KPMG

WILDLIFE CONSERVATION SOCIETY AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2012
(with comparative summarized financial information as of and for the year ended June 30, 2011)

(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 balance sheet of Wildlife Conservation Society (WCS) and subsidiaries as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of WCS's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year's comparative summarized financial information has been derived from WCS's 2011 financial statements and, in our report dated October 19, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WCS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 17, 2012

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Balance Sheet

June 30, 2012
(with summarized financial information as of June 30, 2011)

Assets		**2012**	**2011**
Cash and cash equivalents	$	67,149,396	66,923,732
Accounts receivable		3,702,738	4,036,614
Receivable from the City of New York (note 14)		11,947,450	14,420,264
Receivable from the State of New York		5,048,136	4,861,354
Receivable from Federal sources		28,809,581	31,056,129
Grants and contributions receivable, net (note 7)		60,342,381	32,092,203
Inventories, at lower of cost or market		2,067,326	2,089,878
Prepaid expenses and deferred charges (note 10)		4,382,727	5,765,165
Investments (notes 3 and 4)		381,466,232	408,305,235
Amounts held in trust by others (note 3)		2,029,664	1,684,172
Funds held by bond trustee (notes 3 and 10)		9,992	10,233
Property and equipment (note 8)		231,305,069	225,368,762
Collections (note 13)			
Total assets	$	798,260,692	796,613,741
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (notes 11 and 12)	$	33,485,508	27,755,703
Annuity liability		3,564,651	3,343,718
Bonds payable (note 10)		66,520,032	66,554,348
Postretirement benefit obligation (note 12)		35,382,663	28,351,181
Total liabilities		138,952,854	126,004,950
Commitments and contingencies (notes 9, 12, and 14)			
Net assets (note 5):			
Unrestricted:			
General operating		1,741,253	1,741,253
Board designated		114,104,364	149,058,591
Net investment in property and equipment		164,795,029	158,824,647
Total unrestricted		280,640,646	309,624,491
Temporarily restricted (note 6)		150,600,364	153,233,391
Permanently restricted (note 6)		228,066,828	207,750,909
Total net assets		659,307,838	670,608,791
Total liabilities and net assets	$	798,260,692	796,613,741

See accompanying notes to consolidated financial statements.

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2012
(with comparative summarized financial information for the year ended June 30, 2011)

	Unrestricted							
	General	**Board-designated**	**Plant**	**Total unrestricted**	**Temporarily restricted**	**Permanently restricted**	**2012 Total**	**2011 Total**
Revenues:								
Contributions	$ 7,428,017	—	—	7,428,017	48,806,214	215,919	56,450,150	47,227,549
Bequests	—	3,999,759	—	3,999,759	3,221,570	20,100,000	27,321,329	6,024,068
Membership dues	13,886,572	—	—	13,886,572	—	—	13,886,572	12,009,880
Appropriation from the City of New York (note 14)	21,880,173	—	—	21,880,173	13,434,715	—	35,314,888	30,248,900
State of New York grants and contracts	—	—	—	—	3,200,634	—	3,200,634	3,187,583
Federal grants and contracts	—	—	—	—	27,666,400	—	27,666,400	32,704,141
Other grants	—	—	—	—	12,481,354	—	12,481,354	18,932,389
Gate and exhibit admissions	34,048,965	800,000	—	34,848,965	—	—	34,848,965	30,060,416
Investment return (note 4)	14,342,232	(23,788,431)	—	(9,446,199)	(2,192,714)	—	(11,638,913)	46,978,969
Educational program and activities	2,524,966	—	—	2,524,966	—	—	2,524,966	2,045,563
Sponsorship, licensing, and royalties	1,664,083	—	—	1,664,083	—	—	1,664,083	1,420,605
Miscellaneous	3,886,045	—	—	3,886,045	—	—	3,886,045	1,391,974
	99,661,053	(18,988,672)	—	80,672,381	106,618,173	20,315,919	207,606,473	232,232,037
Restaurant and merchandise sales and parking fees	26,560,081	—	—	26,560,081	—	—	26,560,081	23,876,344
Net assets released from restrictions and designations (note 6)	97,039,386	(2,732,121)	14,943,935	109,251,200	(109,251,200)	—	—	—
Total revenues	223,260,520	(21,720,793)	14,943,935	216,483,662	(2,633,027)	20,315,919	234,166,554	256,108,381
Expenses:								
Program services:								
Bronx Zoo	49,323,282	—	9,419,426	58,742,708	—	—	58,742,708	57,500,115
New York Aquarium	11,710,169	—	2,352,081	14,062,250	—	—	14,062,250	13,206,190
City Zoos	19,290,873	—	1,788,361	21,079,234	—	—	21,079,234	19,283,216
Global Conservation Programs	89,895,337	—	1,638,668	91,534,005	—	—	91,534,005	85,799,253
Lower Bronx River Habitat Conservation	1,027,214	—	—	1,027,214	—	—	1,027,214	125,631
Total program services	171,246,875	—	15,198,536	186,445,411	—	—	186,445,411	175,914,405

(Continued)

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2012
(with comparative summarized financial information for the year ended June 30, 2011)

	Unrestricted							
	General	**Board-designated**	**Plant**	**Total unrestricted**	**Temporarily restricted**	**Permanently restricted**	**2012 Total**	**2011 Total**
Restaurant, merchandise, and parking expenses	$ 16,660,425	—	1,618,253	18,278,678	—	—	18,278,678	17,379,317
Supporting services:								
Management and general	22,160,259	—	2,352,269	24,512,528	—	—	24,512,528	23,523,390
Membership solicitation and fulfillment	2,504,938	—	34,971	2,539,909	—	—	2,539,909	2,399,116
Fund-raising	6,146,501	—	—	6,146,501	—	—	6,146,501	5,143,946
Total supporting services	30,811,698	—	2,387,240	33,198,938	—	—	33,198,938	31,066,452
Total expenses	218,718,998	—	19,204,029 *	237,923,027	—	—	237,923,027	224,360,174
Plant renewal funding	(2,820,000)	2,820,000	—	—	—	—	—	—
Excess (deficiency) of revenues over expenses and plant renewal funding	1,721,522	(18,900,793)	(4,260,094)	(21,439,365)	(2,633,027)	20,315,919	(3,756,473)	31,748,207
Other changes:								
Postretirement-related change other than net periodic postretirement benefit cost (note 12)	(7,544,480)	—	—	(7,544,480)	—	—	(7,544,480)	(2,039,813)
Other transfers	5,822,958	(16,053,434)	10,230,476	—	—	—	—	—
Changes in net assets	—	(34,954,227)	5,970,382	(28,983,845)	(2,633,027)	20,315,919	(11,300,953)	29,708,394
Net assets at beginning of year	1,741,253	149,058,591	158,824,647	309,624,491	153,233,391	207,750,909	670,608,791	640,900,397
Net assets at end of year	$ 1,741,253	114,104,364	164,795,029	280,640,646	150,600,364	228,066,828	659,307,838	670,608,791

* Represents depreciation expense.

See accompanying notes to consolidated financial statements.

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Years ended June 30, 2012
(with comparative summarized financial information for the year ended June 30, 2011)

		2012	2011
Cash flows from operating activities:			
Changes in net assets	$	(11,300,953)	29,708,394
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:			
Depreciation		19,204,029	18,950,191
Amortization of bond issuance costs		22,627	23,411
Amortization of bond premium		(34,316)	(35,505)
Net depreciation (appreciation) in fair value of investments		11,736,810	(46,877,399)
Postretirement-related change other than net periodic postretirement benefit cost		7,544,480	2,039,813
Increase in value of amounts held in trust by others		(345,492)	(79,340)
Endowment contributions		(20,315,919)	(2,185,000)
Contributions and grants restricted for capital		(7,785,741)	(605,755)
Decrease (increase) in accounts receivable		333,876	(1,106,304)
Decrease (increase) in receivable from the City of New York		1,728,140	(733,577)
Decrease in receivable from the State of New York		106,533	539,004
Decrease in receivable from Federal sources		2,385,544	870,677
Increase in grants and contributions receivable		(1,232,086)	(5,431,072)
Decrease (increase) in inventories		22,552	(300,290)
Decrease (increase) in prepaid expenses and deferred charges		1,359,811	(1,336,783)
Increase in accounts payable and accrued expenses		3,470,947	197,748
Decrease in postretirement benefit obligation		(512,998)	(676,238)
Total adjustments		17,688,797	(36,746,419)
Net provided by (used in) operating activities		6,387,844	(7,038,025)
Cash flows from investing activities:			
Proceeds from sales of investments		99,406,940	121,253,864
Purchases of investments		(84,304,747)	(101,812,287)
Acquisition of property and equipment		(25,140,336)	(13,462,550)
Increase (decrease) in accounts payable and accrued expenses for construction projects		2,258,858	(452,698)
Net cash (used in) provided by investing activities		(7,779,285)	5,526,329
Cash flows from financing activities:			
Contributions and grants restricted for capital		7,785,741	605,755
Endowment contributions		20,315,919	2,185,000
Decrease in receivable from government sources for capital expenditure		312,363	1,765,898
(Increase) decrease in contributions and grants receivable for capital		(7,318,092)	2,110,141
(Increase) decrease in contributions receivable restricted for endowment		(19,700,000)	143,249
Decrease in funds held by bond trustee		241	2,667
Increase (decrease) in annuity liability, net		220,933	(61,003)
Net cash provided by financing activities		1,617,105	6,751,707
Net increase in cash and cash equivalents		225,664	5,240,011
Cash and cash equivalents at beginning of year		66,923,732	61,683,721
Cash and cash equivalents at end of year	$	67,149,396	66,923,732
Supplemental disclosure:			
Interest paid	$	3,112,775	3,112,775

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 (the 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 is dedicated to saving wildlife and preserving wild lands. That mission is achieved through careful science, global conservation, education, and 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:

Community Markets for Conservation Limited (COMACO Ltd) is a Zambian company limited by guarantee incorporated in Zambia. COMACO Ltd has two guarantors, Conservation Livelihoods International LLC (CLI), described below, and an employee of WCS. The purpose of COMACO Ltd is to operate on a nonprofit basis to further the goals of the Community Markets for Conservation program in Zambia, and elsewhere, as may be the case, to promote food security, rural income, and sustainable land use practices and development in areas affected by the need for wildlife and habitat conservation and protection of the natural environment.

CLI is a Delaware limited liability company whose sole member is WCS. CLI is a nonprofit entity formed to support, assist, and/or undertake programs, projects, and activities in communities around the world, including through participation in the ownership and management of economic development enterprises that foster and promote wildlife conservation and sustainable natural resource uses and management, through the promotion of human livelihoods that are compatible with the conservation and protection of the natural environment, and to carry on any lawful purpose or activity, that is in furtherance of the charitable, scientific, literary, and educational purposes of its sole member (WCS), within the meaning of Section 501(c)(3) of the Code and that a limited liability company may carry on under Delaware law. CLI is a member guarantor of COMACO Ltd.

Makira Carbon Company LLC (MCC) is a Delaware limited liability company whose sole member is WCS. MCC is to act as a nonprofit agent for the Government of Madagascar in transactions by the Government involving offsets of carbon dioxide emissions from the Makira Forest in Madagascar, to reduce carbon dioxide emission and support conservation of the Makira Forest.

Professional Housing Corporation (PHC) is a nonprofit, nonstock corporation incorporated in the State of Delaware whose sole member is WCS. PHC was exempt from Federal income tax as a title holding company under Section 501(c)(2) of the Code through November 15, 2010. The purpose of PHC is to own, maintain, and operate residential real estate for the benefit of WCS.

Tierras LLC is a Delaware single-member limited liability company whose sole member is WCS. The purpose of Tierras LLC is to carry on wildlife and land conservation on certain lands in Chile held indirectly through wholly owned subsidiaries.

Tierra De Guanacos LLC is a Delaware limited liability company whose sole member is Tierras LLC. It was formed to carry on wildlife and land conservation in Chile, including through Tierra de Guanacos LLC Uno Limitada and Tierra de Guanacos LLC Dos Limitada.

Tierra De Truchas LLC is a Delaware limited liability company whose sole member is Tierras LLC. It was formed to carry on wildlife and land conservation in Chile, including through Tierra de Guanacos LLC Uno Limitada and Tierra de Guanacos LLC Dos Limitada.

Tierra de Guanacos LLC Uno Limitada is a Chilean limited liability company that holds real property for wildlife conservation purposes in Chile, and has as its members Tierra de Guanacos LLC and Tierras de Truchas LLC.

Tierra de Guanacos LLC Dos Limitada is a Chilean limited liability company that holds real property for wildlife conservation purposes in Chile, and has as its members Tierra de Guanacos LLC and Tierras de Truchas LLC.

WCS-Associação Conservação da Vida Silvestre (WCS do Brasil) is a not-for-profit civil association organized and tax-exempt under the law of the State of Rio de Janiero, Brazil. The members of WCS do Brasil are WCS and representatives of WCS. WCS do Brasil operates principally in Brazil, to promote animal wildlife conservation and education.

WCS Wildlife Conservation Society Canada (WCSC) is a corporation without share capital incorporated under the Canada Corporations Act whose sole member is WCS. WCSC is a tax-exempt registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada). The purpose of WCSC, which operates principally in Canada, is the protection and conservation of wildlife and wild lands and the promotion of understanding thereof.

WCS Europe is a charitable company limited by guarantee formed under the law of England and Wales whose sole member is WCS. The objectives of WCS Europe are, for the public benefit and in any part of the world, to promote: (a) the protection and conservation of the natural environment, its flora and fauna and in particular the preservation of wild places and wildlife; (b) education and instruction of the public regarding the protection and conservation of the natural environment and related subjects; and (c) all other objectives, which are exclusively charitable under the law of England and Wales.

(Continued)

Wildlife Conservation Society Singapore Limited (WCS Singapore) is a public company limited by guarantee formed under Singapore law, whose members are WCS Singapore and two WCS employees. WCS Singapore has been established for charitable, educational, and conservation purposes and has as its objectives the protection and conservation of the natural environment, its flora and fauna, and, in particular, the preservation of wildlife and wild places in Singapore and anywhere in the world.

Wildlife Conservation and Science (Malaysia) Bhd (WCS Malaysia) is a company limited by guarantee incorporated under Malaysian law. Currently five out of the six members of WCS Malaysia are WCS employees. WCS Malaysia was formed as Baram Wildlife Conservation Bhd in 2004. WCS Malaysia changed its name to its current name in May 2009 and became active in February 2010. The objectives of WCS Malaysia are charitable, educational, and scientific and conservation nonprofit objectives and purposes within the meaning of Malaysian law and, without limitation, include, anywhere in the world, the support and promotion of, and participation in, the protection and conservation of wildlife and wild places.

Wildlife Conservation Society – India (WCS India) is a company limited by guarantee established in April 2011. It has been established for the protection and conservation of the natural environment, its flora and fauna and in particular the preservation of wildlife and wild places, the conduct and support of scientific, conservation and veterinary research regarding wildlife and wild places, the management and care of wildlife and the education and instruction of the public regarding the protection and conservation of the natural environment.

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

Zoological Kingdom, Inc. (ZK) is a New York not-for-profit corporation. The Service has determined that 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.

182 Flight Corp. (182 FC) is a Delaware nonprofit, nonstock corporation, whose sole member is WCS. The purpose of 182 FC is to own, maintain, and operate aircraft and to assist in the operation of environmental education and conservation programs. 182 FC is not tax-exempt.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(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 (Plant); 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 reclassifications between the applicable classes of net assets.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions to be received after one year are discounted using a risk-adjusted rate.

(Continued)

(e) 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.

(f) 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.

(g) 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.

(h) 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, currently 3%, and other changes in the estimates of future benefits. Assets related to such agreements amounted to $3,978,300 and $3,963,087 at June 30, 2012 and 2011, respectively.

(i) 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.

(j) 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.

(k) Collections

Expenditures for collections are not capitalized. See note 13 for information about the collections.

(l) 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, 2011 from which the summarized information was derived.

(m) Subsequent Events

In conjunction with the preparation of the consolidated financial statements, WCS evaluated subsequent events from June 30, 2012 and through October 17, 2012, the date on which the consolidated financial statements were issued and has identified the following subsequent events. On September 6, 2012, the Board of Trustees authorized a long-term tax-exempt borrowing not to exceed $60 million through the Trust for Cultural Resources of the City of New York. The purpose of this indebtedness, which will have a final maturity of 30 years, is to finance capital improvements at the Bronx Zoo and the New York Aquarium. WCS was notified that it will receive a $10 million program-related investment from a foundation to support certain capital improvements at the New York Aquarium. This investment will be in the form of a three-year, interest only, unsecured loan with one principal repayment in October 2015. The purpose of the program-related investment is to provide economical bridge financing for construction expenses pending reimbursement from the City of New York. Construction commitments were approximately $109,000,000 as of September 25, 2012. The construction is expected to be financed by available resources, gifts, and the issuance of long-term debt.

(n) 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.

(o) Adoption of New Accounting Pronouncement

In September 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-09, *Disclosures About an Employer's Participation in a Multiemployer Plan*. The guidance is intended to provide financial statement users with greater transparency about an employer's participation in a multiemployer pension plan. The guidance require additional qualitative and quantitative information disclosures to users of the financial statements in understanding the commitments and risks involved in participating in multiemployer pension plans, including the financial health of all of the significant plans in which the employer participates. The ASU does not change the current recognition and measurement guidance for an employer's participation in a multiemployer pension plan. This ASU is effective for WCS for the year ended June 30, 2012. Adoption of this guidance did not have an impact on the financial statements of WCS; it only requires additional disclosures.

(3) Fair Value

At June 30, 2012, the carrying value of WCS's cash and cash equivalents, receivables, prepaid expenses and deferred charges, and accounts payable and accrued expenses approximates their fair values.

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 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 prices (unadjusted) in active markets for identical assets or liabilities that WCS has the ability to access at measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities. Alternative investments, which can be redeemed at net asset value at or near the balance sheet date, are included in Level 2.

Level 3 inputs are unobservable inputs for the assets or liabilities, as well as these alternative investments that are not redeemable at net asset value at or near the balance sheet date.

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.

WCS assets at June 30, 2012 that are reported at fair value on an annual basis are summarized in the following table by their fair value hierarchy:

		Level 1	Level 2	Level 3	Total	Days notice for liquidation
Assets:						
Investments:						
Daily liquidity:						
Short-term investments	$	9,286,617	—	—	9,286,617	1
Fixed income:						
Mutual Funds – U.S. government		9,513,135	—	—	9,513,135	1
Mutual Funds – U.S. Corporate		11,881,803	—	—	11,881,803	1
Equity:						
Mutual Funds – United States		4,653,155	—	—	4,653,155	1
Direct Ownership – United States		35,878,611	—	—	35,878,611	1
Monthly liquidity:						
Fixed income:						
Commingled Funds:						
Emerging Markets		—	2,543,552	—	2,543,552	60
Equity:						
Commingled Funds:						
United States		—	4,156,815	—	4,156,815	15
International emerging markets		—	27,812,416	—	27,812,416	30
Natural Resources						
Commingled Funds:						
United States		—	3,380,665	—	3,380,665	5
Alternatives						
Absolute Return		—	3,597,571	—	3,597,571	15
Quarterly liquidity:						
Fixed income:						
Commingled Funds:						
United States		—	5,196,519	—	5,196,519	90
Equity:						
Commingled Funds:						
Emerging Markets		—	1,597,371	—	1,597,371	60
Alternatives						
Absolute Return		—	10,662,735	—	10,662,735	60
Natural Resources		—	1,986,243	—	1,986,243	60

		Level 1	Level 2	Level 3	Total	Days notice for liquidation
Annual liquidity:						
Alternatives:						
Absolute Return	$	—	—	6,637,592	6,637,592	45 – 90
Multi-asset Class		—	—	226,632,029	226,632,029	1 year, at 12/31
Illiquid Investments:						
Alternatives:						
Multi-strategy		—	—	2,810,203	2,810,203	Not applicable
Directional equity		—	—	2,399,048	2,399,048	Not applicable
Distressed securities		—	—	2,226,604	2,226,604	Not applicable
Real estate		—	—	8,480,444	8,480,444	Not applicable
Other		—	—	133,104	133,104	Not applicable
		71,213,321	60,933,887	249,319,024	381,466,232	
Other assets:						
Funds held by bond trustee		9,992	—	—	9,992	Not applicable
Amounts held in trust by others		—	—	2,029,664	2,029,664	Not applicable
		9,992	—	2,029,664	2,039,656	
Total	$	71,223,313	60,933,887	251,348,688	383,505,888	

WCS assets at June 30, 2011 that are reported at fair value on an annual basis are summarized in the following table by their fair value hierarchy:

		Level 1	Level 2	Level 3	Total	Days notice for liquidation
Assets:						
Investments:						
Daily liquidity:						
Short-term investments	$	16,326,013	—	—	16,326,013	1
Fixed income:						
Mutual Funds – U.S. government		17,278,985	—	—	17,278,985	1
Mutual Funds – U.S. Corporate		11,402,519	—	—	11,402,519	1
Equity:						
Mutual Funds – United States		4,926,143	—	—	4,926,143	1
Direct Ownership – United States		24,259,932	—	—	24,259,932	1

	Level 1	Level 2	Level 3	Total	Days notice for liquidation
Monthly liquidity:					
Fixed income:					
Commingled Funds:					
Emerging Markets	$ —	2,617,795	—	2,617,795	60
Equity:					
Commingled Funds:					
United States	—	6,043,963	—	6,043,963	15
International emerging markets	—	37,352,839	—	37,352,839	15
Natural Resources:					
Commingled Funds:					
United States	—	3,864,819	—	3,864,819	45
Alternatives					
Absolute Return	—	2,253,275	—	2,253,275	15
Quarterly liquidity:					
Fixed income:					
Commingled Funds:					
United States	—	4,995,100	—	4,995,100	90
Equity:					
Commingled Funds:					
Emerging Markets	—	1,605,132	—	1,605,132	60
Alternatives:					
Absolute Return	—	3,265,550	—	3,265,550	15
Natural Resources	—	2,722,731	—	2,722,731	60
Annual liquidity:					
Alternatives:					
Absolute Return	—	—	4,565,291	4,565,291	45 – 90
Multi-asset Class	—	—	235,702,598	235,702,598	1 year, at 12/31
Illiquid Investments:					
Alternatives:					
Multi-strategy	—	—	3,912,473	3,912,473	Not applicable
Directional equity	—	—	9,449,529	9,449,529	Not applicable
Distressed securities	—	—	2,420,106	2,420,106	Not applicable
Real estate	—	—	13,196,304	13,196,304	Not applicable
Other	—	—	144,138	144,138	Not applicable
	74,193,592	64,721,204	269,390,439	408,305,235	
Other assets:					
Funds held by bond trustee	10,233	—	—	10,233	Not applicable
Amounts held in trust by others	—	—	1,684,172	1,684,172	Not applicable
	10,233	—	1,684,172	1,694,405	
Total	$ 74,203,825	64,721,204	271,074,611	409,999,640	

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of WCS's interest therein, its classification in Level 2 or 3 is based on WCS's ability to redeem its interest at or near the date of the consolidated balance sheet. If the interest can be redeemed in the near term at net asset value, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following tables present WCS's activity for the fiscal years ended June 30, 2012 and 2011 for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Multi-asset class	**Alternatives**	**Other assets**	**Total**
Fair value at June 30, 2011	$ 235,702,598	33,687,841	1,684,172	271,074,611
Purchases	—	2,000,000	440,611	2,440,611
Sales	(11,524,159)	(2,248,602)	(69,269)	(13,842,030)
Net appreciation (depreciation) in fair value of investments	2,453,590	(10,752,244)	(25,850)	(8,324,504)
Fair value at June 30, 2012	$ 226,632,029	22,686,995	2,029,664	251,348,688

	Multi-asset class	**Alternatives**	**Other assets**	**Total**
Fair value at June 30, 2010	$ 212,581,382	46,956,228	1,604,832	261,142,442
Purchases and sales, net	(11,792,285)	(10,067,585)	(117,001)	(21,976,871)
Net appreciation (depreciation) in fair value of investments	34,913,501	(3,200,802)	196,341	31,909,040
Fair value at June 30, 2011	$ 235,702,598	33,687,841	1,684,172	271,074,611

The unrealized net appreciation (depreciation) on Level 3 assets held at June 30, 2012 and 2011 is as follows:

	Multi-asset class	Alternative investments	Other assets	Total
Unrealized appreciation (depreciation) at June 30, 2012	$ 23,636,164	(9,382,180)	105,952	14,359,936
Unrealized appreciation at June 30, 2011	$ 24,898,523	80,145	130,591	25,109,259

WCS does not have any unfunded investment commitments outstanding as of June 30, 2012.

(4) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market values. As a practical expedient, investments without a readily determinable fair value, such as the multi-asset class 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 multi-asset class and alternative investments.

Details of investments at June 30, 2012 and 2011 are as follows:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Multi-asset class, including other alternative assets	$ 202,995,865	226,632,029	210,804,075	235,702,598
Equity/equity funds	71,790,038	74,098,368	66,651,627	74,188,009
Alternative investments	47,843,904	38,933,544	41,517,971	41,929,397
Fixed income funds	28,184,895	29,135,009	35,675,612	36,294,399
Natural resources	4,000,000	3,380,665	4,000,000	3,864,819
Short-term investments	9,286,617	9,286,617	16,298,629	16,326,013
	$ 364,101,319	381,466,232	374,947,914	408,305,235

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.

Alternative investments held by the WCS follow six basic strategies, as follows:

Absolute return hedge funds – investments through individual managers who invest in strategies that have a low level of correlation with fixed-income and equity markets, and therefore a measurable degree of independence from systematic market risk factors.

Natural resource funds – investments through individual managers who invest in commodity-linked derivative instruments or invest in companies that operate in commodity-related fields, such as energy, mining, oil drilling, and agricultural businesses.

Multi-strategy hedge funds – investments through individual managers who 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 and include event-driven strategies, distressed debt, merger and other arbitrage and value investing. WCS has one investment fund in the multi-strategy category which do not provide for redemption due to side pocket investments. However, distributions are made when underlying investments are realized and full liquidation of the investment fund is anticipated by 2013.

Directional equity hedge funds – investments through individual managers who invest in companies believed to be undervalued via marketable securities or private transactions. WCS investments in directional equity funds are comprised of illiquid equity positions and side pocket investments. Distributions are made when underlying investments are realized. These investments do not provide for redemption at this time.

Distressed securities hedge funds – investments through individual managers who 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 investments in directional equity funds are comprised of liquidating trust and side pocket investments. Distributions are made when underlying investments are realized. These investments do not provide for redemption at this time.

Real estate – investments through limited liability company interests 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 publicly traded Real Estate Investment Trusts and privately held properties. WCS has one investment fund in the real estate category, which does not provide for redemption, but is contractually obligated to close by 2013.

(Continued)

In January 2008, WCS streamlined investment management and allocated a significant portion of the investment portfolio to one manager, Makena Capital Management, LLC (Makena). Makena offers a pooled investment vehicle, the Makena Endowment Portfolio, utilizing a multi-asset manager structure. The cost and fair values of WCS investments in Makena as of June 30, 2012 and 2011 are as follows:

	2012		2011	
	Cost	**Fair value**	**Cost**	**Fair value**
Investments in Makena	$ 202,995,865	226,632,029	210,804,075	235,702,598

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, 2012 are as follows:

Asset class	**Percentage of portfolio**
U.S. equity	4%
International equity	4
Emerging markets equity	4
Tactical hedged equity	10
Real estate	11
Private equity	21
Natural resources	8
Absolute return	23
Fixed income	9
Short-term investments	6
	100%

(Continued)

The components of investment return for the years ended June 30, 2012 and 2011 are as follows:

		2012	**2011**
Interest and dividend income, net of investment expenses of $2,541,786 and $2,746,938 in 2012 and 2011, respectively	$	97,897	101,570
Net (depreciation) appreciation in fair value of investments		(11,736,810)	46,877,399
Total investment return		(11,638,913)	46,978,969
Less investment return available under spending policy, including temporarily restricted amounts of $4,307,558 in 2012 and $4,030,297 in 2011		(18,649,790)	(18,983,233)
Investment return (less than) in excess of amount available under spending policy, including temporarily restricted amounts of $(6,500,272) in 2012 and $5,904,307 in 2011	$	(30,288,703)	27,995,736

(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 100 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, 2012, the fair values of 22 donor-restricted endowment accounts were less than their original fair value (i.e., were underwater) by a total of approximately $1,536,000. At June 30, 2011, the fair values of 15 donor-restricted endowment accounts were less than their original fair value (i.e., were underwater) by a total of approximately $582,000.

On September 17, 2010, New York State enacted 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.

In 2011, WCS adopted Accounting Standards Codification 958-205, *Not-for-Profit Entities – Presentation of Financial Statements* (ASC 958-205) which required the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. The impact of adopting this standard resulted in a $27,237,366 reclassification from unrestricted net assets to temporarily restricted net assets.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets (excluding contribution receivables of $20,000,000 and $300,000, respectively) at June 30, 2012 and 2011 consisted of the following:

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted	$ (1,535,971)	43,042,554	208,066,828	249,573,411
Board-designated	127,329,883	—	—	127,329,883
Total	$ 125,793,912	43,042,554	208,066,828	376,903,294

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted	$ (582,056)	49,501,598	207,450,909	256,370,451
Board-designated	145,812,957	—	—	145,812,957
Total	$ 145,230,901	49,501,598	207,450,909	402,183,408

Changes in endowment net assets for the fiscal years ended June 30, 2012 and 2011 were as follows:

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2011 as reported	$ 145,230,901	49,501,598	207,450,909	402,183,408
Net depreciation (realized and unrealized)	(9,746,907)	(2,151,486)	—	(11,898,393)
Contributions	—	—	615,919	615,919
Appropriation of endowment assets for expenditure	(14,342,232)	(4,307,558)	—	(18,649,790)
Transfer to board-designated endowment	4,652,150	—	—	4,652,150
Endowment net assets, June 30, 2012	$ 125,793,912	43,042,554	208,066,828	376,903,294

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2010 as reported	$ 146,263,501	19,640,731	205,122,660	371,026,892
Net asset reclassification based on adoption of ASC 958-205	(27,237,366)	27,237,366	—	—
Net appreciation (realized and unrealized)	39,111,447	6,653,798	—	45,765,245
Contributions	—	—	2,328,249	2,328,249
Appropriation of endowment assets for expenditure	(14,952,936)	(4,030,297)	—	(18,983,233)
Transfer to board-designated endowment	2,046,255	—	—	2,046,255
Endowment net assets, June 30, 2011	$ 145,230,901	49,501,598	207,450,909	402,183,408

(Continued)

(6) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011 consist of the following:

		2012	2011
Amounts restricted for the following purposes:			
Domestic programs	$	79,626,483	79,514,747
Building and exhibit improvements		13,295,953	6,189,508
Global conservation programs		55,732,553	66,000,357
Future periods		406,396	526,696
Other		1,538,979	1,002,083
	$	150,600,364	153,233,391

Temporarily restricted net assets by revenue source and changes therein as of and for the years ended June 30, 2012 and 2011 were as follows:

		Balance at beginning of year	Revenues pending release	Released from restrictions and reclassifications	Balance at end of year
2012:					
Contributions and bequests	$	59,407,910	52,027,784	42,407,932	69,027,762
Appropriation from the City of New York		70,716	13,434,715	13,413,590	91,841
State of New York grants and contracts		736,133	3,200,634	3,396,820	539,947
Federal grants and contracts		24,119,757	27,666,400	31,712,181	20,073,976
Other grants		15,254,157	12,481,354	13,391,382	14,344,129
Investment return		26,407,352	(2,192,714)	4,929,295	19,285,343
Net asset reclassification based on adoption of ASC 958-205		27,237,366	—	—	27,237,366
	$	153,233,391	106,618,173	109,251,200	150,600,364

	Balance at beginning of year	Revenues pending release	Released from restrictions and reclassifications	Balance at end of year
2011:				
Contributions and bequests	$ 56,597,444	41,012,449	38,201,983	59,407,910
Appropriation from the City of New York	13,956	6,548,793	6,492,033	70,716
State of New York grants and contracts	1,186,880	3,187,583	3,638,330	736,133
Federal grants and contracts	24,365,481	32,704,141	32,949,865	24,119,757
Other grants	11,769,566	18,932,389	15,447,798	15,254,157
Investment return	20,570,744	9,934,604	4,097,996	26,407,352
Net asset reclassification based on adoption of ASC 958-205	—	27,237,366	—	27,237,366
	$ 114,504,071	139,557,325	100,828,005	153,233,391

Permanently restricted net assets at June 30, 2012 and 2011 represent endowment gifts as follows:

	2012	2011
Lila Acheson Wallace Endowment Fund	$ 151,363,015	151,363,015
Income unrestricted	21,169,943	21,169,943
Income restricted (principally for international programs)	55,533,870	35,217,951
	$ 228,066,828	207,750,909

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, 2012 and 2011 are due to be collected as follows:

		2012	2011
Within one year	$	50,300,175	29,620,898
One to five years		10,297,204	2,380,248
Six to ten years		100,000	287,728
		60,697,379	32,288,874
Less present value discount (1.67% in 2012 and 3.18% in 2011)		(354,998)	(196,671)
	$	60,342,381	32,092,203

During 2010, WCS received a grant not to exceed $25,000,000, which is to support activities within the Global Conservation Programs. The grant is expected to be received through December 31, 2014. As the receipt of future amounts is conditional, revenue is recognized as requirements are met. Approximately $5,000,000 was recognized as revenue in both fiscal 2012 and fiscal 2011. WCS has recognized cumulative revenue of $12,500,000 through June 30, 2012.

Of the total amounts expected to be collected in less than one year at June 30, 2012, $20,000,000 represents bequests receivable from one estate of which the amount was subsequently received in August 2012.

(8) Property and Equipment

At June 30, 2012 and 2011, the cost and accumulated depreciation of property and equipment are as follows:

		2012	2011
Land	$	651,268	651,268
Buildings and exhibits		381,552,292	380,096,009
Furniture, fixtures, and equipment		23,101,131	26,215,609
Construction in progress		54,095,897	32,896,116
		459,400,588	439,859,002
Less accumulated depreciation		228,095,519	214,490,240
	$	231,305,069	225,368,762

(9) Line of Credit

WCS has a $15,000,000 364-day revolving credit facility with JPMorgan Chase Bank to support working capital needs, which bears interest at (i) the London Interbank Offered Rate (LIBOR) plus 0.60%, (ii) the Commercial Bank Floating Rate, or (iii) the Money Market Rate, as elected by WCS. This credit facility is an uncollateralized committed facility, which expires on March 21, 2013. There were no borrowings in both fiscal 2012 and 2011.

(10) Bonds Payable

On February 1, 2004, WCS entered into a Loan Agreement with The Trust for Cultural Resources of the City of New York (the Trust) to finance a portion of the costs of capital improvements at the Bronx Zoo and the New York Aquarium. In connection with the Loan Agreement, on March 11, 2004, the Trust issued $65,530,000 of Revenue Bonds, Series 2004 (the Bonds) with a net original issue premium of $1,313,867, loaning the proceeds of the issuance to WCS. The unamortized bond premium was $990,032 and $1,024,348 at June 30, 2012 and 2011, respectively. While the Bonds are not the debt of WCS, the Loan Agreement obligates WCS to make payments equal to the debt service on the Bonds. Through their maturity in 2034, the Bonds require only semiannual interest payments at annual rates of 4.50% to 5.00%. The loan can be prepaid, without penalty, at any time. WCS's obligation under the Loan Agreement is guaranteed by a municipal bond insurance policy.

Bond issuance costs are being amortized over the term of the Bonds. The unamortized balance of $652,812 and $675,469 at June 30, 2012 and 2011, respectively, is included in prepaid expenses and deferred charges in the accompanying consolidated balance sheet.

Interest expense on the Bonds amounted to $3,112,775 in both fiscal years 2012 and 2011.

The Loan Agreement requires WCS to meet certain financial covenants. At June 30, 2012, WCS was in compliance with these covenants.

The aggregate fair value of long-term debt was estimated to be approximately $67,076,000 and $64,635,000 at June 30, 2012 and 2011, respectively.

(11) Deferred Compensation

WCS has established two deferred compensation plans which provide for certain benefits currently payable from July 1, 2009 through December 31, 2017. 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 $354,930 in 2012 and $65,007 in 2011 related to the plans. The liability balance of $1,132,112 and $777,182 is reported in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2012 and 2011, 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 $4,412,000 and $4,237,000 for the years ended June 30, 2012 and 2011, respectively. There have been no significant changes that affect the comparability of fiscal years 2012 and 2011 contributions. WCS's contributions to the Plan represent more than 5% of the total contributions for the years ended June 30, 2011 and 2010. The Employer Identification Number of the plan is 11-2001170. The three digit plan number is 001. The expiration date of the collective bargaining agreement requiring contributions to the plan expires on June 30, 2013. The most recent Pension Protection Act (PPA) zone status is green at June 30, 2011 and 2010, respectively 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.

WCS contributes up to 3% of salary as determined by the level of employee contributions to the 401(k) Savings Plan. The expenses for the 401(k) Savings Plan, Group Life and Welfare Benefit Plans, and the administrative costs for the Plans for the years ended June 30, 2012 and 2011 was as follows:

		2012	2011
401(k) Savings		1,130,000	1,138,000
Group Life and Welfare Benefits		176,000	215,000
Administration (all three plans)		647,000	696,000
	$	1,953,000	2,049,000

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 2012 and 2011, WCS recognized expense of $34,929 and $159,468 related to the terminal leave, respectively. The present value of the terminal leave obligation amounted to $2,361,611 and $2,326,682 at June 30, 2012 and 2011, respectively, which is included in the 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.

(Continued)

The following table provides a summary of this unfunded plan as of June 30, 2012 and 2011:

		2012	2011
Change in benefit obligation:			
Benefit obligation at beginning of year	$	28,351,181	26,987,606
Service cost		771,726	775,441
Interest cost		1,517,377	1,445,945
Plan participants' contribution		361,269	347,405
Actuarial loss		6,498,510	879,259
Benefits paid		(2,117,400)	(2,084,475)
Benefit obligation at end of year		35,382,663	28,351,181
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contribution		2,117,400	2,084,475
Benefits paid		(2,117,400)	(2,084,475)
Fair value of plan assets at end of year		—	—
Accumulated postretirement health and life insurance benefit obligation recognized in the consolidated balance sheet	$	(35,382,663)	(28,351,181)

		2012	2011
Components of net periodic benefit expense:			
Service cost	$	771,726	775,441
Interest cost		1,517,377	1,445,945
Amortization of prior service credit		(1,045,970)	(1,161,729)
Amortization of net gain		—	1,175
Net periodic benefit expense	$	1,243,133	1,060,832

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

	2012	2011
Benefit obligation weighted average assumptions as of June 30, 2012 and 2011:		
Discount rate	4.06%	5.56%
Benefit cost weighted average assumptions for the years ended June 30, 2012 and 2011:		
Discount rate	5.56%	5.50%

As of June 30, 2012, a total debit of $1,710,854, consisting of $8,873,312 net actuarial loss and $7,162,458 prior service credit, has not yet been recognized as a component of net periodic benefit costs.

As of June 30, 2011, a total credit of $5,833,626, consisting of $2,374,802 net actuarial loss and $8,208,428 prior service credit, has not yet been recognized as a component of net periodic benefit costs.

During the years ended June 30, 2012 and 2011, $7,544,480 and $2,039,813 were reported, respectively, as postretirement-related change other than net periodic postretirement benefit costs. The components of the amounts are as follows:

		2012	**2011**
Net actuarial loss	$	6,498,510	878,084
Prior service cost		1,045,970	1,161,729
	$	7,544,480	2,039,813

It is estimated that $557,636 of the prior service credit will be recognized as components of net periodic benefit costs in fiscal year 2013.

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of 8.50% in 2012 grading down to 4.75% in 2020 and thereafter was assumed.

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 2012:

		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	$	250,735	(200,119)
Effect on the postretirement benefit obligation		3,739,439	(3,003,872)

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

2013	$	1,540,000
2014		1,565,000
2015		1,589,000
2016		1,725,000
2017		1,786,000
2018 through 2022		9,803,000
	$	18,008,000

Estimated contributions for 2013 are $1,540,000.

(13) Collections (Unaudited)

WCS-operated facilities care for and exhibit an extensive collection of animals, including rare and endangered species. Annual censuses are prepared for each of WCS's facilities. The most recent census, as of June 30, 2012, follows:

Facility/location	Species and subspecies	Specimens owned	Births/ hatchings
Bronx Zoo	810	69,183	4,509
New York Aquarium	501	12,078	264
City Zoos	515	4,845	695
	1,826	86,106	5,468

During the years ended June 30, 2012 and 2011, animal collection accessions aggregated approximately $325,000 and $224.000, respectively, while proceeds from deaccessions aggregated approximately $91,000 and $84,000, respectively. In addition, WCS disposition policy prohibits the sale of collection animals.

(14) 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 1953. 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 $15,267,396 and $15,844,934 in operating support during 2012 and 2011, 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 \$6,612,777 and \$7,855,173 in support during 2012 and 2011, 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 2012 and 2011, this funding amounted to \$13,193,016 and \$6,473,793, respectively.

In fiscal years 2012 and 2011, WCS also received, through the Department of Parks and Recreation, a temporarily restricted grant in the amount of \$241,699 and \$75,000, respectively.

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

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Schedule of Functional Expenses

Year ended June 30, 2012
(with comparative summarized financial information for the year ended June 30, 2011)

	Bronx Zoo	New York Aquarium	City Zoos	Global Conservation Programs	Lower Bronx River Habitat Conservation	Total program services
Salaries and wages	$ 22,792,265	4,805,498	10,181,756	16,470,776	51,783	54,302,078
Employee benefits and payroll taxes	9,253,513	1,938,811	4,555,418	4,272,042	13,353	20,033,137
Employment costs	10,772	6,706	9,291	1,698,348	—	1,725,117
Stipends	160,173	210	—	18,848,595	—	19,008,978
Purchased services	1,412,702	395,883	352,149	8,954,910	—	11,115,644
Grants	7,000	—	—	10,695,553	961,814	11,664,367
Professional fees	925,795	107,268	65,884	829,819	—	1,928,766
Property and casualty insurance	1,510,275	216,060	242,017	1,019,011	—	2,987,363
Advertising	—	—	—	—	—	—
Repairs and maintenance	2,606,170	989,520	511,438	1,956,752	—	6,063,880
Supplies and materials	2,912,003	873,703	1,195,381	7,242,179	—	12,223,266
Animal food and forage	1,354,870	178,973	419,827	—	—	1,953,670
Telephone	156,320	80,019	101,848	923,807	3	1,261,997
Heat, light, and power	3,714,240	1,460,062	122,737	589,928	—	5,886,967
Travel	294,022	57,594	71,792	11,168,274	53	11,591,735
Dues and fees	115,498	34,106	91,422	149,835	—	390,861
Postage and shipping	69,417	28,792	7,829	349,434	29	455,501
Cost of product sold	—	—	—	1,439,986	—	1,439,986
Collection accessions	304,793	41,386	147,643	—	—	493,822
Bond interest expense	—	—	—	—	—	—
Other	1,723,454	495,578	1,214,441	3,286,088	179	6,719,740
Subtotal	49,323,282	11,710,169	19,290,873	89,895,337	1,027,214	171,246,875
Depreciation	9,419,426	2,352,081	1,788,361	1,638,668	—	15,198,536
Total 2012 expenses	$ 58,742,708	14,062,250	21,079,234	91,534,005	1,027,214	186,445,411
Total 2011 expenses	$ 57,500,115	13,206,190	19,283,216	85,799,253	125,631	175,914,405

See accompanying independent auditors' report.

Restaurant, merchandise, and parking expenses	Management and general	Membership solicitation and fulfillment	Fund-raising	Total supporting services	Total 2012	Total 2011
6,521,693	10,437,378	427,860	3,678,785	14,544,023	75,367,794	72,812,539
1,905,298	2,769,209	107,103	959,879	3,836,191	25,774,626	23,683,926
1,248	281,843	—	12,818	294,661	2,021,026	2,203,340
—	124,524	—	2,800	127,324	19,136,302	18,342,101
132,826	441,455	1,247,442	368,750	2,057,647	13,306,117	11,262,371
—	23,000	—	—	23,000	11,687,367	11,255,060
—	1,191,784	—	433,197	1,624,981	3,553,747	3,857,360
—	75,223	7,436	18,952	101,611	3,088,974	2,455,067
—	1,533,767	—	—	1,533,767	1,533,767	1,791,519
261,152	716,466	3,688	82,966	803,120	7,128,152	6,615,481
729,848	232,433	139,638	106,420	478,491	13,431,605	13,746,208
—	—	—	—	—	1,953,670	1,736,634
39,617	155,793	10,327	17,554	183,674	1,485,288	1,506,388
2,164	—	—	—	—	5,889,131	6,470,014
28,908	208,382	825	155,787	364,994	11,985,637	11,606,531
2,046	110,097	150	176,561	286,808	679,715	672,216
4,853	24,799	428,891	46,999	500,689	961,043	802,014
6,655,586	—	—	—	—	8,095,572	6,222,201
—	—	—	—	—	493,822	353,871
—	3,078,440	—	—	3,078,440	3,078,440	3,077,270
375,186	755,666	131,578	85,033	972,277	8,067,203	4,937,872
16,660,425	22,160,259	2,504,938	6,146,501	30,811,698	218,718,998	205,409,983
1,618,253	2,352,269	34,971	—	2,387,240	19,204,029	18,950,191
18,278,678	24,512,528	2,539,909	6,146,501	33,198,938	237,923,027	
17,379,317	23,523,390	2,399,116	5,143,946	31,066,452		$ 224,360,174

Schedule 2

WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES

Consolidating Schedule of Activities

Year ended June 30, 2012

	WCS do Brazil	WCS Canada	WCS Europe	WCS Singapore	WCS Malaysia	COMACO	WCS USA	Elimination	WCS Consolidated
Revenues:									
Contributions	$ 588,066	1,369,662	192,085	2,227	398,080	—	53,900,030	—	56,450,150
Bequests	—	—	1,084,601	—	46,596	—	26,190,132	—	27,321,329
Membership dues	—	—	—	—	—	—	13,886,572	—	13,886,572
Appropriation from The City of New York	—	—	—	—	—	—	35,314,888	—	35,314,888
State of New York grants and contracts	—	—	—	—	—	—	3,200,634	—	3,200,634
U.S. Federal grants and contracts	—	458,970	—	—	—	—	27,666,400	(458,970)	27,666,400
Other grants	196,927	469,423	69,063	3,980	175,497	1,113,450	13,294,172	(2,841,158)	12,481,354
Gate and exhibit admissions	—	—	—	—	—	—	34,848,965	—	34,848,965
Investment return	—	—	—	—	—	—	(11,638,913)	—	(11,638,913)
Educational program and activities	—	—	—	—	—	—	2,524,966	—	2,524,966
Sponsorship, licensing, and royalties	—	—	—	—	—	—	1,664,083	—	1,664,083
Miscellaneous	—	—	7,179	—	—	1,772,789	2,106,077	—	3,886,045
	784,993	2,298,055	1,352,928	6,207	620,173	2,886,239	202,958,006	(3,300,128)	207,606,473
Restaurant and merchandise sales and parking fees	—	—	—	—	—	—	26,560,081		26,560,081
Total revenues	784,993	2,298,055	1,352,928	6,207	620,173	2,886,239	229,518,087	(3,300,128)	234,166,554
Expenses:									
Salaries and wages	14,497	1,303,722	62,695	180,486	57,800	109,298	73,639,296	—	75,367,794
Employee benefits and payroll taxes	12,957	—	37,142	61,001	9,154	—	25,654,372	—	25,774,626
Employment costs	252	—	6,268	89,357	24,023	—	1,901,126	—	2,021,026
Stipends	657,976	—	—	37,704	396,694	—	18,043,928	—	19,136,302
Purchased services	85,462	301,931	6,907	2,743	52,693	58,851	12,797,530	—	13,306,117
Grants	93,067	133,184	1,038,632	—	—	—	13,722,612	(3,300,128)	11,687,367
Professional fees	884	—	7,689	19,761	5,071	29,898	3,490,444	—	3,553,747
Advertising	—	—	—	—	923	49,585	1,483,259	—	1,533,767
Property and casualty insurance	6,857	—	—	28	11,977	7,168	3,062,944	—	3,088,974
Repairs and maintenance	15,455	—	5,302	32	59,872	203,561	6,843,930	—	7,128,152
Supplies and materials	21,584	80,509	5,701	3,860	170,125	775,805	12,374,021	—	13,431,605
Animal food and forage	—	—	—	—	—	—	1,953,670	—	1,953,670
Telephone	14,780	49,066	296	1,248	5,659	20,828	1,393,411	—	1,485,288
Heat, light, and power	258	—	48	434	4,664	193,963	5,689,764	—	5,889,131
Travel	58,602	184,820	9,987	26,993	117,882	39,983	11,547,370	—	11,985,637
Dues and fees	301	—	—	—	634	730	678,050	—	679,715
Postage and shipping	2,246	—	27	931	801	2,177	954,861	—	961,043
Cost of product sold	—	—	—	—	—	1,439,986	6,655,586	—	8,095,572
Collection accessions	—	—	—	—	—	—	493,822	—	493,822
Bond interest expense	—	—	—	—	—	—	3,078,440	—	3,078,440
Other	30,642	42,028	14,455	5,472	31,367	513,364	7,429,875	—	8,067,203
Depreciation	—	—	—	—	—	—	19,204,029	—	19,204,029
Total expenses	1,015,820	2,095,260	1,195,149	430,050	949,339	3,445,197	232,092,340	(3,300,128)	237,923,027
(Deficiency) excess of revenues over expenses	(230,827)	202,795	157,779	(423,843)	(329,166)	(558,958)	(2,574,253)	—	(3,756,473)
Other changes:									
Postretirement-related change other than net periodic postretirement benefit cost	—	—	—	—	—	—	(7,544,480)	—	(7,544,480)
Changes in net assets	(230,827)	202,795	157,779	(423,843)	(329,166)	(558,958)	(10,118,733)	—	(11,300,953)
Net assets at beginning of year	542,241	957,648	—	769,543	608,815	—	667,730,544	—	670,608,791
Net assets at end of year	$ 311,414	1,160,443	157,779	345,700	279,649	(558,958)	657,611,811	—	659,307,838

* Includes sales of commodities

See accompanying independent auditors' report.