

Consolidated Financial Statements and
Supplemental Schedules Together with
Report of Independent Certified Public Accountants

NATURAL RESOURCES DEFENSE COUNCIL, INC.

As of June 30, 2011 and 2010

NATURAL RESOURCES DEFENSE COUNCIL, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Natural Resources Defense Council, Inc.:

We have audited the accompanying consolidated balance sheets of Natural Resources Defense Council, Inc., which includes the NRDC Action Fund, Inc., (“NRDC”) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of NRDC’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. 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 NRDC’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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Natural Resources Defense Council, Inc., which includes the NRDC Action Fund, Inc., as of June 30, 2011 and 2010, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of NRDC taken as a whole. The supplementary information presented in the accompanying unconsolidated schedule of activities for the year ended June 30, 2011 and the consolidated schedule of functional expenses for the year ended June 30, 2011, included on pages 31 and 32, is presented for purposes of additional analysis and is not a required part of the basic 2011 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 2011 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2011 consolidated financial statements taken as a whole.



New York, New York
December 8, 2011

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Balance Sheets
As of June 30, 2011 and 2010

ASSETS	2011	2010
Cash and cash equivalents	\$ 16,726,560	\$ 27,470,990
Contributions and grants receivable, net (Notes 2 and 3)	15,571,501	19,210,628
Prepaid expenses and other assets	1,956,786	2,623,762
Investments (Notes 2 and 5)	151,798,180	127,891,590
Investments in split-interest agreements (Note 6)	20,595,388	18,572,360
Deposits held by bond trustee	-	148,994
Fixed assets, net (Notes 2 and 7)	43,997,291	39,335,179
Total assets	<u>\$ 250,645,706</u>	<u>\$ 235,253,503</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 12,101,112	\$ 9,598,569
Mortgage loan payable (Note 9)	899,274	1,116,154
Bank revolving credit loan (Note 9)	9,759,119	10,122,813
Interest-rate swap agreements (Note 9)	1,696,557	1,898,225
Bonds payable (Note 9)	11,953,780	12,192,947
Defined benefit plan obligation (Note 8)	1,529,140	2,939,732
Split-interest agreements (Note 6)		
Charitable gift annuities - payable to annuitants	13,303,897	12,860,495
Pooled income funds - deferred revenue	596,244	651,370
Total liabilities	<u>51,839,123</u>	<u>51,380,305</u>
 Commitments and contingencies (Notes 5 and 10)		
 NET ASSETS (Note 11)		
Unrestricted	131,377,274	116,061,721
Temporarily restricted	47,293,755	47,777,705
Permanently restricted	20,135,554	20,033,772
Total net assets	<u>198,806,583</u>	<u>183,873,198</u>
Total liabilities and net assets	<u>\$ 250,645,706</u>	<u>\$ 235,253,503</u>

The accompanying notes are an integral part of these consolidated financial statements.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Statement of Activities
For the year ended June 30, 2011

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Non-Operating	Total			
REVENUES						
Membership and individual contributions (Includes NRDC Action Fund, Inc.) (Note 14)	\$ 54,526,323	\$ 950,018	\$ 55,476,341	\$ 10,766,999	\$ -	\$ 66,243,340
Foundation grants	1,030,040	60,000	1,090,040	21,401,452	1,782	22,493,274
Government grants	782,009	-	782,009	-	-	782,009
Bequests	-	3,582,969	3,582,969	-	100,000	3,682,969
In-kind contributions (Note 12)	3,360,003	-	3,360,003	19,290	-	3,379,293
Awarded attorneys fees	950,000	3,440,776	4,390,776	-	-	4,390,776
Investment return (Note 5)	-	13,371,224	13,371,224	3,290,485	-	16,661,709
Other revenue	1,445,784	-	1,445,784	20,775	-	1,466,559
Net assets released from restrictions (Note 11)	36,713,035	(553,262)	36,159,773	(36,159,773)	-	-
Total revenues	98,807,194	20,851,725	119,658,919	(660,772)	101,782	119,099,929
EXPENSES						
Program services:						
Clean energy future	44,398,330	-	44,398,330	-	-	44,398,330
Revive our oceans	7,647,268	-	7,647,268	-	-	7,647,268
Protect our health	7,113,972	-	7,113,972	-	-	7,113,972
Wildlife and Wildlands	16,038,579	-	16,038,579	-	-	16,038,579
Safe and sufficient water	6,111,235	-	6,111,235	-	-	6,111,235
Sustainable communities	3,484,389	-	3,484,389	-	-	3,484,389
Membership services	5,583,627	-	5,583,627	-	-	5,583,627
Total program services	90,377,400	-	90,377,400	-	-	90,377,400
Supporting services:						
Management and general	6,747,961	-	6,747,961	-	-	6,747,961
Fundraising	6,045,135	-	6,045,135	-	-	6,045,135
Member recruitment	2,222,428	-	2,222,428	-	-	2,222,428
Total supporting services	15,015,524	-	15,015,524	-	-	15,015,524
Total expenses	105,392,924	-	105,392,924	-	-	105,392,924
Change in net assets, before transfers	(6,585,730)	20,851,725	14,265,995	(660,772)	101,782	13,707,005
Transfer between unrestricted funds	6,585,730	(6,585,730)	-	-	-	-
Change in net assets, after transfers	-	14,265,995	14,265,995	(660,772)	101,782	13,707,005
NON-OPERATING ACTIVITIES						
Change in value of interest-rate swap agreements (Note 9)	-	201,668	201,668	-	-	201,668
Pension related activity other than net periodic pension expense	-	1,464,511	1,464,511	-	-	1,464,511
Change in value of split-interest agreements	-	(616,621)	(616,621)	176,822	-	(439,799)
Change in net assets	-	15,315,553	15,315,553	(483,950)	101,782	14,933,385
Net assets, beginning of year	8,469,783	107,591,938	116,061,721	47,777,705	20,033,772	183,873,198
Net assets, end of year	\$ 8,469,783	\$ 122,907,491	\$ 131,377,274	\$ 47,293,755	\$ 20,135,554	\$ 198,806,583

The accompanying notes are an integral part of this consolidated financial statement.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Statement of Activities
For the year ended June 30, 2010

	Unrestricted			Temporarily	Permanently	
	Operating	Non-Operating	Total	Restricted	Restricted	Total
REVENUES						
Membership and individual contributions (Includes NRDC Action Fund, Inc.) (Note 14)	\$ 59,764,741	\$ 657,018	\$ 60,421,759	\$ 11,418,076	\$ 23,633	\$ 71,863,468
Foundation grants	1,219,446	-	1,219,446	16,361,542	23,628	17,604,616
Government grants	576,466	-	576,466	-	-	576,466
Bequests	-	4,093,455	4,093,455	9,294	164,407	4,267,156
In-kind contributions (Note 12)	2,039,096	-	2,039,096	36,642	-	2,075,738
Awarded attorneys fees	935,727	4,461,754	5,397,481	-	-	5,397,481
Investment return (Note 5)	-	7,332,420	7,332,420	2,083,155	-	9,415,575
Other revenue	1,869,081	-	1,869,081	-	-	1,869,081
Net assets released from restrictions (Note 11)	32,781,426	(1,259,050)	31,522,376	(31,522,376)	-	-
Total revenues	<u>99,185,983</u>	<u>15,285,597</u>	<u>114,471,580</u>	<u>(1,613,667)</u>	<u>211,668</u>	<u>113,069,581</u>
EXPENSES						
Program services:						
Clean energy future	39,603,135	-	39,603,135	-	-	39,603,135
Revive our oceans	5,227,114	-	5,227,114	-	-	5,227,114
Protect our health	5,471,254	-	5,471,254	-	-	5,471,254
Wildlife and Wildlands	18,700,417	-	18,700,417	-	-	18,700,417
Safe and sufficient water	5,267,350	-	5,267,350	-	-	5,267,350
Sustainable communities	3,993,228	-	3,993,228	-	-	3,993,228
Membership services	4,072,596	-	4,072,596	-	-	4,072,596
Total program services	<u>82,335,094</u>	<u>-</u>	<u>82,335,094</u>	<u>-</u>	<u>-</u>	<u>82,335,094</u>
Supporting services:						
Management and general	6,298,008	-	6,298,008	-	-	6,298,008
Fundraising	5,155,369	-	5,155,369	-	-	5,155,369
Member recruitment	1,972,360	-	1,972,360	-	-	1,972,360
Total supporting services	<u>13,425,737</u>	<u>-</u>	<u>13,425,737</u>	<u>-</u>	<u>-</u>	<u>13,425,737</u>
Total expenses	<u>95,760,831</u>	<u>-</u>	<u>95,760,831</u>	<u>-</u>	<u>-</u>	<u>95,760,831</u>
Change in net assets, before transfers	3,425,152	15,285,597	18,710,749	(1,613,667)	211,668	17,308,750
Transfer between unrestricted funds	(3,500,000)	3,500,000	-	-	-	-
Change in net assets, after transfers	(74,848)	18,785,597	18,710,749	(1,613,667)	211,668	17,308,750
NON-OPERATING ACTIVITIES						
Change in value of interest-rate swap agreements (Note 9)	-	(1,219,915)	(1,219,915)	-	-	(1,219,915)
Pension related costs other than net periodic pension expense	-	(773,797)	(773,797)	-	-	(773,797)
Change in value of split-interest agreements	-	(610,568)	(610,568)	(78,909)	-	(689,477)
Change in net assets	(74,848)	16,181,317	16,106,469	(1,692,576)	211,668	14,625,561
Net assets, beginning of year	<u>8,544,631</u>	<u>91,410,621</u>	<u>99,955,252</u>	<u>49,470,281</u>	<u>19,822,104</u>	<u>169,247,637</u>
Net assets, end of year	<u>\$ 8,469,783</u>	<u>\$ 107,591,938</u>	<u>\$ 116,061,721</u>	<u>\$ 47,777,705</u>	<u>\$ 20,033,772</u>	<u>\$ 183,873,198</u>

The accompanying notes are an integral part of this consolidated financial statement.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Statements of Cash Flows
For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,933,385	\$ 14,625,561
Adjustments to reconcile change in net asset to net cash flows provided by operating activities:		
Depreciation and amortization	2,377,618	2,417,221
Amortization of bond issuance costs	12,015	12,015
Change in value of interest-rate swap agreements	(201,668)	1,219,915
Contributions for permanently restricted endowment	(391,428)	(288,393)
Change in provision for uncollectible contributions receivable	(104,957)	(201,300)
Change in discount allowance for contributions receivable	(126,972)	(662,753)
Net realized and unrealized appreciation in fair value of investments	(15,973,402)	(8,172,118)
Investments in split-interest agreements	238,777	381,545
Change in operating assets and liabilities:		
Contributions and grants receivable	3,871,056	5,555,891
Prepaid expenses and other assets	654,961	(701,066)
Defined benefit plan obligation	(1,410,592)	826,627
Accounts payable and accrued expenses	987,230	(2,442,301)
Net cash provided by operating activities	<u>4,866,023</u>	<u>12,570,844</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(45,491,541)	(6,203,183)
Proceeds from sales of investments	35,684,824	2,202,062
Additions of fixed assets	<u>(5,524,417)</u>	<u>(2,407,554)</u>
Net cash used in investing activities	<u>(15,331,134)</u>	<u>(6,408,675)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for permanently restricted endowment	391,428	288,393
Deposits received from trustee	148,994	2,247,853
Repayment on revolving credit loan	(363,694)	(363,694)
Principal payments on mortgage loan payable	(216,880)	(199,469)
Principal payment on bonds payable	<u>(239,167)</u>	<u>(228,333)</u>
Net cash flows (used in) provided by financing activities	<u>(279,319)</u>	<u>1,744,750</u>
(Decrease) increase in cash and cash equivalents	(10,744,430)	7,906,919
Cash and cash equivalents, beginning of year	<u>27,470,990</u>	<u>19,564,071</u>
Cash and cash equivalents, end of year	<u>\$ 16,726,560</u>	<u>\$ 27,470,990</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 937,155</u>	<u>\$ 980,097</u>
Purchases of property and equipment in accounts payable	<u>\$ 1,515,313</u>	<u>\$ 285,272</u>
Construction retainage	<u>\$ 152,887</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

1. NATURE OF OPERATIONS

The Natural Resources Defense Council, Inc. (“NRDC”) is a national nonprofit organization dedicated to protecting the world’s natural resources and ensuring a safe and healthy environment for all people. NRDC’s staff of more than 400 includes attorneys, scientists, and other environmental specialists working to safeguard the Earth.

Formed in 1970, NRDC has tackled the most serious environmental threats of the past four decades—acid rain, dying rivers, over-logged forests, ozone depletion—and emerged with innovative, enforceable solutions that continue to protect both nature and human society. In the process, we have grown from a small law firm into a leading champion of the environment, wielding a potent combination of courtroom prowess, scientific expertise, policy influence, media outreach, and the grassroots energy of 1.3 million concerned members and online activists.

NRDC now has offices in New York City, Washington, D.C., San Francisco, Los Angeles, Chicago and Montana, as well as in Beijing, China. NRDC is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

With the support of members, online activists and major foundations, NRDC has identified six institutional priorities with the greatest potential to protect both the environment and human health for generations to come: curb global warming by creating a clean energy future, revive our oceans, prevent pollution and remove toxics from the environment, defend endangered wild places and wildlife, ensure safe and sufficient water, and foster sustainable communities.

These are daunting goals, but NRDC has the vision and expertise to put bold solutions in place. It has an unparalleled arsenal of core capacities—ranging from a broad set of advocacy tools to a strong presence in centers of government, finance, and manufacturing to a track record of success on the international stage, including China, India, and the Americas—that allow NRDC to attack an issue from every angle. While other groups have experts in one or two areas, NRDC’s effectiveness stems from the ability to fight battles on many fronts at once. By taking a comprehensive, yet focused approach, NRDC gets results.

The NRDC Action Fund, Inc. (“Action Fund”) commenced operations during fiscal 1999. The Action Fund is a 501(c)(4) organization that is a subsidiary of NRDC and was created to undertake legislative efforts to promote environmental protection. The Action Fund works to promote accountability of elected officials by informing their constituencies of their activities on environmental issues.

The Action Fund’s current goal is to seek to rebuild the environmental majority, and help advance the clean energy economy and improve public health. To succeed in this goal, the Action Fund informs candidates for offices about clean energy and climate issues, mobilizes voters through a range of tools including social media, and cultivates strategic political partnerships that endure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of NRDC, which include the Action Fund, are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All inter-company transactions have been eliminated in consolidation.

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Net Assets

NRDC's consolidated financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets based upon the existence or absence of donor imposed restrictions, as follows:

Unrestricted net assets – include funds that have not been restricted by an outside donor and are therefore available for use in carrying out the general operations of NRDC.

Temporarily restricted net assets – include funds that have been restricted by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of NRDC pursuant to those stipulations (see Note 11).

Permanently restricted net assets – include funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity. Income earned is generally available for expenditure according to donor-imposed restrictions, if any.

Contributions and Grants

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate (credit adjusted) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor and nature of fundraising activity.

Contributions with purpose or time restrictions are reported as increases in temporarily restricted net assets and subsequently released when the restrictions on which they depend are met. Contributions subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

A number of unpaid volunteers have made significant contributions of their time in furtherance of NRDC's programs. The value of this contributed time is not reflected in the accompanying consolidated financial statements, since it is not susceptible to objective measurement or valuation. Donated professional and legal services in support of NRDC's programs, the estimated fair value of which is quantifiable, are recorded as in-kind contributions and expenses.

Investments

Investments in equity securities with readily determined fair values and all debt securities are recorded at fair value determined on the basis of quoted market prices. Investments in mutual funds, which are primarily invested in publicly traded securities, are carried at fair value as determined on the basis of quoted market prices. Investments in non-exchange traded limited partnerships, hedge funds and similar interests are carried at fair value as determined by the respective limited partnership, hedge fund or fund manager.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Investment transactions are reported on a trade-date basis. Realized gains and losses are determined on the basis of specific identification. Unrealized gains or losses are determined by comparing cost to fair value at the beginning and end of the year. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

NRDC's investment objectives are to preserve the principal value, in both absolute as well as real terms, and to maximize, over the long-term, the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, NRDC's Board of Directors has adopted a spending policy which allows for up to 5% of the average fair value of quasi-endowment and permanent endowment funds and certain temporarily restricted funds at June 30th of the three preceding fiscal years to be used in support of operations on an annual basis. The spending policy is reviewed and the actual amount designated for spending is determined annually. In fiscal 2011, the spending policy was applied to permanently restricted endowments only. Instead of applying the spending policy rate to the quasi-endowment, the Board expressly approved in fiscal 2011 a special appropriation from unrestricted non-operating reserves to provide for certain operating expenses. For fiscal 2011 and 2010, the spending amount approved, including special appropriations, totaled \$1,507,949 and \$626,250, respectively, and is included as part of net assets released from restrictions in the accompanying consolidated statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid financial instruments with original maturities of three months or less from the date of purchase.

Fixed Assets

Office buildings and improvements are carried at cost, less accumulated depreciation. Depreciation is provided on a straight-line basis over their estimated useful lives which range from 31 to 40 years. Furniture and equipment are carried at cost or, with respect to donated equipment, at the fair value at the date of donation. Depreciation of furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets which range from 3 to 15 years. The cost of computer software developed or obtained for internal use is capitalized and amortized over its estimated useful life of 3 years. Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of related leases, whichever is shorter.

Measure of Operations

Included in unrestricted operating net assets are resources used for the general support of NRDC's operations. These funds provide for the salaries and benefits for staff, costs of publications and other normal business functions such as telephone and rent.

Non-operating activities include: (1) planned giving funds, (2) investment return designated for long-term investment, in excess of amounts used for operations, or use of previously accumulated investment return, (3) bequests, (4) awarded attorneys' fees in excess of the budgeted amount, (5) changes in values of split-interest agreements and interest-rate swap agreements, (6) net assets released from restrictions for additions of fixed assets, (7) pension related activities other than net periodic pension expense, (8) other items considered to be unusual or nonrecurring in nature, and (9) transfers among certain unrestricted funds.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NRDC's Board of Directors approved the transfer of up to \$8,000,000 during the year ended June 30, 2011 from the non-operating unrestricted reserve to current operations. The actual amount transferred was \$6,585,730. For the year ended June 30, 2010, NRDC's Board of Directors approved the transfer of \$3,500,000 from current operations to the non-operating unrestricted reserve.

Expenses

The costs of providing programs and supporting services have been summarized on the accompanying consolidated statements of activities. Certain overhead expenses, principally rent, depreciation and amortization, insurance and interest, are allocated among NRDC's programs and supporting services on the basis of salaries charged.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant estimates include the valuation of non-exchange traded alternative investments and interest rate swap agreements, the collection of contributions receivable and actuarial assumptions related to the defined benefit pension plan and split-interest agreements. Actual results could differ from those estimates.

Income Taxes

The FASB Accounting Codification ("ASC") established criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity's financial statements. This standard requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. NRDC has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered a tax position. The tax years ending 2008, 2009, and 2010 remain open to audit for both federal and state purposes. This standard had no impact on NRDC's 2011 and 2010 consolidated financial statements. NRDC does not believe its 2011 and 2010 consolidated financial statements include any uncertain tax positions.

Concentration of Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market and credit. To minimize such risks, NRDC has a diversified investment portfolio in a variety of asset classes managed by an independent investment manager. NRDC's cash, cash equivalents and investments were placed with high credit quality financial institutions. NRDC regularly evaluates its investments including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying consolidated financial statements can vary substantially from year to year. NRDC maintains its cash in various bank deposit accounts that, at times, may exceed federally insured limits; however, NRDC does not anticipate nonperformance by these financial institutions.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Agency Transactions

From time to time, certain individuals, foundations, and organizations entrust NRDC with important environmental work in which NRDC acts as an agent trustee. An example of such relationship is with the New York City Sustainable Transportation Campaign. Revenues and expenses for fiscal year 2011 exclude these transactions.

Reclassifications

Certain reclassifications were made to the 2010 consolidated financial statements in order to conform to the 2011 presentation. Such reclassifications did not change total assets, liabilities, expenses or changes in net assets as reported in the 2010 consolidated financial statements.

Subsequent Events

NRDC evaluated its June 30, 2011 consolidated financial statements for subsequent events through December 8, 2011, the date the consolidated financial statements were issued. NRDC is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net, at June 30, 2011 and 2010 are expected to be collected as follows:

	<u>2011</u>	<u>2010</u>
Amounts expected to be collected in:		
One year or less	\$ 11,061,929	\$ 14,131,464
Between one and five years	5,016,780	5,718,301
Greater than five years	<u>225,000</u>	<u>325,000</u>
	16,303,709	20,174,765
Less: discount to present value (at rates ranging from 2.10% to 4.80%)	<u>(235,865)</u>	<u>(362,837)</u>
	16,067,844	19,811,928
Less: allowance for uncollectible accounts	<u>(496,343)</u>	<u>(601,300)</u>
	<u>\$ 15,571,501</u>	<u>\$ 19,210,628</u>

4. ENDOWMENT

In September 2010, the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) became effective. All not-for-profit organizations formed in New York, including NRDC, must comply with this law, commencing with NRDC’s 2011 fiscal year. In accordance with NYPMIFA, NRDC applies a standard of prudence and considers the following factors prescribed by NYPMIFA in making a determination to appropriate for expenditure or to accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of NRDC and its donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments

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- (6) Other resources of NRDC
- (7) The investment policies of NRDC, and
- (8) Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on NRDC.

NRDC's endowment consists of 52 individual funds (24 permanently restricted, 15 temporarily restricted and 13 quasi-endowments) and is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support a variety of purposes, including funding its program and administrative operating costs. It also includes funds designated by NRDC's Board of Directors to function as an endowment (quasi-endowment). Net assets associated with endowment funds, including funds designated by NRDC's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. In addition, NRDC also holds certain reserve and sinking funds that are expected to be spent down over time. These funds are not classified as part of the quasi-endowment.

NRDC classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts can be prudently spent, consistent with donor stipulations.

Endowment net asset composition by type of fund as of June 30, 2011 and 2010 is as follows:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ (35,442)	\$ 7,005,213	\$ 20,135,554	\$ 27,105,325
Board-designated funds	<u>94,539,463</u>	<u>-</u>	<u>-</u>	<u>94,539,463</u>
	<u>\$ 94,504,021</u>	<u>\$ 7,005,213</u>	<u>\$ 20,135,554</u>	<u>\$ 121,644,788</u>

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ (693,140)	\$ 4,533,520	\$ 20,033,772	\$ 23,874,152
Board-designated funds	<u>66,400,252</u>	<u>-</u>	<u>-</u>	<u>66,400,252</u>
	<u>\$ 65,707,112</u>	<u>\$ 4,533,520</u>	<u>\$ 20,033,772</u>	<u>\$ 90,274,404</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires NRDC to retain as a fund of perpetual duration. In accordance with U.S. Generally Accepted Accounting Principles, accumulated deficiencies of this nature that are reported in unrestricted net assets totaled \$35,442 and \$693,140 as of June 30, 2011 and 2010, respectively. It represented 2 and 10 individual donor-restricted endowment funds for those years, respectively.

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Changes in endowment net assets for the years ended June 30, 2011 and 2010 are as follows:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 65,707,112	\$ 4,533,520	\$ 20,033,772	\$ 90,274,404
Investment return:				
Investment loss	(220,600)	(57,039)	-	(277,639)
Net realized and unrealized gains	<u>10,632,537</u>	<u>3,321,203</u>	<u>-</u>	<u>13,953,740</u>
Total investment return	10,411,937	3,264,164	-	13,676,101
Contributions	7,384,972	103,878	101,782	7,590,632
Appropriation of endowment net assets for expenditure	-	(896,349)	-	(896,349)
Transfers from reserves to endowment	<u>11,000,000</u>	<u>-</u>	<u>-</u>	<u>11,000,000</u>
Endowment net assets, end of year	<u>\$ 94,504,021</u>	<u>\$ 7,005,213</u>	<u>\$ 20,135,554</u>	<u>\$ 121,644,788</u>

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 51,681,581	\$ 3,022,500	\$ 19,073,392	\$ 73,777,473
Investment return:				
Investment income	281,874	100,357	-	382,231
Net realized and unrealized gains	<u>4,973,046</u>	<u>1,793,821</u>	<u>-</u>	<u>6,766,867</u>
Total investment return	5,254,920	1,894,178	-	7,149,098
Contributions	8,770,611	117	960,380	9,731,108
Appropriation of endowment net assets for expenditure	<u>-</u>	<u>(383,275)</u>	<u>-</u>	<u>(383,275)</u>
Endowment net assets, end of year	<u>\$ 65,707,112</u>	<u>\$ 4,533,520</u>	<u>\$ 20,033,772</u>	<u>\$ 90,274,404</u>

5. INVESTMENTS

Investment fees, which are netted against investment returns, totaled \$982,919 and \$641,167 for 2011 and 2010, respectively.

NRDC has committed to investing \$15,750,000 with certain limited partnerships and venture capital funds. As of June 30, 2011, NRDC has invested \$11,379,677 of such amounts and had a remaining commitment to invest an additional \$4,370,323. Such commitments are expected to be fulfilled by fiscal 2014.

Investment return and its classification in the accompanying consolidated statements of activities for the years ended June 30, 2011 and 2010 is as follows:

	2011		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 738,639	\$ (50,332)	\$ 688,307
Realized and unrealized gains	<u>12,632,585</u>	<u>3,340,817</u>	<u>15,973,402</u>
Total return on investments	<u>\$ 13,371,224</u>	<u>\$ 3,290,485</u>	<u>\$ 16,661,709</u>

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	2010		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 1,103,621	\$ 139,836	\$ 1,243,457
Realized and unrealized gains	<u>6,228,799</u>	<u>1,943,319</u>	<u>8,172,118</u>
Total return on investments	<u>\$ 7,332,420</u>	<u>\$ 2,083,155</u>	<u>\$ 9,415,575</u>

Valuation of Investments

ASC Topic 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It also provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as defined by the standard and prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

- Level I - Quoted prices are available in active markets for identical financial instruments as of the measurement date. The type of investments in Level I include listed equities held in the name of NRDC, and exclude listed equities and other securities held directly through commingled funds.
- Level II - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. Also included in Level II are investments using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at NAV at the consolidated balance sheet date or in the near term, which NRDC has determined to be within 90 days.
- Level III - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the respective financial instrument as of the measurement date. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnerships and similar interests. Also included in Level III are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the consolidated balance sheet date or in the near term or for which redemption at NAV is uncertain due to lockup periods of other investment restrictions.

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The following tables prioritize the inputs used to report the fair value of NRDC's investments within the fair value hierarchy as of June 30, 2011 and 2010:

	2011			
	Level I	Level II	Level III	Total
Investments:				
Endowment:				
Money market funds	\$ -	\$ 3,554,831	\$ -	\$ 3,554,831
Vanguard bond mutual fund	15,382,886	-	-	15,382,886
Vanguard equity mutual funds	60,098,184	-	-	60,098,184
Common stocks	4,329,370	-	-	4,329,370
TIFF short-term fund	-	2,412,399	-	2,412,399
Limited partnerships	-	-	34,737,395	34,737,395
	<u>79,810,440</u>	<u>5,967,230</u>	<u>34,737,395</u>	<u>120,515,065</u>
Reserves, special funds and other:				
Money market funds	-	15,137,965	-	15,137,965
Vanguard bond mutual funds	16,145,150	-	-	16,145,150
	<u>16,145,150</u>	<u>15,137,965</u>	<u>-</u>	<u>31,283,115</u>
	<u>\$ 95,955,590</u>	<u>\$ 21,105,195</u>	<u>\$ 34,737,395</u>	<u>\$ 151,798,180</u>
	2010			
	Level I	Level II	Level III	Total
Investments:				
Endowment:				
Money market funds	\$ -	\$ 4,213,775	\$ -	\$ 4,213,775
Vanguard bond mutual fund	13,522,207	-	-	13,522,207
Vanguard equity mutual funds	30,426,118	-	-	30,426,118
TIFF short-term fund	-	3,689,558	-	3,689,558
TIFF absolute return hedge fund	-	-	13,565,619	13,565,619
Limited partnerships	-	-	23,623,759	23,623,759
	<u>43,948,325</u>	<u>7,903,333</u>	<u>37,189,378</u>	<u>89,041,036</u>
Reserves, special funds and other:				
Money market funds	-	18,793,389	-	18,793,389
Vanguard bond mutual funds	18,748,283	-	-	18,748,283
	<u>18,748,283</u>	<u>18,793,389</u>	<u>-</u>	<u>37,541,672</u>
Cash and cash equivalents - amounts designated for long-term investment:				
Bank of America overnight investment	1,308,882	-	-	1,308,882
	<u>1,308,882</u>	<u>-</u>	<u>-</u>	<u>1,308,882</u>
	<u>\$ 64,005,490</u>	<u>\$ 26,696,722</u>	<u>\$ 37,189,378</u>	<u>\$ 127,891,590</u>

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The following table summarizes the changes in NRDC's Level III investments for the years ended June 30, 2011, with summarized comparative totals for the year ended June 30, 2010:

	2011			2010
	Limited	Hedge Fund	Total	Summarized
	Partnerships			Totals
Beginning of the year	\$ 23,623,759	\$ 13,565,619	\$ 37,189,378	\$ 18,390,637
Net realized and unrealized appreciation	1,639,523	1,302,081	2,941,604	2,291,275
Purchases	11,502,385	-	11,502,385	17,064,800
Proceeds from sales, redemptions and distributions	(1,286,886)	(14,789,888)	(16,076,774)	(35,113)
Management fees	(741,386)	(77,812)	(819,198)	(522,221)
End of the year	<u>\$ 34,737,395</u>	<u>\$ -</u>	<u>\$ 34,737,395</u>	<u>\$ 37,189,378</u>

NRDC uses the net asset value per share or its equivalent to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments by major category as of June 30, 2011 and 2010 which are reported at fair value using an NAV:

2011									
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Funds	Redemption Terms	Redemption Restrictions	Level
TIFF Short-Term Fund	Track 6 month Treasury Bill Index	1	\$ 2,412,399	N/A	-	N/A	Daily liquidity	None	Level II
King Street	Global long/short credit and event-driven investing	1	10,735,700	N/A	-	N/A	Monthly	Two year lock-up with second year as a "soft" lock with a 4% redemption fee; 20% gate.	Level III
Elliott	Multiple strategy to diversify risk	1	5,471,563	N/A	-	N/A	Quarterly	Two year lock-up; 10% gate.	Level III
Eton Park	Multiple strategy to diversify risk	1	4,849,355	N/A	-	N/A	Annual	One year lock-up; 65 days notice, not to exceed 50% in 6 months.	Level III
2010									
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Funds	Redemption Terms	Redemption Restrictions	Level
TIFF Short-Term Fund	Track 6 month Treasury Bill Index	1	\$ 3,689,558	N/A	-	N/A	Daily liquidity	None	Level II
King Street	Global long/short credit and event-driven investing	1	10,052,659	N/A	-	N/A	Monthly	Two year lock-up with second year as a "soft" lock with a 4% redemption fee; 20% gate.	Level III
Elliott	Multiple strategy to diversify risk	1	5,161,527	N/A	-	N/A	Quarterly	Two year lock-up; 10% gate.	Level III
TIFF ARP II	Multiple strategy which includes, but not limited to, capital structure arbitrage, event driven, fixed income, and long/short equity and, directly investing in a range of derivatives as well as selling and purchasing securities for hedging or investing purposes.	1	13,565,619	N/A	-	N/A	Orderly liquidation by the investment fund manager is in process. Completion to occur in fiscal 2011.	A member may redeem capital only on Dec. 31 at the expiration of that member's lock-up period, applicable to each class of shares, provided that 100 days advance notice is received by TIFF.	Level III

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6. SPLIT-INTEREST AGREEMENTS

NRDC maintains investments in split-interest agreements. For the pooled income fund, the fair value of the investments is discounted at a current rate to reflect the estimated time period when the assets will be distributed and such discount is reflected as deferred revenue on the consolidated balance sheets. New gifts to the pooled income fund are recorded as temporarily restricted contribution revenue at the fair value of the assets received, discounted for a term equal to the life expectancy of the respective donor.

NRDC serves as the trustee of a charitable gift annuity fund, where the investments are reflected as part of unrestricted assets and a liability, payable to annuitants, has been recorded using historical discount rates for the period of the obligation (i.e., amounts due to life tenants). Gifts to the charitable gift annuity fund are recorded at fair value when received and any investment income earned in excess of the amounts paid to the respective annuity beneficiary is reported as change in value of split-interest agreements.

NRDC's interest in charitable remainder trusts is reported at present value reflecting the fair value of the amounts NRDC expects to receive discounted at a rate of 2.8% for the periods prior to expected receipt. NRDC is not the trustee for the charitable remainder trusts in which it maintains a beneficial interest.

Discount rates used to value the pooled income fund and charitable remainder trust split-interest agreements ranged from 3.8% to 11% and 4% to 8%, respectively, for fiscal 2011 and 2010. Discount rates used to value the charitable gift annuity split-interest agreements ranged from 2% to 11.6% and 2.4% to 11.6%, respectively, for 2011 and 2010.

The following tables prioritize the inputs used to report the fair value of NRDC's investments in split-interest agreements within the fair value hierarchy as of June 30, 2011 and 2010:

	2011			
	Level I	Level II	Level III	Total
Charitable gift annuities:				
Money market funds	\$ -	\$ 674,379	\$ -	\$ 674,379
U.S. government and agency debt obligations	2,507,757	3,871,614	-	6,379,371
Corporate and other debt obligations	2,429,685	1,212,328	-	3,642,013
Common stocks	21,616	-	-	21,616
Common trust funds	-	7,472,963	-	7,472,963
Total	<u>4,959,058</u>	<u>13,231,284</u>	<u>-</u>	<u>18,190,342</u>
Charitable remainder trusts:				
Cash and cash equivalents	958	27,641	-	28,599
Charitable bond common trust fund	-	67,794	-	67,794
S&P index funds	50,498	-	-	50,498
U.S. treasury securities	-	58,060	-	58,060
Equity mutual funds	384,551	-	-	384,551
Total	<u>436,007</u>	<u>153,495</u>	<u>-</u>	<u>589,502</u>
Pooled income funds:				
Cash equivalents	-	18,404	-	18,404
Charitable bond common trust fund	-	1,163,195	-	1,163,195
S&P index funds	633,945	-	-	633,945
Total	<u>633,945</u>	<u>1,181,599</u>	<u>-</u>	<u>1,815,544</u>
Total investments	<u>\$ 6,029,010</u>	<u>\$ 14,566,378</u>	<u>\$ -</u>	<u>\$ 20,595,388</u>

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At June 30, 2011, NRDC transferred U.S. government and agency debt obligations, corporate and other debt obligations, and U.S. treasury securities totaling \$3,871,614, \$1,212,328, and \$58,060, respectively, from Level I to Level II primarily due to the lower trading volume of such securities near the measurement date.

	2010			
	Level I	Level II	Level III	Total
Charitable gift annuities:				
Money market funds	\$ -	\$ 9,382	\$ -	\$ 9,382
U.S. government and agency debt obligations	6,257,213	-	-	6,257,213
Corporate and other debt obligations	3,720,064	-	-	3,720,064
Common stocks	5,579	-	-	5,579
Common trust funds	-	6,324,582	-	6,324,582
Total	<u>9,982,856</u>	<u>6,333,964</u>	<u>-</u>	<u>16,316,820</u>
Charitable remainder trusts:				
Cash and cash equivalents	-	20,317	-	20,317
Charitable bond common trust fund	-	62,295	-	62,295
S&P index funds	39,462	-	-	39,462
U.S. treasury securities	56,855	-	-	56,855
Equity mutual funds	338,992	-	-	338,992
Total	<u>435,309</u>	<u>82,612</u>	<u>-</u>	<u>517,921</u>
Pooled income funds:				
Cash and cash equivalents	-	21,134	-	21,134
Charitable bond common trust fund	-	1,165,390	-	1,165,390
S&P index funds	551,095	-	-	551,095
Total	<u>551,095</u>	<u>1,186,524</u>	<u>-</u>	<u>1,737,619</u>
Total investments	<u>\$ 10,969,260</u>	<u>\$ 7,603,100</u>	<u>\$ -</u>	<u>\$ 18,572,360</u>

NRDC uses as a practical expedient for fair value a reported NAV per share or its equivalent for purposes of valuing certain alternative investments within the split-interest investment portfolio as of June 30, 2011 and 2010, as detailed below:

2011									
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Funds	Redemption Terms	Redemption Restrictions	Level
Charitable Bond Common Trust Fund	Investment primarily in fixed income securities	3	\$ 1,230,989	N/A	-	N/A	Monthly	None	Level II
EAFE Index CTF - ECTF	Approximate overall performance of the MSCI EAFE Index	1	1,907,853	N/A	-	N/A	Monthly	None	Level II
Emerging Markets Mcsi Non Lending Fund	Approximate overall performance of the MSCI Emerging Markets Index	1	950,560	N/A	-	N/A	Monthly	None	Level II
U.S. Total Market Index CTF	Approximate overall performance of the Dow Jones U.S. Total Stock Market Index	1	4,614,550	N/A	-	N/A	Daily liquidity	None	Level II

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2010									
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Funds	Redemption Terms	Redemption Restrictions	Level
Charitable Bond Common Trust Fund	Investment primarily in fixed income securities	3	\$1,227,685	N/A	-	N/A	Monthly	None	Level II
EAFE Index CTF - ECTF	Approximate overall performance of the MSCI EAFE Index	1	1,623,798	N/A	-	N/A	Monthly	None	Level II
Emerging Markets Mcsi Non Lending Fund	Approximate overall performance of the MSCI Emerging Markets Index	1	833,963	N/A	-	N/A	Monthly	None	Level II
U.S. Total Market Index CTF	Approximate overall performance of the Dow Jones U.S. Total Stock Market Index	1	1,865,445	N/A	-	N/A	Daily liquidity	None	Level II
U.S. Total Market Index SEC Lending	Approximate overall performance of the Dow Jones U.S. Total Stock Market Index	1	2,001,376	N/A	-	N/A	Daily liquidity	None	Level II

At June 30, 2011 and 2010, NRDC's obligations to annuitants pertaining to split-interest agreements are classified as Level III within the fair value hierarchy. The following table summarizes the changes in split-interest agreement liabilities for the years ended June 30, 2011 and 2010:

	2011		2010	
	Charitable Gift Annuities and Charitable Remainder Trusts	Pooled Income Fund	Charitable Gift Annuities and Charitable Remainder Trusts	Pooled Income Fund
Beginning of the year	\$ 12,860,495	\$ 651,370	\$ 12,453,584	\$ 592,518
New agreements	1,179,889	-	1,063,964	-
Payments to annuitants	(1,445,704)	(63,402)	(1,385,690)	(64,600)
Change in value due to actuarial valuations	681,409	(190,757)	624,362	(66,399)
Investment income	-	210,534	-	201,545
Fees	-	(11,501)	-	(11,694)
Other, charitable remainder trusts activity	27,808	-	104,275	-
End of the year	<u>\$ 13,303,897</u>	<u>\$ 596,244</u>	<u>\$ 12,860,495</u>	<u>\$ 651,370</u>

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7. FIXED ASSETS, NET

Fixed assets, net, consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Office buildings and improvements	\$ 44,700,924	\$ 44,231,074
Furniture and equipment	3,417,206	3,209,157
Computer and software	1,351,168	1,565,095
Leasehold improvements	2,405,388	2,281,783
Less: accumulated depreciation and amortization	<u>(13,656,382)</u>	<u>(12,069,874)</u>
	38,218,304	39,217,235
 Work-in-progress	 <u>5,778,987</u>	 <u>117,944</u>
	<u>\$ 43,997,291</u>	<u>\$ 39,335,179</u>

For the years ended June 30, 2011 and 2010, NRDC capitalized interest totaling \$33,548 and \$26,547 respectively, pertaining to certain debt financed projects.

Work-in-progress principally represents costs incurred for the build-out of the new Washington D.C. office space and information technology improvements made to the New York office.

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 was \$2,377,618 and \$2,417,221, respectively.

8. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

Prior to June 30, 2007, NRDC maintained a defined benefit pension plan (the "Plan") covering salaried permanent employees. Benefits were based on years of service and the employee's compensation during the last five years of employment. Effective June 30, 2007, NRDC froze the Plan. Following June 30, 2007, no employees have become eligible to participate in the Plan and no employees will accrue additional benefits. NRDC's funding policy is to contribute annually at least the minimum contributions required by applicable regulations.

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The following table provides the funded status of the Plan at June 30, 2011 and 2010 and related actuarial assumptions and other information for the years then ended:

	<u>2011</u>	<u>2010</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 15,067,207	\$ 12,899,760
Interest cost	801,335	799,233
Assumption change	(170,277)	1,808,144
Actuarial gain	(142,696)	(244,170)
Benefits paid	<u>(233,500)</u>	<u>(195,760)</u>
Projected benefit obligation, end of year	<u>15,322,069</u>	<u>15,067,207</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	12,127,475	10,786,655
Actual return on assets	1,498,954	1,136,580
Employer contributions	400,000	400,000
Benefits paid	<u>(233,500)</u>	<u>(195,760)</u>
Fair value of plan assets, end of year	<u>13,792,929</u>	<u>12,127,475</u>
Funded status	<u>\$ (1,529,140)</u>	<u>\$ (2,939,732)</u>
Accumulated benefit obligation	<u>\$ 15,322,069</u>	<u>\$ 15,067,207</u>
Amounts included in unrestricted net assets	<u>\$ 5,315,430</u>	<u>\$ 6,779,941</u>
Components of net periodic benefit cost:		
Interest cost	\$ 801,335	\$ 799,233
Expected return on assets	(833,890)	(740,384)
Amortization of accumulated actuarial loss	<u>486,474</u>	<u>393,980</u>
Net periodic pension cost	<u>\$ 453,919</u>	<u>\$ 452,829</u>
Other changes recognized in unrestricted net assets:		
Actuarial (gain) loss	\$ (978,037)	\$ 1,167,777
Amortization of actuarial loss	<u>(486,474)</u>	<u>(393,980)</u>
Pension related-activity other than net periodic pension cost	<u>\$ (1,464,511)</u>	<u>\$ 773,797</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

The fiduciary of the Plan's investments is Northern Trust Corporation. The following table prioritizes the inputs used to report the fair value of the Plan's investments within the fair value hierarchy as of June 30, 2011 and 2010:

	2011			
	Level I	Level II	Level III	Total
Cash	\$ 755,560	\$ -	\$ -	\$ 755,560
Short-term fund	-	249,374	-	249,374
International equity funds	-	1,306,384	-	1,306,384
Emerging markets equity funds	-	759,818	-	759,818
US equity funds	-	3,136,158	-	3,136,158
Fixed income funds	3,593,129	1,298,235	-	4,891,364
Real estate funds	-	451,586	-	451,586
Commodities funds	630,780	-	-	630,780
Hedge fund	378,458	782,382	-	1,160,840
Private equity	-	-	451,065	451,065
	<u>\$ 5,357,927</u>	<u>\$ 7,983,937</u>	<u>\$ 451,065</u>	<u>\$ 13,792,929</u>

	2010			
	Level I	Level II	Level III	Total
Cash	\$ 424,839	\$ -	\$ -	\$ 424,839
Money market funds	-	1,063,663	-	1,063,663
Short-term fund	-	410,974	-	410,974
International equity funds	569,064	-	-	569,064
Emerging markets equity funds	420,877	-	-	420,877
US equity funds	2,885,671	-	-	2,885,671
Fixed income funds	3,583,750	-	-	3,583,750
Hedge fund	-	-	2,091,956	2,091,956
Private equity	-	-	676,681	676,681
	<u>\$ 7,884,201</u>	<u>\$ 1,474,637</u>	<u>\$ 2,768,637</u>	<u>\$ 12,127,475</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
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June 30, 2011 and 2010

The following table summarizes the changes in the Plan's Level III investments for the year ended June 30, 2011, with summarized comparative totals for the year ended June 30, 2010:

	2011			2010
	Private Equity	Hedge Fund	Total	Summarized Totals
Beginning of the year	\$ 676,681	\$ 2,091,956	\$ 2,768,637	\$ 2,529,725
Net realized and unrealized (depreciation) appreciation in fair value of investments	(158,112)	200,798	42,686	227,094
Purchases	39,475	-	39,475	39,284
Proceeds from sales, redemptions, and distributions	(94,857)	(2,280,754)	(2,375,611)	-
Management fees	(12,122)	(12,000)	(24,122)	(27,466)
End of the year	<u>\$ 451,065</u>	<u>\$ -</u>	<u>\$ 451,065</u>	<u>\$ 2,768,637</u>

NRDC uses as a practical expedient for fair value a reported NAV per share or its equivalent for purposes of valuing certain alternative investments within the Plan's investment portfolio as of June 30, 2011 and 2010, as detailed below:

Alternative Investment	Alternative Investment Strategy	Number of Funds	2011						Redemption Restrictions	Level
			NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Down Funds	Redemption Terms			
MFB NT Collective Emerging Markets Indexfund-lending	Approximate overall performance of the MSCI Emerging Markets Equity Index	1	\$ 759,818	N/A	-	N/A	Daily liquidity	None	Level II	
MFB NT Collective All Country World	Approximate overall performance of the MSCI ACWI ex-US Index	1	660,397	N/A	-	N/A	Daily liquidity	None	Level II	
NTCC INTL Equity FD FEBT	Invest in non-U.S. markets directly or through funds	1	645,986	N/A	-	N/A	Daily liquidity	None	Level II	
CF AMICI International LTD CL A FD	Hedged long and short-sale positions	1	1,021,297	N/A	-	N/A	Quarterly	45 days notice	Level II	
COLTV Short Term INVT FD	Equities growth	1	249,332	N/A	-	N/A	Daily liquidity	None	Level II	
MFB NT Collective Aggregate Bond Index Fund - Lending - Tier H	Approximate overall performance of the Barclay's Capital Aggregate Bond Index	1	1,290,593	N/A	-	N/A	Daily liquidity	None	Level II	
MFB NT Collective Global Real Estate Index Fund - Lending	Approximate overall performance of the Financial Time Stock Exchange, European Public Realtors Association, National Association of Real Estate Investment Trusts, and Global Real Estate Index	1	451,586	N/A	-	N/A	Daily liquidity	None	Level II	
MFB NT Collective Russell 1000 Index Fund - Lending	Approximate the risk and return characterized by the Russell 1000 Index	1	868,234	N/A	-	N/A	Daily liquidity	None	Level II	
NTCC Large, Mid, & Small Cap FD FEBT	Invest in U.S. equity markets directly or through funds	3	1,246,626	N/A	-	N/A	Daily liquidity	None	Level II	
HF Northern Trust Alpha Strategies Fund	Invest in diversified alternative investment strategies	1	782,382	N/A	-	N/A	Quarterly	45 days notice	Level II	

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	2010		Redemption Terms	Redemption Restrictions	Level
					Amount of Unfunded Commitments	Timing to Draw Down Funds			
TIFF Short Term Fund	Track 6 month Treasury Bill Index	1	\$ 451,065	N/A	-	N/A	Daily liquidity	None	Level II
TIFF ARP II	Multiple strategy which includes, but not limited to, capital structure arbitrage, event driven, fixed income, and long/short equity and, directly investing in a range of derivatives as well as selling and purchasing securities for hedging or investing purposes.	1	2,091,956	N/A	-	N/A	Orderly liquidation by the investment fund manager is in process. Completion to occur in fiscal 2011.	A member may redeem capital only on Dec. 31 at the expiration of that member's lock-up period, applicable to each class of shares, provided that 100 days advance notice is received by TIFF.	Level III

The Plan has committed to investing \$1,000,000 with a limited partnership. As of June 30, 2011, NRDC has invested \$969,123 of such amounts and had a remaining commitment to invest an additional \$30,877. Such commitments are expected to be fulfilled by fiscal 2012.

Weighted-average assumptions used to determine benefit obligations at June 30, 2011 and 2010 follow:

	<u>2011</u>	<u>2010</u>
Discount rate	5.47%	5.37%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2011 and 2010 follow:

	<u>2011</u>	<u>2010</u>
Discount rate	5.37%	6.30%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

Benefit payments are expected to be paid as follows:

<u>Year ending June 30th:</u>	<u>Amount</u>
2012	\$ 470,657
2013	503,448
2014	623,711
2015	668,711
2016	711,086
2017-2021	4,953,429
	<u>\$ 7,931,042</u>

NRDC does not expect to make contributions to the Plan during fiscal 2012.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Tax-Deferred Annuity 403(b) Plan

In addition to the defined benefit plan, NRDC has a group tax-deferred annuity 403(b) plan covering substantially all employees. NRDC made employer contributions under a “Graduated Service Schedule” to its 403(b) Plan. The funds are held for each employee in an individual account maintained by an investment firm. Plan costs aggregated \$2,825,300 and \$2,664,960 for the years ended June 30, 2011 and 2010, respectively.

9. DEBT OBLIGATIONS

Mortgage Loan Payable

NRDC has a mortgage loan which bears interest at a fixed rate of 8.29% per annum, and had an outstanding balance of \$899,274 and \$1,116,154 as of June 30, 2011 and 2010, respectively. The mortgage loan is collateralized by a building in Santa Monica, California. The loan is due in monthly payments, including interest, of \$25,200 through January 1, 2015.

Principal payments due on the mortgage loan as of June 30, 2011 are as follows:

Year ending June 30:	<u>Amount</u>
2012	\$ 235,555
2013	256,309
2014	278,702
2015	<u>128,708</u>
	<u>\$ 899,274</u>

Bank Revolving Credit Loan

NRDC has a 10-year term loan due July 2018. At June 30, 2011 and 2010, borrowings bore interest at a rate of 0.54 % and 0.70%, respectively, which is calculated using the 1-month London Interbank Offered Rate (“LIBOR”) plus an applicable margin of 0.19%. At June 30, 2011 and 2010, NRDC had a balance of \$9,759,119 and \$10,122,813, respectively, due under the term loan.

Bonds Payable

During fiscal 2008, NRDC and the New York City Capital Resource Corporation (“CRC”), a local development corporation created pursuant to the Not-for-Profit Corporation Law of the State of New York, entered into an agreement to issue \$12,730,000 of variable rate demand revenue bonds to refinance a portion of NRDC’s taxable debt and to provide funding for the renovation of 53,500 square feet of its main office building at 40 West 20th Street, New York, New York.

Bonds payable consist of the following at June 30 2011 and 2010:

	<u>2011</u>	<u>2010</u>
New York City Capital Resource Corporation Variable Rate Demand Revenue Bonds Series 2008A Bonds dated January 24, 2008 due serially on March 31 from 2008 through 2038	<u>\$ 11,953,780</u>	<u>\$ 12,192,947</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Pursuant to the terms of the bond indenture, NRDC is subject to certain financial covenants which include covenants not to create, incur, assume, or suffer to exist any liens, indebtedness other than specified in the Bond Documents, make or commit to make any investments except specified in the Bond Documents, assume, or guarantee of indebtedness of another person, mergers, sales of assets, other than those in the normal course of business, change the nature of its operations, change its fiscal year without express consent and written notice and make any restricted payments in contravention of applicable law including, without limitation, the New York Not-for-Profit Corporation Law of the State of New York.

Scheduled annual principal repayments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2012	\$ 143,780
2013	255,000
2014	265,000
2015	280,000
2016	290,000
Thereafter	<u>10,720,000</u>
	<u>\$ 11,953,780</u>

Interest expense totaling \$937,155 and \$980,097 for the years ended June 30, 2011 and 2010, respectively, has been allocated to program and supporting services on the accompanying consolidated statements of activities. NRDC incurred \$360,472 of bond issuance costs in 2008 which have been capitalized and are being amortized over 30 years and are included in prepaid expenses and other assets on the accompanying consolidated balance sheets. At June 30, 2011 and 2010, \$318,590 and \$330,605, respectively, remains unamortized.

Interest-Rate Swap Agreements

During fiscal 2008, NRDC entered into two interest-rate swap agreements to effectively convert its \$10,910,816 variable-rate borrowings to a fixed rate of 4.025% through 2018 and its \$12,730,000 variable rate demand revenue bonds to a fixed rate of 3.639% through 2038. The swap notionals amortize at the same rate as the related debt principal.

<u>Counterparty</u>	<u>Issue Date</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Remaining Notional Amount</u>	<u>Swap Fixed Rate</u>	<u>Fair Value of Swaps at June 30, 2011</u>
Bank of America	01/17/08	01/24/08	03/01/38	\$ 12,055,000	3.639%	\$ (808,938)
Bank of America	04/14/08	04/30/08	04/30/18	\$ 9,759,119	4.025%	<u>(887,619)</u>
						<u>\$ (1,696,557)</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

<u>Counterparty</u>	<u>Issue Date</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Remaining Notional Amount</u>	<u>Swap Fixed Rate</u>	<u>Fair Value of Swaps at June 30, 2010</u>
Bank of America	01/17/08	01/24/08	03/01/38	\$ 12,290,000	3.639%	\$ (927,427)
Bank of America	04/14/08	04/30/08	04/30/18	\$ 10,122,813	4.025%	(970,798)
						<u>\$ (1,898,225)</u>

<u>Fair Value at June 30, 2011</u>	<u>Fair Value at June 30, 2010</u>	<u>Consolidated Balance Sheet Location</u>	<u>Gain (Loss) on Interest-Rate Swap Agreements</u>		<u>Consolidated Statement of Activities Location</u>	<u>Level within Fair Value Hierarchy</u>
		Interest-Rate Swap agreements (Liabilities)	<u>June 30, 2011</u>	<u>June 30, 2010</u>	Change in value of interest-rate swap agreements (non-operating activities)	
\$ (1,696,557)	\$ (1,898,225)		\$ 201,668	\$ (1,219,915)		Level II

Interest rate volatility, remaining outstanding principal and time to maturity will affect each swap's fair value at subsequent reporting dates. To the extent NRDC holds a swap through its expiration date, the swap's fair value will be equal to zero.

10. COMMITMENTS AND CONTINGENCIES

Lease Obligations and Rental Income

At June 30, 2011, future minimum rentals pursuant to the Washington, D.C. and San Francisco non-cancellable office lease agreements and other operating space and equipment leases are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2012	\$ 1,787,371
2013	2,510,503
2014	2,352,809
2015	1,493,636
2016	1,527,458
Thereafter	18,829,254
	<u>\$ 28,501,031</u>

In addition to the future minimum rentals, NRDC is also obligated for escalations, to be determined annually, as set forth in the respective lease agreements. Total rent expense for the years ended June 30, 2011 and 2010 was \$3,884,397 and \$2,321,266, respectively.

NRDC has rented a portion of its available office space to an unrelated party. Pursuant to the terms of the executed lease agreement, monthly rentals approximate \$78,000 and extend through December 31, 2012.

As of June 30, 2011, NRDC had entered into several multi-year employment contracts with certain employees which extend through January 2013 with total remaining commitments of approximately \$550,632.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

11. NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Specific environmental programs	\$ 45,102,520	\$ 45,763,292
Restricted only as to time	2,171,235	1,994,413
Construction of Los Angeles building	20,000	20,000
	<u>\$ 47,293,755</u>	<u>\$ 47,777,705</u>

Net assets of \$36,159,773 and \$31,522,376 were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purposes specified by the donors during the years ended June 30, 2011 and 2010, respectively. The details of the net assets released from restrictions are as follows:

	<u>2011</u>	<u>2010</u>
Membership and individual contributions	\$ 13,472,397	\$ 10,673,551
Foundations	17,488,070	17,553,775
Spending policy withdrawal	954,686	538,091
NRDC Action Fund, Inc.	3,374,366	2,705,734
Events	868,254	-
Other	2,000	51,225
	<u>\$ 36,159,773</u>	<u>\$ 31,522,376</u>

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2011 and 2010 consist of endowment funds, the investment return from which is restricted for specific purposes and is recorded as part of temporarily restricted net assets until appropriated for expenditure by NRDC's Board.

12. IN-KIND CONTRIBUTIONS

During fiscal 2011 and 2010, NRDC received donated legal, consulting, and other services and goods at fair value as follows:

	<u>2011</u>	<u>2010</u>
Legal services	\$ 1,797,360	\$ 1,305,413
Consulting services	227,311	47,550
Goods and other services	1,354,622	722,775
	<u>\$ 3,379,293</u>	<u>\$ 2,075,738</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

These contributed services are recorded as in-kind contributions and expenses of various programs and supporting services in the accompanying consolidated statements of activities.

13. JOINT COSTS

During the years ended June 30, 2011 and 2010, NRDC allocated joint costs for informational materials and activities that included fundraising prospecting and appeals among program services and fundraising as follows:

	<u>2011</u>	<u>2010</u>
Revive our oceans	\$ 2,113,127	\$ 226,399
Wildlife and wildlands	5,213,091	8,569,738
Member recruitment	348,506	113,090
Fundraising	<u>1,162,574</u>	<u>1,263,513</u>
	<u>\$ 8,837,298</u>	<u>\$ 10,172,740</u>

14. NRDC ACTION FUND, INC.

Included in the consolidated balance sheets at June 30, 2011 and 2010 and the consolidated statements of activities for the years then ended are the following amounts pertaining to the NRDC Action Fund, Inc.:

	<u>2011</u>	<u>2010</u>
Balance Sheet as of June 30:		
Assets-cash	\$ 1,694,463	\$ 2,949,311
Liabilities	<u>(300,940)</u>	<u>(503,577)</u>
Net assets-temporarily restricted	<u>\$ 1,393,523</u>	<u>\$ 2,445,734</u>
Statement of Activities for years ended June 30:		
Revenues - contributions	\$ 2,302,865	\$ 5,114,826
Revenues - In-kind donations	<u>19,290</u>	<u>36,642</u>
Total revenue	2,322,155	5,151,468
Expenses:		
Program services:		
General	526,340	356,142
Climate	1,556,132	2,122,139
Ballot initiatives	846,112	959,434
Lands and Wildlife	1,605	-
Online activism	<u>197,636</u>	<u>359,833</u>
Total program services	<u>3,127,825</u>	<u>3,797,548</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Supporting services:		
Management and general	\$ 206,124	\$ 152,861
Fundraising	<u>40,417</u>	<u>14,375</u>
Total supporting services	<u>246,541</u>	<u>167,236</u>
Total expenses	<u>3,374,366</u>	<u>3,964,784</u>
Change in net assets	(1,052,211)	1,186,684
Net assets, beginning of year	<u>2,445,734</u>	<u>1,259,050</u>
Net assets, end of year	<u>\$ 1,393,523</u>	<u>\$ 2,445,734</u>

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by NRDC in estimating the fair values of the following financial instruments:

Cash, cash equivalents, receivables, other assets, accounts payable and accrued expenses and other liabilities: The carrying amounts reported in the accompanying consolidated balance sheets approximate fair value.

Investments: The reported fair value of investments in marketable securities is based on quoted market prices, except for certain non-exchange traded alternative investments.

Long-term debt: The carrying value of NRDC's variable and fixed-rate long-term debt approximates fair value.

Interest rate swap agreements: The fair value has been calculated based on the difference between market interest rates at the date of the agreements and interest rates in effect at the reporting date.

SUPPLEMENTARY SCHEDULES

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Supplemental Schedule – Unconsolidated Statement of Activities
(excluding NRDC Action Fund, Inc.)
For the year ended June 30, 2011

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Non- Operating	Total			
REVENUES						
Membership and individual contributions	\$ 54,526,323	\$ 950,018	\$ 55,476,341	\$ 8,464,134	\$ -	\$ 63,940,475
Foundation grants	1,030,040	60,000	1,090,040	21,401,452	1,782	22,493,274
Government grants	782,009	-	782,009	-	-	782,009
Bequests	-	3,582,969	3,582,969	-	100,000	3,682,969
In-kind contributions	3,360,003	-	3,360,003	-	-	3,360,003
Awarded attorneys fees	950,000	3,440,776	4,390,776	-	-	4,390,776
Investment return	-	13,371,224	13,371,224	3,290,485	-	16,661,709
Other revenue	1,445,784	-	1,445,784	20,775	-	1,466,559
Net assets released from restrictions	33,338,669	(553,262)	32,785,407	(32,785,407)	-	-
Total revenues	95,432,828	20,851,725	116,284,553	391,439	101,782	116,777,774
EXPENSES						
Program services:						
Clean energy future	41,272,110	-	41,272,110	-	-	41,272,110
Revive our oceans	7,647,268	-	7,647,268	-	-	7,647,268
Protect our health	7,113,972	-	7,113,972	-	-	7,113,972
Wildlife and Wildlands	16,036,974	-	16,036,974	-	-	16,036,974
Safe and sufficient water	6,111,235	-	6,111,235	-	-	6,111,235
Sustainable communities	3,484,389	-	3,484,389	-	-	3,484,389
Membership services	5,583,627	-	5,583,627	-	-	5,583,627
Total program services	87,249,575	-	87,249,575	-	-	87,249,575
Supporting services:						
Management and general	6,541,837	-	6,541,837	-	-	6,541,837
Fundraising	6,004,718	-	6,004,718	-	-	6,004,718
Member recruitment	2,222,428	-	2,222,428	-	-	2,222,428
Total supporting services	14,768,983	-	14,768,983	-	-	14,768,983
Total expenses	102,018,558	-	102,018,558	-	-	102,018,558
Changes in net assets, before transfers	(6,585,730)	20,851,725	14,265,995	391,439	101,782	14,759,216
Transfers between unrestricted funds	6,585,730	(6,585,730)	-	-	-	-
Changes in net assets, after transfers	-	14,265,995	14,265,995	391,439	101,782	14,759,216
Change in value of interest-rate swap agreements	-	201,668	201,668	-	-	201,668
Pension related costs other than net periodic pension expense	-	1,464,511	1,464,511	-	-	1,464,511
Change in value of split-interest agreements	-	(616,621)	(616,621)	176,822	-	(439,799)
Change in net assets	-	15,315,553	15,315,553	568,261	101,782	15,985,596
Net assets, beginning of year	8,469,783	107,591,938	116,061,721	45,331,971	20,033,772	181,427,464
Net assets, end of year	\$ 8,469,783	\$ 122,907,491	\$ 131,377,274	\$ 45,900,232	\$ 20,135,554	\$ 197,413,060

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Schedule of Functional Expenses
For the year ended June 30, 2011

	Program Services									Supporting Services				
	Clean Energy Future	Revive our Oceans	Protect our Health	Wildlife and Wildlands	Safe and Sufficient Water	Sustainable Communities	Total Programs	Membership Services	Total Programs	Management and General	Fundraising	Member Recruitment	Total Support Services	Total
Salaries and benefits	\$ 20,268,563	\$ 2,898,867	\$ 3,883,338	\$ 5,977,701	\$ 3,201,984	\$ 1,905,033	\$ 38,135,486	\$ 572,044	\$ 38,707,530	\$ 3,694,212	\$ 3,390,046	\$ 236,454	\$ 7,320,712	\$ 46,028,242
Rent and utilities	2,593,653	371,228	492,668	778,581	417,049	240,399	4,893,578	66,505	4,960,083	449,583	430,077	30,513	910,173	5,870,256
Depreciation and amortization	1,038,548	152,592	198,665	309,008	161,978	98,259	1,959,050	30,630	1,989,680	201,559	174,023	12,356	387,938	2,377,618
Professional consulting and counsel	8,934,913	857,697	1,327,484	2,157,974	1,368,072	669,435	15,315,575	1,249,494	16,565,069	647,972	1,095,180	439,091	2,182,243	18,747,312
Special mailing and postage	400,542	988,381	69,443	1,995,055	57,264	34,007	3,544,692	1,509,082	5,053,774	10,409	146,835	666,841	824,085	5,877,859
Printing and copying	824,577	1,131,163	161,000	2,546,033	140,072	73,290	4,876,135	1,049,496	5,925,631	5,660	100,074	708,493	814,227	6,739,858
Membership lists and maintenance	208,763	214,537	39,998	600,064	32,980	19,622	1,115,964	593,584	1,709,548	-	94	106,917	107,011	1,816,559
Travel	1,373,378	213,920	198,259	387,425	144,632	93,479	2,411,093	5,077	2,416,170	301,190	71,653	-	372,843	2,789,013
Public affairs and advertising	1,086,859	214,584	147,977	210,688	80,872	49,277	1,790,257	19,816	1,810,073	45,581	19,682	-	65,263	1,875,336
Conferences and meetings	322,893	23,946	40,689	44,384	27,706	11,233	470,851	3,531	474,382	53,415	28,539	-	81,954	556,336
Contributions to others	1,208,662	192,903	15,699	202,157	31,510	13,753	1,664,684	-	1,664,684	81,415	750	-	82,165	1,746,849
Other	3,010,759	387,450	538,752	827,904	447,116	276,602	5,488,583	484,368	5,972,951	1,050,841	547,765	21,763	1,620,369	7,593,320
Total expenses NRDC	41,272,110	7,647,268	7,113,972	16,036,974	6,111,235	3,484,389	81,665,948	5,583,627	87,249,575	6,541,837	6,004,718	2,222,428	14,768,983	102,018,558
NRDC Action Fund, Inc.	3,126,220	-	-	1,605	-	-	3,127,825	-	3,127,825	206,124	40,417	-	246,541	3,374,366
	<u>\$ 44,398,330</u>	<u>\$ 7,647,268</u>	<u>\$ 7,113,972</u>	<u>\$ 16,038,579</u>	<u>\$ 6,111,235</u>	<u>\$ 3,484,389</u>	<u>\$ 84,793,773</u>	<u>\$ 5,583,627</u>	<u>\$ 90,377,400</u>	<u>\$ 6,747,961</u>	<u>\$ 6,045,135</u>	<u>\$ 2,222,428</u>	<u>\$ 15,015,524</u>	<u>\$ 105,392,924</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.