623,077	26,618,824
Private organizations grants and contracts	24,762,869	43,821,792	33,466,990	—	—	33,466,990	35,117,671
Investment return	58,998,206	15,251,215	6,955,900	—	—	6,955,900	67,293,521
Other	558,958	—	—	—	—	—	558,958
	$ 221,519,814	180,980,339	143,266,209	(14,284,992)	48,079,339	177,060,556	225,439,597

	Balance at beginning of year	Revenues pending release	Released from restrictions and reclassifications: Operations	Board-designated	Capital	Total released	Balance at end of year
2017:							
Contributions and bequests	$ 75,271,965	17,384,820	22,114,242	(6,022,795)	989,384	17,080,831	75,575,954
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	20,692,950	44,996,781	40,926,862	—	—	40,926,862	24,762,869
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

Permanently restricted net assets at June 30, 2018 and 2017 represent endowment gifts as follows:

	2018	2017
Lila Acheson Wallace Endowment Fund	$ 151,363,015	151,363,015
Income unrestricted	21,169,945	21,169,943
Income restricted (principally for global conservation programs)	98,869,436	98,733,438
	$ 271,402,396	271,266,396

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.

(7) Grants and Contributions Receivable

Grants and contributions receivable as of June 30, 2018 and 2017 are due to be collected as follows:

		2018	2017
Within one year	$	57,414,099	55,687,200
One to five years		10,210,714	13,885,532
		67,624,813	69,572,732
Less present value discount (2.85% in 2018 and 2.31% in 2017)		(350,984)	(379,466)
	$	67,273,829	69,193,266

At June 30, 2018, one donor represents approximately 12% of grants and contributions receivable.

(8) Property and Equipment

At June 30, 2018 and 2017, the cost and accumulated depreciation of property and equipment are as follows:

		2018	2017
Land	$	651,268	651,268
Buildings and exhibits		581,990,503	435,176,056
Furniture, fixtures, and equipment		47,885,821	42,990,527
Construction in progress		64,724,808	153,215,257
		695,252,400	632,033,108
Less accumulated depreciation		310,205,336	288,154,295
	$	385,047,064	343,878,813

(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 2018 or fiscal 2017.

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, 2018 and 2017. 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, 2018 and 2017 was approximately $176,833 and $121,000, respectively.

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 was interest free. This loan was forgiven in full by the trustee on January 1, 2018 and has been recorded as a contribution for the fiscal year ended June 30, 2018.

(10) Bonds Payable

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

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

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

Description	Maturity date	Interest rate	Amount outstanding at June 30 2018	Amount outstanding at June 30 2017
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

			Amount outstanding at June 30	
Description	**Maturity date**	**Interest rate**	**2018**	**2017**
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			(1,869,069)	(1,979,614)
Net unamortized premium			12,942,553	13,725,602
Bonds payable			$ 134,683,484	135,355,988

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

Interest expense on the Bonds amounted to $6,108,225 in both fiscal years ended June 30, 2018 and 2017. Interest expense, net of interest income of $2,160,360 and $2,911,882, has been capitalized in construction in progress at June 30, 2018 and 2017, respectively.

Projected interest and principal payments are as follows:

		Interest	Principal
Fiscal year:			
2019	$	6,108,225	—
2020		6,108,225	—
2021		6,108,225	—
2022		6,108,225	—
2023		6,108,225	—
Thereafter		70,077,612	123,610,000
Total	$	100,618,737	123,610,000

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

(11) Deferred Compensation

WCS has established two deferred compensation plans which provide for certain benefits currently payable through June 30, 2024. WCS accrues the present value of the estimated future benefit payments over the period from the date of the plans' inception through the dates payable. WCS recognized expense of $662,766 in 2018 and $678,818 in 2017 related to the plans. A liability of $1,559,449 and $2,290,638 is reported in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2018 and 2017, 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 $8,425,000 and $8,086,000 for the years ended June 30, 2018 and 2017, respectively. There have been no significant changes that affect the comparability of fiscal years 2018 and 2017 contributions. WCS's contributions to the Plan represent more than 5% of the total contributions to this plan for the years ended June 30, 2018 and 2017. 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, 2018 and 2017 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, 2018.

The expenses for the Group Life and Welfare Benefit Plans and the administrative costs for the Plans for the years ended June 30, 2018 and 2017 was as follows:

		2018	2017
Group Life and Welfare Benefits	$	191,000	183,000
Administration (all three plans)		1,055,000	932,000
	$	1,246,000	1,115,000

In addition, WCS has the practice of converting a portion of accrued sick leave into a lump-sum terminal leave payout upon the retirement of certain nonunion employees retiring from active service meeting certain age and service criteria. Terminal leave payout is a contractual obligation for WCS's unionized staff. WCS accrues for this accumulated terminal leave payment obligation. During 2018 and 2017, WCS recognized expense of $168,672 and $45,665 related to the terminal leave, respectively. The present value of the terminal leave obligation amounted to $1,781,592 and $1,950,264 at June 30, 2018 and 2017, 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.

The following table provides a summary of this unfunded plan as of June 30, 2018 and 2017:

		2018	2017
Change in benefit obligation:			
Benefit obligation at beginning of year	$	42,288,389	43,070,880
Service cost		1,907,756	1,816,591
Interest cost		1,724,820	1,520,758
Plan participants' contribution		260,752	290,276
Amendment – plan change		—	1,526,521
Actuarial (gain) loss		1,657,803	(4,454,045)
Benefits paid		(2,269,790)	(1,482,592)
Benefit obligation at end of year		45,569,730	42,288,389

		2018	2017
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Employer contribution		2,269,790	1,482,592
Benefits paid		(2,269,790)	(1,482,592)
Fair value of plan assets at end of year		—	—
Accumulated postretirement health and life insurance benefit obligation recognized in the consolidated balance sheet	$	(45,569,730)	(42,288,389)

		2018	2017
Components of net periodic benefit expense:			
Service cost	$	1,907,756	1,816,591
Interest cost		1,724,820	1,520,758
Amortization of prior service credit		(868,715)	(1,009,601)
Amortization of net loss		591,521	820,385
Net periodic benefit expense	$	3,355,382	3,148,133

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

	2018	2017
Benefit obligation weighted average assumptions as of June 30, 2018 and 2017:		
Discount rate	4.12%	3.97%
Benefit cost weighted average assumptions for the years ended June 30, 2018 and 2017:		
Discount rate	3.97%	3.53%

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of 7% in 2018 grading down to 4.75% in 2023 and thereafter was assumed.

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

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.

During the years ended June 30, 2018 and 2017, $(1,934,997) and $2,738,308 were reported, respectively, as postretirement-related change other than net periodic postretirement benefit costs. The components of the amounts are as follows:

		2018	**2017**
Net actuarial loss (gain)	$	1,066,282	(5,274,430)
Prior service cost		868,715	2,536,122
	$	1,934,997	(2,738,308)

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

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 2018:

		One-percentage-point increase	**One-percentage-point decrease**
Impact of one-percentage-point change in health care cost trend rates:			
Effect on total service and interest cost components	$	630,110	(481,373)
Effect on the postretirement benefit obligation		6,221,465	(4,915,808)

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

2019	$	1,966,000
2020		1,947,000
2021		2,027,000
2022		2,156,000
2023		2,336,000
2024 through 2028		13,325,000
	$	23,757,000

(Continued)

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

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

WCS operates the Bronx Zoo pursuant to a city grant made in 1897 and the New York Aquarium pursuant to an agreement with the City made in 1950. The Bronx Zoo and the New York Aquarium are under WCS's management and control. The City, through the Department of Cultural Affairs (DCA), appropriates funds to support certain operating costs. WCS received $15,660,917 and $15,006,909 in operating support during 2018 and 2017, respectively.

WCS and the City have entered into renewable agreements with respect to the City Zoos in Central Park, Prospect Park, and Queens providing for WCS's operation and management of these facilities. The City, through the Department of Parks and Recreation, reimburses for the excess of eligible expenses over revenues at these facilities and pays WCS a management fee. WCS received $12,199,406 and $10,403,632 in support during 2018 and 2017, 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 capital improvements. In fiscal years 2018 and 2017, this funding amounted to $40,283,340 and $24,958,535, respectively. In fiscal year 2018, DCA made a capital expenditure of $3,255.463 for parking lot improvements and Con Edison Switchgear Upgrade for the Bronx Zoo and $8,418,086 related to the Ocean Wonders: Sharks! Exhibit and Sandy restoration for the New York Aquarium, which are included in the appropriation from the City of New York.

In fiscal year 2018, WCS also received, through the DCA, temporarily restricted grants totaling $232,500.

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, 2018 was $52,140,715, of which $42,787,309 is included in receivable from the City in the accompanying consolidated balance sheet.

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Schedule of Functional Expenses

Year ended June 30, 2018
(with comparative summarized financial information for the year ended June 30, 2017)

		Bronx Zoo	New York Aquarium	City Zoos	Global conservation programs	Total program services
Salaries and wages	$	28,768,759	5,638,756	12,082,575	37,876,055	84,366,145
Employee benefits and payroll taxes		12,902,126	2,502,583	6,320,080	10,394,507	32,119,296
Employment costs		16,479	17,135	6,271	2,200,575	2,240,460
Consultancy fees		77,322	100,717	54,485	11,032,856	11,265,380
Purchased services		2,862,552	1,031,970	405,149	6,007,778	10,307,449
Grants		60,107	—	—	15,302,955	15,363,062
Professional fees		189,985	168,576	66,035	1,590,199	2,014,795
Property and casualty insurance		1,306,699	248,645	182,525	1,186,644	2,924,513
Advertising		3,552,209	—	—	—	3,552,209
Repairs and maintenance		3,385,349	811,454	684,625	1,427,179	6,308,607
Supplies and materials		2,980,246	1,129,841	1,396,743	9,619,450	15,126,280
Animal food and forage		1,677,169	195,790	513,981	—	2,386,940
Telephone		106,092	24,508	128,316	973,624	1,232,540
Heat, light, and power		3,574,342	1,530,592	97,747	320,319	5,523,000
Travel		452,914	70,559	110,730	14,093,086	14,727,289
Dues and fees		129,901	62,565	99,801	88,010	380,277
Postage and shipping		47,878	131,697	9,772	312,433	501,780
Cost of product sold		—	—	—	—	—
Collection accessions		245,361	605,161	24,434	—	874,956
Currency translation loss		—	—	—	1,133	1,133
Bond interest expense		3,518,530	429,335	—	—	3,947,865
Occupancy		1,500,000	737,500	1,200,000	1,944,505	5,382,005
Other		210,905	42,609	245,279	715,388	1,214,181
Subtotal		67,564,925	15,479,993	23,628,548	115,086,696	221,760,162
Depreciation		13,488,839	3,619,963	1,594,634	1,272,222	19,975,658
Total 2018 expenses	$	81,053,764	19,099,956	25,223,182	116,358,918	241,735,820
Total 2017 expenses	$	71,822,485	14,988,034	26,380,189	115,212,412	228,403,120

See accompanying independent auditors’ report.

Restaurant, merchandise, and parking expenses	Management and general	Membership solicitation and fulfillment	Fund-raising	Total supporting services	Total 2018	Total 2017
6,519,715	15,666,615	234,768	4,931,021	20,832,404	111,718,264	104,653,516
1,956,488	4,886,840	58,646	1,502,738	6,448,224	40,524,008	40,911,555
1,182	835,788	—	9,166	844,954	3,086,596	2,114,645
12,500	539,001	60,706	55,212	654,919	11,932,799	12,926,753
495,413	1,355,811	438,948	1,326,305	3,121,064	13,923,926	13,537,462
—	—	—	—	—	15,363,062	16,376,228
6,826	1,899,255	—	344,425	2,243,680	4,265,301	4,003,885
760	156,225	—	54	156,279	3,081,552	3,157,253
—	439,247	—	—	439,247	3,991,456	1,310,099
357,353	649,557	69,961	53,183	772,701	7,438,661	7,698,459
727,228	569,954	243,065	1,759,983	2,573,002	18,426,510	15,678,609
—	—	—	—	—	2,386,940	2,365,875
41,497	205,668	5,234	11,917	222,819	1,496,856	1,546,778
12,501	1,574	—		1,574	5,537,075	4,842,282
33,926	708,500	5,808	397,764	1,112,072	15,873,287	14,441,207
584	150,668	199	143,825	294,692	675,553	821,741
3,563	27,345	39,396	46,900	113,641	618,984	699,539
6,495,199	—	—	—	—	6,495,199	6,280,425
—	—	—	—	—	874,956	375,718
—	20,667	—	—	20,667	21,800	64,358
—	—	—	—	—	3,947,865	3,196,343
67,580	339,105	—	5,010	344,115	5,793,700	5,140,972
1,176,694	699,027	53,590	129,235	881,852	3,272,727	3,356,678
17,909,009	29,150,847	1,210,321	10,716,738	41,077,906	280,747,077	265,500,380
1,259,597	779,201	34,971	1,614	815,786	22,051,041	20,595,843
19,168,606	29,930,048	1,245,292	10,718,352	41,893,692	302,798,118	286,096,223
18,298,974	26,638,798	2,131,799	10,623,532	39,394,129	—	—

Schedule 2

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidating Schedule of Activities

Year ended June 30, 2018

	WCS do Brazil	WCS Canada	WCS Europe	SCC	WCS Malaysia	MCC	Conservation Flight LLC	WCS India	WCS USA	Elimination	WCS Consolidated
Revenues:											
Contributions	$ 99,524	2,251,737	—	—	11,321	—	—	720,557	33,353,170	—	36,436,309
Bequests	—	—	—	—	—	—	—	—	3,783,119	—	3,783,119
Membership dues	—	—	—	—	—	—	—	—	13,119,019	—	13,119,019
Appropriation from The City of New York	—	—	—	—	—	—	—	—	71,631,626	—	71,631,626
U.S. State agencies grants and contracts	—	—	—	—	—	—	—	—	4,983,471	—	4,983,471
U.S. Federal grants and contracts	—	199,521	—	—	—	—	—	—	39,258,534	—	39,458,055
Non-U.S. government and bilateral grants and contracts	—	—	—	—	—	—	—	—	15,100,928	—	15,100,928
Private organizations grants and contracts	281,476	244,023	—	—	1,013,261	—	40,000	74,192	44,270,844	(2,102,004)	43,821,792
Gate and exhibit admissions	—	—	—	—	—	—	—	—	32,463,456	—	32,463,456
Investment return	—	—	—	—	—	—	—	—	41,029,709	—	41,029,709
Educational program and activities	—	—	—	—	—	—	—	—	2,811,236	—	2,811,236
Sponsorship, licensing, and royalties	—	—	—	—	—	—	—	—	919,345	—	919,345
Miscellaneous	922	48,886	—	—	27,259	169,148	—	—	3,248,433	—	3,494,648
	381,922	2,744,167	—	—	1,051,841	169,148	40,000	794,749	305,972,890	(2,102,004)	309,052,713
Restaurant and merchandise sales and parking fees	—	—	—	—	—	—	—	—	27,033,303	—	27,033,303
Total revenues	381,922	2,744,167	—	—	1,051,841	169,148	40,000	794,749	333,006,193	(2,102,004)	336,086,016
Expenses and losses:											
Salaries and wages	252,888	1,460,032	—	—	471,925	—	—	85,481	109,447,938	—	111,718,264
Employee benefits and payroll taxes	231,265	—	—	—	81,789	—	—	38,770	40,172,184	—	40,524,008
Employment costs	—	—	—	—	—	—	—	—	3,086,596	—	3,086,596
Consultancy fees	—	—	—	—	—	—	—	—	11,932,799	—	11,932,799
Purchased services	13,613	521,078	—	—	54,729	—	—	3,948	13,330,558	—	13,923,926
Grants	304,258	265,498	—	—	10,200	—	—	482,700	16,402,410	(2,102,004)	15,363,062
Professional fees	11,724	6,815	911	—	8,206	—	—	121,766	4,115,879	—	4,265,301
Property and casualty insurance	10,808	22,978	—	—	—	—	—	—	3,047,766	—	3,081,552
Advertising	—	—	—	—	—	—	—	—	3,991,456	—	3,991,456
Repairs and maintenance	1,474	2,565	—	—	905	—	—	60	7,433,657	—	7,438,661
Supplies and materials	17,357	289,009	—	—	70,444	—	10,000	626	18,039,074	—	18,426,510
Animal food and forage	—	—	—	—	—	—	—	—	2,386,940	—	2,386,940
Telephone	574	16,604	—	—	7,278	—	—	81	1,472,319	—	1,496,856
Heat, light, and power	1,985	7,378	—	—	4,398	—	—	493	5,522,821	—	5,537,075
Travel	14,899	228,027	—	—	231,464	—	—	11,440	15,387,457	—	15,873,287
Dues and fees	1,113	9,410	—	—	—	—	—	—	665,030	—	675,553
Postage and shipping	558	6,990	—	—	760	—	—	152	610,524	—	618,984
Cost of product sold	—	—	—	—	—	—	—	—	6,495,199	—	6,495,199
Collection accessions	—	—	—	—	—	—	—	—	874,956	—	874,956
Currency translation loss	—	22,473	—	—	15,475	—	—	347	(16,495)	—	21,800
Bond interest expense	—	—	—	—	—	—	—	—	3,947,865	—	3,947,865
Occupancy	—	70,820	—	—	—	—	—	—	5,722,880	—	5,793,700
Other	5,200	5,765	12	108	82,097	169,412	—	478	3,009,655	—	3,272,727
Depreciation	—	—	—	—	—	—	—	—	22,051,041	—	22,051,041
Total expenses	867,716	2,935,442	923	108	1,039,670	169,412	10,000	746,342	299,130,509	(2,102,004)	302,798,118
(Deficiency) excess of revenues over expenses	(485,794)	(191,275)	(923)	(108)	12,171	(264)	30,000	48,407	33,875,684	—	33,287,898
Other changes:											
Postretirement-related change other than net periodic postretirement benefit cost	—	—	—	—	—	—	—	—	(1,934,997)	—	(1,934,997)
Changes in net assets	(485,794)	(191,275)	(923)	(108)	12,171	(264)	30,000	48,407	31,940,687	—	31,352,901
Net assets at beginning of year	980,322	2,018,991	(5,727)	—	605,191	(2,063)	49,988	165,403	820,659,195	—	824,471,300
Net assets at end of year	$ 494,528	1,827,716	(6,650)	(108)	617,362	(2,327)	79,988	213,810	852,599,882	—	855,824,201

See accompanying independent auditors' report.