

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

**NATURAL RESOURCES DEFENSE COUNCIL, INC.**

As of June 30, 2014 and 2013

# NATURAL RESOURCES DEFENSE COUNCIL, INC.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of Natural Resources Defense Council, Inc., which includes the NRDC Action Fund, Inc. and NRDC Limited (collectively, "NRDC"), which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Natural Resources Defense Council, Inc., which includes the NRDC Action Fund, Inc. and NRDC Limited as of June 30, 2014 and 2013, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Supplementary information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the years ended June 30, 2014 and 2013 taken as a whole. The Unconsolidated Schedule of Activities and the Consolidated Schedule of Functional Expenses for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary 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 audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



New York, New York  
November 26, 2014

**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
**Consolidated Balance Sheets**  
**As of June 30, 2014 and 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 25,304,894	\$ 36,776,715
Contributions and grants receivable, net	17,482,238	15,156,671
Prepaid expenses and other assets	5,135,126	4,101,092
Investments	186,631,231	153,715,610
Investments pertaining to deferred compensation plan	2,133,338	-
Investments in split-interest agreements	21,327,947	20,893,559
Fixed assets, net	37,242,933	38,997,667
Total assets	<u>\$ 295,257,707</u>	<u>\$ 269,641,314</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 15,242,830	\$ 13,440,294
Deferred rent	2,978,539	2,668,738
Mortgage loan payable	128,643	407,300
Bank revolving credit loan	8,668,037	9,031,731
Interest-rate swap agreements	2,334,806	2,448,972
Bonds payable	11,204,197	11,469,197
Obligations under deferred compensation plan	2,133,338	-
Defined benefit plan obligation	5,394,533	5,772,978
Split-interest agreements		
Charitable gift annuities and CRUT - payable to annuitants	13,427,760	13,821,215
Pooled life income funds - deferred revenue	461,591	280,278
Total liabilities	<u>61,974,274</u>	<u>59,340,703</u>
Commitments and contingencies		
 <b>NET ASSETS</b>		
Unrestricted	151,186,586	136,365,937
Temporarily restricted	62,090,940	53,928,771
Permanently restricted	20,005,907	20,005,903
Total net assets	<u>233,283,433</u>	<u>210,300,611</u>
Total liabilities and net assets	<u>\$ 295,257,707</u>	<u>\$ 269,641,314</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, 2014**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
<b>REVENUES</b>						
Memberships and individual contributions	\$ 52,792,637	\$ 210,646	\$ 53,003,283	\$ 31,285,934	\$ -	\$ 84,289,217
Foundation grants	472,017	-	472,017	27,395,533	-	27,867,550
Government grants	212,400	-	212,400	-	-	212,400
Bequests	-	5,951,969	5,951,969	-	4	5,951,973
In-kind contributions	2,745,483	-	2,745,483	43,746	-	2,789,229
Awarded attorneys fees	783,493	-	783,493	-	-	783,493
Investment return appropriated for operations	-	4,369,889	4,369,889	1,236,099	-	5,605,988
Investment return for operating reserves	278,009	-	278,009	-	-	278,009
Other revenue	1,230,562	-	1,230,562	-	-	1,230,562
Net assets released from restrictions	60,940,832	(7,478,970)	53,461,862	(53,461,862)	-	-
Total revenues	<u>119,455,433</u>	<u>3,053,534</u>	<u>122,508,967</u>	<u>6,499,450</u>	<u>4</u>	<u>129,008,421</u>
<b>EXPENSES</b>						
Program services:						
Clean energy future	47,739,275	-	47,739,275	-	-	47,739,275
Revive our oceans	10,793,765	-	10,793,765	-	-	10,793,765
Protect our health	9,321,156	-	9,321,156	-	-	9,321,156
Wildlife and wildlands	14,290,506	-	14,290,506	-	-	14,290,506
Safe and sufficient water	5,982,286	-	5,982,286	-	-	5,982,286
Sustainable communities	8,515,054	-	8,515,054	-	-	8,515,054
Membership services	3,267,294	-	3,267,294	-	-	3,267,294
Total program services	<u>99,909,336</u>	<u>-</u>	<u>99,909,336</u>	<u>-</u>	<u>-</u>	<u>99,909,336</u>
Supporting services:						
Management and general	8,911,150	-	8,911,150	-	-	8,911,150
Fundraising	6,130,887	-	6,130,887	-	-	6,130,887
Member recruitment	4,504,060	-	4,504,060	-	-	4,504,060
Total supporting services	<u>19,546,097</u>	<u>-</u>	<u>19,546,097</u>	<u>-</u>	<u>-</u>	<u>19,546,097</u>
Total expenses	<u>119,455,433</u>	<u>-</u>	<u>119,455,433</u>	<u>-</u>	<u>-</u>	<u>119,455,433</u>
Changes in net assets before non-operating activities	-	3,053,534	3,053,534	6,499,450	4	9,552,988
<b>NON-OPERATING ACTIVITIES</b>						
Investment return, net of amounts						
used in operations	-	9,958,523	9,958,523	2,078,173	-	12,036,696
Change in value of interest-rate swap agreements	-	114,166	114,166	-	-	114,166
Pension related activity other than net periodic pension expense	-	312,710	312,710	-	-	312,710
Change in value of split-interest agreements	-	1,381,716	1,381,716	(415,454)	-	966,262
Total non-operating activities	<u>-</u>	<u>11,767,115</u>	<u>11,767,115</u>	<u>1,662,719</u>	<u>-</u>	<u>13,429,834</u>
Changes in net assets	-	14,820,649	14,820,649	8,162,169	4	22,982,822
Net assets, beginning of year	14,701,368	121,664,569	136,365,937	53,928,771	20,005,903	210,300,611
Net assets, end of year	<u>\$ 14,701,368</u>	<u>\$ 136,485,218</u>	<u>\$ 151,186,586</u>	<u>\$ 62,090,940</u>	<u>\$ 20,005,907</u>	<u>\$ 233,283,433</u>

*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, 2013**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
<b>REVENUES</b>						
Memberships and individual contributions	\$ 60,124,534	\$ 111,165	\$ 60,235,699	\$ 25,663,775	\$ -	\$ 85,899,474
Foundation grants	740,700	-	740,700	19,725,636	-	20,466,336
Government grants	627,853	-	627,853	-	-	627,853
Bequests	-	5,724,676	5,724,676	-	233	5,724,909
In-kind contributions	2,722,601	-	2,722,601	31,240	-	2,753,841
Awarded attorneys fees	1,369,724	-	1,369,724	-	-	1,369,724
Investment return appropriated for operations	5,012,817	-	5,012,817	-	-	5,012,817
Other revenue	1,400,455	-	1,400,455	270	-	1,400,725
Net assets released from restrictions	35,272,290	(285,967)	34,986,323	(34,986,323)	-	-
Total revenues	107,270,974	5,549,874	112,820,848	10,434,598	233	123,255,679
<b>EXPENSES</b>						
Program services:						
Clean energy future	41,104,150	-	41,104,150	-	-	41,104,150
Revive our oceans	10,979,713	-	10,979,713	-	-	10,979,713
Protect our health	7,776,886	-	7,776,886	-	-	7,776,886
Wildlife and wildlands	14,078,021	-	14,078,021	-	-	14,078,021
Safe and sufficient water	6,389,640	-	6,389,640	-	-	6,389,640
Sustainable communities	4,902,128	-	4,902,128	-	-	4,902,128
Membership services	3,425,687	-	3,425,687	-	-	3,425,687
Total program services	88,656,225	-	88,656,225	-	-	88,656,225
Supporting services:						
Management and general	8,211,371	-	8,211,371	-	-	8,211,371
Fundraising	5,790,389	-	5,790,389	-	-	5,790,389
Member recruitment	5,075,964	-	5,075,964	-	-	5,075,964
Total supporting services	19,077,724	-	19,077,724	-	-	19,077,724
Total expenses	107,733,949	-	107,733,949	-	-	107,733,949
Changes in net assets, before transfers	(462,975)	5,549,874	5,086,899	10,434,598	233	15,521,730
Transfer between unrestricted funds and other reclassifications	2,044,259	(1,597,530)	446,729	(87,988)	(358,741)	-
Changes in net assets, after transfers	1,581,284	3,952,344	5,533,628	10,346,610	(358,508)	15,521,730
<b>NON-OPERATING ACTIVITIES</b>						
Investment return, net of amounts used in operations	-	5,137,233	5,137,233	1,016,928	-	6,154,161
Change in value of interest-rate swap agreements	-	1,557,425	1,557,425	-	-	1,557,425
Pension related activity other than net periodic pension expense	-	983,656	983,656	-	-	983,656
Change in value of split-interest agreements	-	554,249	554,249	12,550	-	566,799
Total non-operating activities	-	8,232,563	8,232,563	1,029,478	-	9,262,041
Changes in net assets	1,581,284	12,184,907	13,766,191	11,376,088	(358,508)	24,783,771
Net assets, beginning of year	13,120,084	109,479,662	122,599,746	42,552,683	20,364,411	185,516,840
Net assets, end of year	\$ 14,701,368	\$ 121,664,569	\$ 136,365,937	\$ 53,928,771	\$ 20,005,903	\$ 210,300,611

*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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 22,982,822	\$ 24,783,771
Adjustments to reconcile changes in net asset to net cash provided by operating activities:		
Depreciation and amortization	2,590,038	2,581,178
Amortization of bond issuance costs	12,015	12,015
Change in value of interest-rate swap agreements	(114,166)	(1,557,425)
Contributions for permanently restricted endowment	-	(200,233)
Change in provision for uncollectible contributions receivable	(12,500)	(379,423)
Change in discount allowance for contributions receivable	5,693	11,271
Net realized and unrealized appreciation in fair value of investments	(15,914,296)	(9,760,008)
Investments in split-interest agreements	(646,530)	(300,666)
Change in operating assets and liabilities:		
Contributions and grants receivable	(2,318,760)	(4,747,397)
Prepaid expenses and other assets	(1,046,049)	2,134,307
Investments pertaining to deferred compensation plan	(2,133,338)	-
Accounts payable and accrued expenses, inclusive of tenant allowance	2,174,710	4,643,627
Deferred rent	309,801	141,598
Obligations under deferred compensation plan	2,133,338	-
Defined benefit plan obligation	(378,445)	(580,604)
Net cash provided by operating activities	<u>7,644,333</u>	<u>16,782,011</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(56,831,733)	(25,770,616)
Proceeds from sales of investments	39,830,408	32,291,323
Purchases of fixed assets	(1,207,478)	(4,239,155)
Proceeds from sales of fixed assets	-	183,559
Net cash (used in) provided by investing activities	<u>(18,208,803)</u>	<u>2,465,111</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions for permanently restricted endowment	-	200,233
Principal payments on mortgage loan payable	(278,657)	(256,403)
Repayment on revolving credit loan	(363,694)	(363,694)
Principal payment on bonds payable	(265,000)	(235,416)
Net cash used in financing activities	<u>(907,351)</u>	<u>(655,280)</u>
(Decrease) increase in cash and cash equivalents	(11,471,821)	18,591,842
Cash and cash equivalents, beginning of year	<u>36,776,715</u>	<u>18,184,873</u>
Cash and cash equivalents, end of year	<u>\$ 25,304,894</u>	<u>\$ 36,776,715</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	<u>\$ 837,491</u>	<u>\$ 882,344</u>
Purchases of property and equipment in accounts payable	<u>\$ 372,174</u>	<u>\$ 1,150,880</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, 2014 and 2013**

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### **1. NATURE OF OPERATIONS**

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 about 500 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, NRDC has 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 1.4 million concerned members and online activists.

NRDC 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 its ability to fight battles on many fronts at once. By taking a comprehensive yet focused approach NRDC gets results.

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.

NRDC Limited commenced operations during fiscal 2012. NRDC Limited is incorporated in Hong Kong and is recognized as tax-exempt by its local jurisdiction; its mission is to protect wildlife and wild places and to ensure a healthy environment for all life on earth.

**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**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. Unrestricted net assets may be designated for specific purposes by actions of the Board of Trustees.

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 are written-off when determined to be uncollectible.

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 in the period received.

# **NATURAL RESOURCES DEFENSE COUNCIL, INC.**

## **Notes to Consolidated Financial Statements**

**June 30, 2014 and 2013**

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### **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.

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 Trustees has adopted a spending policy which allows for up to 5 percent of the average fair value of quasi-endowment and permanent endowment funds, calculated at December 31st of the twelve preceding calendar-year quarters 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. For fiscal 2014 and 2013, the spending amounts approved totaled \$5,605,988 and \$5,012,817, respectively. For fiscal 2014 and 2013, additional special appropriations from NRDC's reserves totaled \$3,765,419 vs. \$285,967, respectively.

### **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.

### **Split-Interest Agreements**

NRDC holds assets under split-interest agreements consisting of pooled life income funds, charitable remainder trusts and charitable gift annuities for which NRDC serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are reported as investments in split-interest agreements on the consolidated balance sheet. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes and has been recognized as a contribution at the date of gift. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor.

Under NRDC's charitable remainder trusts and charitable gift annuities programs where NRDC is the trustee, liabilities are recorded for the present or fair value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the unrestricted use of NRDC unless as otherwise stipulated by the donor. Under NRDC's pooled life income funds program, the difference between the fair value of the assets when received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future interest, on the consolidated balance sheets. Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to NRDC. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments are reported as change in value of split-interest agreements on the consolidated statement of activities.

# **NATURAL RESOURCES DEFENSE COUNCIL, INC.**

## **Notes to Consolidated Financial Statements**

**June 30, 2014 and 2013**

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### **Fixed Assets**

Office buildings and improvements are carried at cost, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the buildings and related improvements and range from 10 to 40 years. Furniture and equipment are carried at cost or, with respect to donated equipment, at fair value determined 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 the leases to which they pertain, whichever is shorter.

### **Measure of Operations**

Included in unrestricted operating activities are revenues and expenses used for the general support of NRDC's operations, including amounts appropriated for expenditure under the spending policy. 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, (3) awarded attorneys' fees in excess of the annual budgeted amount, (4) changes in values of split-interest agreements and interest-rate swap agreements, (5) pension related activities other than net periodic pension expense, and (6) other items considered to be unusual or nonrecurring in nature.

During fiscal 2013, NRDC's Board of Trustees approved the transfer of up to \$2,759,281 from its non-operating unrestricted investments in support of current operations, of which the actual amount transferred was \$462,975. There were no transfers approved during fiscal 2014.

### **Expenses**

The costs of providing programs and supporting services have been summarized on the accompanying consolidated statement 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 to the respective functional area.

### **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 obligations under and residual interests pertaining to split-interest agreements. Actual results could differ from those estimates.

**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
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**Fair Value of Financial Instruments**

The following methods and assumptions are 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 on the accompanying consolidated balance sheets approximate fair value.

*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.

*Obligations due under split-interest agreements:* The value of obligations due under split-interest agreements is based upon actuarial assumptions utilizing the required rate of return as of the measurement date (or as of the original date of gift as it pertains to charitable gift annuities).

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 and certain fixed income and debt securities held in the name of NRDC, and exclude listed equities and other securities held directly in 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 that 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 that NAV at the consolidated balance sheet date or in the near term or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

# **NATURAL RESOURCES DEFENSE COUNCIL, INC.**

## **Notes to Consolidated Financial Statements**

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### **Income Taxes**

The FASB Accounting Standards 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 an uncertain tax position. The tax years ending June 30, 2011, 2012, 2013 and 2014 remain open to audit for both federal and state purposes. This standard had no impact on NRDC’s 2014 and 2013 consolidated financial statements. NRDC does not believe its 2014 and 2013 consolidated financial statements include any material uncertain tax positions.

### **Concentrations 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 are 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.

### **Reclassifications**

Certain reclassifications have been made to the accompanying 2013 consolidated financial statements to conform to the 2014 presentation. Specifically, deferred rent obligations totaling \$2,668,738 which were previously included as part of accounts payable and accrued expenses have been reclassified and reported separately as deferred rent

### **Subsequent Events**

NRDC evaluated its June 30, 2014 consolidated financial statements for subsequent events through November 26, 2014, the date the consolidated financial statements were issued.

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**3. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET**

Contributions and grants receivable, net, at June 30, 2014 and 2013 are expected to be collected as follows:

	<u>2014</u>	<u>2013</u>
Amounts expected to be collected in:		
One year or less	\$ 14,070,674	\$ 12,126,746
Between one and five years	3,952,074	3,427,242
Greater than five years	<u>-</u>	<u>150,000</u>
	18,022,748	15,703,988
Less: discount to present value (at rates ranging from 1.65% to 3.21%)	<u>(131,754)</u>	<u>(126,061)</u>
	17,890,994	15,577,927
Less: allowance for uncollectible accounts	<u>(408,756)</u>	<u>(421,256)</u>
	<u>\$ 17,482,238</u>	<u>\$ 15,156,671</u>

NRDC has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. NRDC's share of such bequests is recorded when NRDC has an irrevocable right to the bequest and the proceeds are measurable.

**4. ENDOWMENT**

In accordance with the New York Prudent Management of Institutional Funds Act ("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 appreciation of endowment investments
- (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 54 individual funds (25 permanently restricted, 15 temporarily restricted and 14 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 Trustees to function as an endowment (quasi-endowment). Net assets associated with endowment funds, including funds designated by NRDC's Board of Trustees 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, which are principally unrestricted, that are expected to be spent down over time, exist outside of the endowment and will be used principally for program purposes. These funds are not classified as part of the quasi-endowment.

# NATURAL RESOURCES DEFENSE COUNCIL, INC.

## Notes to Consolidated Financial Statements

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NRDC classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment, and (c) accumulations to its 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 appropriated for expenditure, consistent with donor stipulations and the standard prescribed by NYPMIFA.

Endowment net asset composition by type of fund as of June 30, 2014 and 2013 is as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 9,255,351	\$ 20,005,907	\$ 29,261,258
Board-designated funds	117,893,833	-	-	117,893,833
	<u>\$ 117,893,833</u>	<u>\$ 9,255,351</u>	<u>\$ 20,005,907</u>	<u>\$ 147,155,091</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 7,187,501	\$ 20,005,903	\$ 27,193,404
Board-designated funds	101,792,236	-	-	101,792,236
	<u>\$ 101,792,236</u>	<u>\$ 7,187,501</u>	<u>\$ 20,005,903</u>	<u>\$ 128,985,640</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 permanent duration. In accordance with US GAAP, such amounts would be charged to unrestricted net assets. Subsequent investment earnings on such funds which restore the fair value of individual endowment funds back to their original corpus value are reported in unrestricted net assets, with earnings in excess of this amount reported in temporarily restricted net assets. As of June 30, 2014 and 2013, there were no endowment funds below the historical dollar value.



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Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	<b>2014</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>Endowment net assets, beginning of year</b>	\$ 101,792,236	\$ 7,187,501	\$ 20,005,903	\$ 128,985,640
Investment return:				
Dividends and interest	2,508,448	588,144	-	3,096,592
Investment fees and expenses	(1,245,755)	(286,139)	-	(1,531,894)
Net realized and unrealized gains	12,781,986	3,001,944	-	15,783,930
Total investment return	14,044,679	3,303,949	-	17,348,628
Contributions	5,951,969	-	4	5,951,973
Terminations of planned giving arrangements	474,838	-	-	474,838
Appropriation of endowment net assets for expenditure - spending policy	(4,369,889)	(1,236,099)	-	(5,605,988)
<b>Endowment net assets, end of year</b>	<b>\$ 117,893,833</b>	<b>\$ 9,255,351</b>	<b>\$ 20,005,907</b>	<b>\$ 147,155,091</b>

Contributions of \$5,951,969 in the 2014 table above, include bequest receivables of \$551,683.

	<b>2013</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>Endowment net assets, beginning of year</b>	\$ 91,312,996	\$ 6,287,518	\$ 20,364,411	\$ 117,964,925
Investment return:				
Dividends and interest	1,990,360	500,889	-	2,491,249
Investment fees and expenses	(1,174,432)	(294,981)	-	(1,469,413)
Net realized and unrealized gains	7,915,007	1,933,402	-	9,848,409
Total investment return	8,730,935	2,139,310	-	10,870,245
Contributions	5,835,840	-	233	5,836,073
Transfer between funds	1,038,044	(174)	-	1,037,870
Adjustment to net asset classification	446,729	(87,988)	(358,741)	-
Collection of prior year receivables	337,533	(3,930)	-	333,603
Appropriation of endowment net assets for expenditure - spending policy	(3,865,582)	(1,147,235)	-	(5,012,817)
Appropriation of endowment net assets for expenditure - principally capital expenditures	(2,044,259)	-	-	(2,044,259)
<b>Endowment net assets, end of year</b>	<b>\$ 101,792,236</b>	<b>\$ 7,187,501</b>	<b>\$ 20,005,903</b>	<b>\$ 128,985,640</b>

Contributions of \$5,835,840 in the 2013 table above, include bequest receivables of \$1,623,151.

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**5. INVESTMENTS**

As of June 30, 2014 and 2013, NRDC's investments, at fair value, by level within the fair value hierarchy, consist of the following:

	<b>2014</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Investments:</b>				
<b>Endowment:</b>				
Money market funds	\$ -	\$ 2,700,904	\$ -	\$ 2,700,904
Vanguard bond mutual fund	13,480,980	-	-	13,480,980
Vanguard equity mutual funds	68,189,170	-	-	68,189,170
Fixed income funds	2,715,416	-	-	2,715,416
Corporate bonds	9,172,810	-	-	9,172,810
Common stocks	5,420,549	-	-	5,420,549
Venture capital	-	-	70,114	70,114
Hedge funds	-	12,894,830	23,629,343	36,524,173
Private equities	-	-	7,710,276	7,710,276
	<u>98,978,925</u>	<u>15,595,734</u>	<u>31,409,733</u>	<u>145,984,392</u>
<b>Reserves, special funds and other:</b>				
Cash	240,406	-	-	240,406
U.S. government obligations	2,528,388	-	-	2,528,388
Corporate bonds	37,878,045	-	-	37,878,045
	<u>40,646,839</u>	<u>-</u>	<u>-</u>	<u>40,646,839</u>
	<u>\$ 139,625,764</u>	<u>\$ 15,595,734</u>	<u>\$ 31,409,733</u>	<u>\$ 186,631,231</u>
<b>2013</b>				
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Investments:</b>				
<b>Endowment:</b>				
Money market funds	\$ -	\$ 1,665,929	\$ -	\$ 1,665,929
Vanguard bond mutual fund	13,084,628	-	-	13,084,628
Vanguard equity mutual funds	56,066,284	-	-	56,066,284
Fixed income funds	5,597,442	-	-	5,597,442
Corporate bonds	6,017,210	-	-	6,017,210
Common stocks	5,956,017	-	-	5,956,017
Venture capital	-	-	75,583	75,583
Hedge funds	-	21,715,157	10,626,783	32,341,940
Private equities	-	-	7,852,229	7,852,229
	<u>86,721,581</u>	<u>23,381,086</u>	<u>18,554,595</u>	<u>128,657,262</u>
<b>Reserves, special funds and other:</b>				
Money market funds	-	12,045,894	-	12,045,894
Vanguard bond mutual funds	13,012,454	-	-	13,012,454
	<u>13,012,454</u>	<u>12,045,894</u>	<u>-</u>	<u>25,058,348</u>
	<u>\$ 99,734,035</u>	<u>\$ 35,426,980</u>	<u>\$ 18,554,595</u>	<u>\$ 153,715,610</u>

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The following table summarizes the changes in NRDC's Level III investments for the years ended June 30, 2014, with summarized comparative totals for the year ended June 30, 2013:

	2014				2013
	Venture Capital	Private Equities	Hedge Funds	Total	Summarized Totals
<b>Beginning of the year</b>	\$ 75,583	\$ 7,852,229	\$ 10,626,783	\$ 18,554,595	\$ 37,570,592
Transfers out (a) (b)	-	-	(5,741,150)	(5,741,150)	(19,013,200)
Transfers in (a) (c)	-	-	17,627,179	17,627,179	-
Net realized and unrealized (depreciation) appreciation	(3,041)	536,631	1,356,495	1,890,085	(30,289)
Purchases	-	301,870	-	301,870	871,151
Proceeds from sales, redemptions and distributions	-	(888,904)	-	(888,904)	(492,658)
Management fees	(2,428)	(91,550)	(239,964)	(333,942)	(351,001)
<b>End of the year</b>	<u>\$ 70,114</u>	<u>\$ 7,710,276</u>	<u>\$ 23,629,343</u>	<u>\$ 31,409,733</u>	<u>\$ 18,554,595</u>

- (a) NRDC's policy is to recognize transfers in and transfers out of levels at the end of the respective reporting period.
- (b) During fiscal 2014, one (1) fund was transferred from Level 3 to Level 2 due to the expiration of a lockup provision.
- (c) During fiscal 2014, two (2) funds were transferred from Level 2 to Level 3 due to the existence of gates.

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 its investment portfolio as of June 30, 2014 and 2013, as detailed below.

		2014							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions	Level	
Venture capital	Equity in environmental consulting services.	1	\$ 70,114	NA	\$ 62,500	No liquidity	NA	III	
Hedge funds	Engages in multiple strategies, including domestic and global credit and event driven investing, futures and forwards.	2	12,894,830	NA	-	1 fund monthly, 1 fund quarterly	None	II	
Hedge funds	Engages in multiple strategies, including domestic and global credit and event driven investing, futures and forwards.	3	23,629,343	NA	-	2 funds quarterly, 1 fund annual	1 fund has 25% gates, 1 fund has 20% gates, 1 fund has 25% investor level and 10% fund level gates (Class B shares)	III	
Private equity	Private equity with a focus on renewables and alternative energy.	4	7,710,276	3 funds with 4 years remaining, 1 fund with 5 years remaining	1,874,221	No liquidity	NA	III	
Total		<u>10</u>	<u>\$ 44,304,563</u>		<u>\$ 1,936,721</u>				

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2013									
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions	Level	
Venture capital	Equity in environmental consulting services.	1	\$ 75,583	NA	\$ 62,500	No liquidity	NA	III	
Hedge funds	Engages in multiple strategies, including domestic and global credit and event driven investing, futures and forwards.	2	21,715,157	NA	2,500,000	1 fund monthly, 1 fund quarterly	None	II	
Hedge funds	Engages in multiple strategies, including domestic and global credit and event driven investing, futures and forwards.	2	10,626,783	NA	-	1 fund quarterly, 1 fund annual	1 fund has 2 year lockup, 1 fund has 20% gates	III	
Private equity	Private equity with a focus on renewables and alternative energy.	5	7,852,229	1 fund with 1 year remaining, 3 funds with 5 years remaining, 1 fund with 6 years remaining	2,109,434	No liquidity	NA	III	
Total		<u>10</u>	<u>\$ 40,269,752</u>		<u>\$ 4,671,934</u>				

NRDC has committed to investing additional amounts with certain private equity and venture capital funds. As of June 30, 2014, NRDC had a remaining commitment to invest an additional \$1,936,721. Such commitments are expected to be fulfilled by fiscal 2018.

Investment return for the years ended June 30, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Dividends and interest	\$ 3,547,450	\$ 2,876,381
Investment expenses and fees	(1,541,053)	(1,469,411)
Realized and unrealized gains	<u>15,914,296</u>	<u>9,760,008</u>
Total return on investments	<u>\$ 17,920,693</u>	<u>\$ 11,166,978</u>

The above table excludes charitable gift annuity investment return amounting to \$2,023,587 for the year ended June 30, 2014 and \$1,276,728 for the year ended June 30, 2013, which is included in change in value of split-interest agreements on the accompanying consolidated statements of activities.

## 6. SPLIT-INTEREST AGREEMENTS

NRDC is the beneficiary of various split-interest agreements with donors. NRDC may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee(s)) at which time the remaining assets are generally unrestricted for NRDC's use. Under NRDC's charitable remainder trust and pooled life income fund programs, where NRDC is the trustee, NRDC has elected the fair value reporting option under ASC 825 which requires the obligation due under split-interest agreements to be measured at fair value annually based upon changes in the life expectancy of the donor or beneficiary and the discount rate at the date of measurement. Under NRDC's charitable gift annuities program, where

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NRDC is the trustee, NRDC has not elected the fair value reporting option under ASC 825 and reports the charitable gift annuity obligations using the original discount rate assigned at the date of the gift.

The discount rates used in the calculation of obligations due to annuitants under charitable remainder trust and pooled life income fund programs at June 30, 2014 and 2013 were 2.20% and 1.20%, respectively. Discount rates used to value the charitable gift annuity split-interest agreements ranged from 1.2% to 11.6% for both fiscal 2014 and 2013. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

The following tables prioritize the inputs used to measure and report the fair value of NRDC's obligations due under charitable remainder trust and pooled life income fund programs at June 30, 2014 and 2013:

	<b>2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Obligations due under charitable remainder trusts	\$ -	\$ 292,544	\$ -	\$ 292,544
Obligations due under pooled life income funds	-	461,591	-	461,591
	<u>\$ -</u>	<u>\$ 754,135</u>	<u>\$ -</u>	<u>\$ 754,135</u>
	<b>2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Obligations due under charitable remainder trusts	\$ -	\$ 292,711	\$ -	\$ 292,711
Obligations due under pooled life income funds	-	280,278	-	280,278
	<u>\$ -</u>	<u>\$ 572,989</u>	<u>\$ -</u>	<u>\$ 572,989</u>

The amounts reported above are included on the accompanying consolidated balance sheets as part of liabilities due from split-interest agreements.

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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, 2014 and 2013:

	<b>2014</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Charitable gift annuities:				
Cash and cash equivalents	\$ 457,643	\$ -	\$ -	\$ 457,643
U.S. government and agency debt obligations	-	5,982,475	-	5,982,475
Corporate and other debt obligations	-	2,833,694	-	2,833,694
Common trust funds	-	9,764,399	-	9,764,399
Total	<u>457,643</u>	<u>18,580,568</u>	<u>-</u>	<u>19,038,211</u>
Charitable remainder trusts:				
Cash and cash equivalents	37,776	-	-	37,776
Charitable bond common trust fund	-	61,615	-	61,615
S&P index funds	70,142	-	-	70,142
U.S. treasury securities	-	69,758	-	69,758
Vanguard FTSE Emerging Markets	48,349	-	-	48,349
Equity mutual funds	413,685	-	-	413,685
Total	<u>569,952</u>	<u>131,373</u>	<u>-</u>	<u>701,325</u>
Pooled life income funds:				
Cash equivalents	3,253	-	-	3,253
SPDR SSGA Income Allocation ETF	1,585,158	-	-	1,585,158
Total	<u>1,588,411</u>	<u>-</u>	<u>-</u>	<u>1,588,411</u>
Total investments	<u>\$ 2,616,006</u>	<u>\$ 18,711,941</u>	<u>\$ -</u>	<u>\$ 21,327,947</u>
	<b>2013</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Charitable gift annuities:				
Cash and cash equivalents	\$ -	\$ 575,262	\$ -	\$ 575,262
U.S. government and agency debt obligations	2,938,209	3,451,320	-	6,389,529
Corporate and other debt obligations	2,733,754	816,351	-	3,550,105
Common trust funds	-	7,913,666	-	7,913,666
Total	<u>5,671,963</u>	<u>12,756,599</u>	<u>-</u>	<u>18,428,562</u>
Charitable remainder trusts:				
Cash and cash equivalents	38,410	-	-	38,410
Charitable bond common trust fund	-	67,571	-	67,571
S&P index funds	57,466	-	-	57,466
U.S. treasury securities	-	67,751	-	67,751
Equity mutual funds	419,689	18,753	-	438,442
Total	<u>515,565</u>	<u>154,075</u>	<u>-</u>	<u>669,640</u>
Pooled life income funds:				
Cash equivalents	4,975	-	-	4,975
S&P index funds	1,790,382	-	-	1,790,382
Total	<u>1,795,357</u>	<u>-</u>	<u>-</u>	<u>1,795,357</u>
Total investments	<u>\$ 7,982,885</u>	<u>\$ 12,910,674</u>	<u>\$ -</u>	<u>\$ 20,893,559</u>

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NRDC uses, as a practical expedient, for fair value a reported NAV per share or its equivalent for purposes of valuing certain investments included within its split-interest investment portfolio as of June 30, 2014 and 2013, as detailed below:

2014								
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions	Level
Charitable Bond Common Trust Fund	Investing primarily in fixed income securities	1	\$ 61,615	N/A	\$ -	Monthly	None	II
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	2,527,151	N/A	-	Monthly	None	II
Common Trust Fund: Emerging Markets MSCI Non Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index	1	1,027,619	N/A	-	Monthly	None	II
Common Trust Fund: U.S. Total Market Index CTF	Approximates overall performance of the Dow Jones U.S. Total Stock Market Index	1	6,209,629	N/A	-	Daily	None	II
		<u>4</u>	<u>\$ 9,826,014</u>		<u>\$ -</u>			
2013								
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions	Level
Charitable Bond Common Trust Fund	Investing primarily in fixed income securities	3	\$ 67,571	N/A	\$ -	Monthly	None	II
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	2,046,032	N/A	-	Monthly	None	II
Common Trust Fund: Emerging Markets MSCI Non Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index	1	898,159	N/A	-	Monthly	None	II
Common Trust Fund: U.S. Total Market Index CTF	Approximates overall performance of the Dow Jones U.S. Total Stock Market Index	1	4,969,475	N/A	-	Daily	None	II
		<u>6</u>	<u>\$ 7,981,237</u>		<u>\$ -</u>			

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The following tables summarize the changes in split-interest agreement liabilities for the years ended June 30, 2014 and 2013:

	2014		2013	
	Charitable Gift Annuities and Charitable Remainder		Charitable Gift Annuities and Charitable	
	Unitrusts	Pooled Life Income Fund	Remainder Trusts	Pooled Life Income Fund
<b>Beginning of the year</b>	\$ 13,821,215	\$ 280,278	\$ 14,367,864	\$ 295,775
New agreements	375,182	-	300,589	-
Payments to annuitants	(1,560,216)	(66,503)	(1,578,356)	(65,766)
Change in value due to actuarial valuations	747,711	43,456	758,514	7,272
Investment income	-	215,062	-	54,686
Fees	-	(10,702)	-	(11,689)
Other, charitable remainder trusts activity	43,868	-	(27,396)	-
<b>End of the year</b>	<u>\$ 13,427,760</u>	<u>\$ 461,591</u>	<u>\$ 13,821,215</u>	<u>\$ 280,278</u>

**7. FIXED ASSETS, NET**

Fixed assets, net, consist of the following at June 30, 2014 and 2013:

	2014	2013
Office buildings and improvements	\$ 45,965,327	\$ 45,808,039
Furniture and equipment	5,381,998	5,173,593
Computer and software	1,417,748	1,974,042
Leasehold improvements	212,285	1,548,541
	<u>52,977,358</u>	<u>54,504,215</u>
Less: accumulated depreciation and amortization	<u>(16,967,646)</u>	<u>(16,809,112)</u>
	36,009,712	37,695,103
Work-in-progress	<u>1,233,221</u>	<u>1,302,564</u>
	<u>\$ 37,242,933</u>	<u>\$ 38,997,667</u>

Work-in-progress principally represents costs incurred for renovations in the New York, San Francisco and Beijing offices, and energy improvements.

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 totaled \$2,590,038 and \$2,581,178, respectively.



**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
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**8. EMPLOYEE BENEFIT PLANS**

**Defined Benefit Pension Plan**

Prior to June 30, 2007, NRDC provided 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 vested employees in the Plan prior to June 30, 2007 will no longer accrue additional benefits. NRDC’s funding policy is to contribute annually at least the minimum contributions required by applicable regulations.

The following table provides the funded status of the Plan at June 30, 2014 and 2013 and related actuarial assumptions and other information for the years then ended:

	<u>2014</u>	<u>2013</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 19,959,878	\$ 19,835,541
Interest cost	875,749	823,778
Assumption change	1,343,712	(1,590,102)
Actuarial (loss)/gain	(263,401)	1,401,559
Benefits paid	<u>(510,860)</u>	<u>(510,898)</u>
Projected benefit obligation, end of year	<u>21,405,078</u>	<u>19,959,878</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	14,186,900	13,481,960
Actual return on assets	1,484,505	715,838
Employer contributions	850,000	500,000
Benefits paid	<u>(510,860)</u>	<u>(510,898)</u>
Fair value of plan assets, end of year	<u>16,010,545</u>	<u>14,186,900</u>
Funded status	<u>\$ (5,394,533)</u>	<u>\$ (5,772,978)</u>
Accumulated benefit obligation	<u>\$ 21,405,078</u>	<u>\$ 19,959,876</u>
Accumulated net loss recognized in net assets	<u>\$ 8,827,405</u>	<u>\$ 9,140,115</u>
Components of net periodic pension cost:		
Interest cost	\$ 875,749	\$ 823,778
Expected return on assets	(830,449)	(789,630)
Amortization of actuarial loss	738,966	868,904
Net periodic pension cost	<u>\$ 784,266</u>	<u>\$ 903,052</u>
Other changes recognized in unrestricted net assets:		
Actuarial loss/(gain)	\$ 426,256	\$ (114,752)
Amortization of actuarial loss	<u>(738,966)</u>	<u>(868,904)</u>
Pension related-activity other than net periodic pension cost	<u>\$ (312,710)</u>	<u>\$ (983,656)</u>

**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
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The amount reflected above as assumption change, which served to increase the fiscal 2014 benefit obligation by \$1,343,712, is primarily due to decrease in the discount rate (4.52% to 4.02%) commensurate with lower long-term interest rates.

Weighted-average assumptions used to determine benefit obligations at June 30, 2014 and 2013 follow:

	<u>2014</u>	<u>2013</u>
Discount rate	4.02%	4.52%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2014 and 2013 follow:

	<u>2014</u>	<u>2013</u>
Discount rate	4.52%	3.91%
Expected return on plan assets	6.00%	6.00%
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>
2015	\$ 818,646
2016	872,261
2017	988,461
2018	1,055,653
2019	1,174,948
2020-2024	6,445,721
	<u>\$ 11,355,690</u>

NRDC expects to contribute approximately \$500,000 to the Plan during fiscal 2015.

The estimated actuarial loss that will be amortized into net periodic pension cost during fiscal 2015 is \$716,000.

**Plan Assets**

NRDC determines its assumptions for the expected rate of return on plan assets for its pension plan based on ranges of anticipated rates of return for each asset class. A weighted range of nominal rates is then determined based on target allocations for each asset class. Market performance over a number of earlier years is evaluated covering a wide range of economic conditions to determine whether there are reliable reasons for projecting forward any past trends.

Third-party investment professionals manage NRDC's pension plan assets, rebalancing assets as NRDC deems appropriate. NRDC's investment strategy with respect to its pension plan assets is to maintain a diversified investment portfolio across several asset classes. To develop the expected long-term rate of return on assets assumption, NRDC considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension plan portfolio.

# NATURAL RESOURCES DEFENSE COUNCIL, INC.

## Notes to Consolidated Financial Statements

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NRDC's pension plan investment strategy is to invest in a prudent manner for the exclusive purpose of providing benefits to participants. The investment strategy is targeted to produce a total return that, when combined with NRDC's contributions to the pension fund, will maintain the funds' ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in debt securities, domestic and international equities, other investments and cash and cash equivalents.

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, 2014 and 2013:

	2014			
	Level I	Level II	Level III	Total
Cash	\$ 21,819	\$ -	\$ -	\$ 21,819
Short-term money market fund	-	905,335	-	905,335
International equity funds	-	1,995,271	-	1,995,271
Emerging markets equity funds	-	571,255	-	571,255
U.S. equity funds	910,782	3,403,683	-	4,314,465
Fixed income funds	2,051,923	3,510,792	-	5,562,715
Real estate fund	-	897,981	-	897,981
Commodities funds	725,559	-	-	725,559
Hedge fund	-	-	906,578	906,578
Private equity	-	-	109,567	109,567
	<u>\$ 3,710,083</u>	<u>\$ 11,284,317</u>	<u>\$ 1,016,145</u>	<u>\$ 16,010,545</u>

  

	2013			
	Level I	Level II	Level III	Total
Cash	\$ 85	\$ -	\$ -	\$ 85
Short-term money market fund	-	276,992	-	276,992
International equity funds	-	1,207,540	-	1,207,540
Emerging markets equity funds	-	711,215	-	711,215
U.S. equity funds	-	4,085,560	-	4,085,560
Fixed income funds	2,382,289	3,041,667	-	5,423,956
Real estate fund	-	828,271	-	828,271
Commodities funds	651,198	-	-	651,198
Hedge fund	-	-	831,801	831,801
Private equity	-	-	170,282	170,282
	<u>\$ 3,033,572</u>	<u>\$ 10,151,245</u>	<u>\$ 1,002,083</u>	<u>\$ 14,186,900</u>

**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
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The percentages of the fair value of total Plan assets by asset category are as follows at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	6 %	2 %
Equity	42 %	42 %
Fixed income	36 %	38 %
Other	<u>16 %</u>	<u>18 %</u>
	<u>100 %</u>	<u>100 %</u>

The following tables summarize the changes in the Plan's Level III investments for the year ended June 30, 2014, with summarized comparative totals for the year ended June 30, 2013:

	<u>2014</u>			<u>2013</u>
	<u>Private</u>	<u>Hedge</u>	<u>Totals</u>	<u>Summarized</u>
	<u>Equity</u>	<u>Fund</u>	<u>Totals</u>	<u>Totals</u>
<b>Beginning of the year</b>	\$ 170,282	\$ 831,801	\$ 1,002,083	\$ 1,045,249
Net realized and unrealized (depreciation) appreciation in fair value of investments	(58,685)	74,777	16,092	(41,807)
Management fees	(2,030)	-	(2,030)	(1,359)
<b>End of the year</b>	<u>\$ 109,567</u>	<u>\$ 906,578</u>	<u>\$ 1,016,145</u>	<u>\$ 1,002,083</u>

NRDC uses as a practical expedient for fair value a reported NAV per share or its equivalent for purposes of valuing certain investments included within the Plan's investment portfolio as of June 30, 2014 and 2013, as detailed below:

		<u>2014</u>						
<u>Alternative</u>	<u>Alternative</u>	<u>Number</u>	<u>NAV</u>	<u>Amount of</u>			<u>Redemption</u>	
<u>Investment Type</u>	<u>Investment</u>	<u>of</u>	<u>in</u>	<u>Remaining</u>	<u>Unfunded</u>	<u>Terms</u>	<u>Restrictions</u>	<u>Level</u>
	<u>Strategy</u>	<u>Funds</u>	<u>Funds</u>	<u>Life</u>	<u>Commitments</u>	<u>Redemption</u>	<u>Restrictions</u>	<u>Level</u>
Short-term money market fund	Seeks to maximize current income on cash reserves	1	\$ 905,335	N/A	\$ -	Daily	None	Level II
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	1,995,271	N/A	-	Daily	None	Level II
Emerging markets equity funds	Approximates overall performance of the MSCI Emerging Markets Equity Index	2	571,255	N/A	-	Daily	None	Level II
U.S. equity funds	Invests in U.S. equity markets directly, through funds, indexes, and hedging long and short-sale positions	5	3,403,683	N/A	-	Daily to quarterly	None	Level II
Fixed income funds	Approximates overall performance of the Barclay's Capital U.S. 1-5 Year Credit Bond Index and Capital Aggregate Bond Index	2	3,510,792	N/A	-	Daily	None	Level II
Real estate fund	Approximates 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	897,981	N/A	-	Daily	None	Level II
Hedge fund	Invests in diversified alternative investment strategies	1	906,578	N/A	-	No liquidity	N/A	Level III
Private equity	Private equity with focus on renewable and alternative energy	1	109,567	N/A	16,762	No liquidity	N/A	Level III
		<u>15</u>	<u>\$ 12,300,462</u>		<u>\$ 16,762</u>			

**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
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2013								
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions	Level
Short-term money market fund	Seeks to maximize current income on cash reserves	1	\$ 276,992	N/A	\$ -	Daily	None	Level II
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	1,207,540	N/A	-	Daily	None	Level II
Emerging markets equity funds	Approximates overall performance of the MSCI Emerging Markets Equity Index	2	711,215	N/A	-	Daily	None	Level II
U.S. equity funds	Invests in U.S. equity markets directly, through funds, indexes, and hedging long and short-sale positions	6	4,085,560	N/A	-	Daily to quarterly	None	Level II
Fixed income funds	Approximates overall performance of the Barclay's Capital U.S. 1-5 Year Credit Bond Index and Capital Aggregate Bond Index	2	3,041,667	N/A	-	Daily	None	Level II
Real estate fund	Approximates 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	828,271	N/A	-	Daily	None	Level II
Hedge fund	Invests in diversified alternative investment strategies	1	831,801	N/A	-	No liquidity	N/A	Level III
Private equity	Private equity with focus on renewable and alternative energy	1	170,282	N/A	20,300	No liquidity	N/A	Level III
		<u>16</u>	<u>\$ 11,153,328</u>		<u>\$ 20,300</u>			

The Plan has committed to investing \$1,000,000 with a private equity fund. As of June 30, 2014, NRDC has invested \$983,238 of such amounts and had a remaining commitment to invest an additional \$16,762.

**Tax-Deferred Annuity 403(b) Plan**

In addition to the defined benefit pension 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 \$3,643,424 and \$3,357,731 for the years ended June 30, 2014 and 2013, respectively.

**Deferred Compensation 457(b) Plan**

In addition to the defined benefit pension plan and tax-deferred annuity 403(b) plan, NRDC implemented a 457(b) plan, effective September 1, 2002, for certain highly compensated employees who were former members of the pension plan. These employees (and anyone who is new to NRDC that meets specific requirements) can defer compensation up to the maximum dollar amount under Section 457(e)(15) of the Internal Revenue Code of 1986, as amended. As of June 30, 2014, NRDC's obligations under the 457(b) plan totaled \$2,133,338 and are reported separately as obligations under deferred compensation plan in the accompanying 2014 consolidated statement of financial position. The funds are held for each employee in an individual account maintained by an investment firm. As of June 30, 2014, NRDC's investments pertaining to its deferred compensation plan consists of \$1,044,832 of equity mutual funds, \$702,149 of fixed income mutual funds and \$386,357 of blended mutual funds, all of which are categorized as Level 1 within the fair value hierarchy.

# NATURAL RESOURCES DEFENSE COUNCIL, INC.

## Notes to Consolidated Financial Statements

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### 9. DEBT OBLIGATIONS

#### Mortgage Loan Payable

NRDC has a mortgage loan which bears interest at a fixed rate of 8.29% per annum, and has an outstanding balance of \$128,643 and \$407,300 as of June 30, 2014 and 2013, 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.

#### Bank Revolving Credit Loan

NRDC has a 10-year unsecured term loan due July 2018. At June 30, 2014 and 2013, borrowings bore interest at a rate of 0.50% and 0.55%, respectively, which is calculated using the 1-month London Interbank Offered Rate (“LIBOR”) plus an applicable margin of 0.19%. At June 30, 2014 and 2013, NRDC had a balance of \$8,668,037 and \$9,031,731, respectively, due under the term loan.

#### Bonds Payable

During fiscal 2008, NRDC and Build NYC Capital Resource Corporation (formerly known as New York City Capital Resource Corporation, 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 20<sup>th</sup> Street, New York, New York.

Bonds payable consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
New York City Capital Resource Corporation Variable Rate Demand Revenue Bonds Series 2008A dated January 24, 2008 due serially on March 31st from 2008 through 2038	\$ 11,204,197	\$ 11,469,197

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. NRDC was compliant with all such covenants at June 30, 2014.

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Scheduled annual principal payments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2015	\$ 280,000
2016	290,000
2017	305,000
2018	315,000
2019	330,000
Thereafter	9,684,197
	<u>\$ 11,204,197</u>

Interest expense totaling \$837,491 and \$882,344 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, \$282,546 and \$294,561, 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.

2014						
<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, 2014</u>
Bank of America, N.A.	01/17/08	01/24/08	03/01/2038	\$ 11,290,000	3.639%	\$ (1,469,673)
Bank of America, N.A.	04/14/08	04/30/08	04/30/2018	\$ 8,668,037	4.025%	(865,133)
						<u>\$ (2,334,806)</u>

2013						
<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, 2013</u>
Bank of America, N.A.	01/17/08	01/24/08	03/01/2038	\$ 11,555,000	3.639%	\$ (1,400,725)
Bank of America, N.A.	04/14/08	04/30/08	04/30/2018	\$ 9,031,731	4.025%	(1,048,247)
						<u>\$ (2,448,972)</u>

Fair Value						
<u>Fair Value at June 30, 2014</u>	<u>Fair Value at June 30, 2013</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>
			<u>June 30, 2014</u>	<u>June 30, 2013</u>		
\$ (2,334,806)	\$ (2,448,972)	Interest-Rate Swap agreements (Liabilities)	\$ 114,166	\$ 1,557,425	Change in value of interest-rate swap agreements (non-operating activities)	Level II

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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, 2014, 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>
2015	\$ 3,166,525
2016	3,256,633
2017	3,251,175
2018	3,327,550
2019	3,293,323
Thereafter	22,168,129
	<u>\$ 38,463,335</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, 2014 and 2013 totaled \$3,183,552 and \$3,029,431, respectively.

NRDC has rented a portion of its available office space in New York to an unrelated party. Pursuant to the terms of the executed lease agreement, monthly rentals, including a charge for utilities, approximate \$66,500 and extend through May 31, 2018.

NRDC is a defendant in various lawsuits. Management of NRDC is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on NRDC's consolidated financial statements.

**11. NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Specific environmental programs	\$ 50,221,386	\$ 43,806,850
NRDC Action Fund, Inc.	1,222,543	1,127,304
Awaiting appropriation for program	9,255,351	7,187,501
Restricted only as to the passage of time	1,391,660	1,807,116
	<u>\$ 62,090,940</u>	<u>\$ 53,928,771</u>



**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
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Net assets of \$53,461,862 and \$34,986,323 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, 2014 and 2013, respectively. The details of the net assets released from restrictions are as follows:

	<u>2014</u>	<u>2013</u>
Memberships and individual contributions - programs	\$ 24,587,575	\$ 15,072,634
Foundations - programs	25,179,760	16,514,492
NRDC Action Fund, Inc.	1,501,810	3,366,347
NRDC Limited	272,810	15,736
Investment return appropriated for program services	1,236,099	-
Events	33,435	17,114
Other	650,373	-
	<u>\$ 53,461,862</u>	<u>\$ 34,986,323</u>

**Permanently Restricted Net Assets**

Permanently restricted net assets at June 30, 2014 and 2013 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 of Trustees.

**12. IN-KIND CONTRIBUTIONS**

During fiscal 2014 and 2013, NRDC received donated legal, consulting, and other services and goods at fair value as follows:

	<u>2014</u>	<u>2013</u>
Legal services	\$ 2,241,047	\$ 2,094,108
Consulting services	469,163	28,265
Goods and other services	79,019	631,468
	<u>\$ 2,789,229</u>	<u>\$ 2,753,841</u>

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**

NRDC relies on a robust direct mail program to recruit and maintain the large Membership that gives it standing in court to bring legal action in defense of our environment. NRDC communicates by postal mail and other channels to generate income and to mobilize the public in direct action campaigns. These campaigns have produced millions of petitions to corporations and government agencies, thereby advancing NRDC's environmental mission. As a result, in accordance with the Financial Accounting Standards Board (FASB) guidelines, NRDC allocates a portion of direct mail costs to program services and to fundraising.

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**Notes to Consolidated Financial Statements**  
**June 30, 2014 and 2013**

During the years ended June 30, 2014 and 2013, NRDC allocated joint costs for such informational materials and activities as follows:

	<u>2014</u>	<u>2013</u>
Revive our oceans	\$ 4,474,867	\$ 4,770,906
Wildlife and wildlands	1,038,538	777,158
Membership services	71,171	54,191
Fundraising	3,272,168	3,202,317
	<u>\$ 8,856,744</u>	<u>\$ 8,804,572</u>

**14. NRDC ACTION FUND, INC.**

Included in the accompanying consolidated balance sheets at June 30, 2014 and 2013 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to the NRDC Action Fund, Inc.:

	<u>2014</u>	<u>2013</u>
<b>Balance Sheets as of June 30:</b>		
Assets	\$ 1,588,298	\$ 1,475,750
Liabilities	(365,755)	(348,446)
Net assets-temporarily restricted	<u>\$ 1,222,543</u>	<u>\$ 1,127,304</u>
<b>Statements of Activities for years ended June 30:</b>		
Revenues - contributions	\$ 1,553,303	\$ 1,785,567
Revenues - in-kind donations	43,746	31,240
Total revenue	<u>1,597,049</u>	<u>1,816,807</u>
Expenses:		
Program services:		
Environmental advocacy	710,991	552,858
Climate	272,888	1,648,407
Ballot initiatives	-	663,043
Political Action Committee	15,600	-
Lands and wildlife	-	3,178
Online activism	325,177	210,268
Total program services	<u>1,324,656</u>	<u>3,077,754</u>
Supporting services:		
Management and general	135,227	252,459
Fundraising	41,927	36,134
Total supporting services	<u>177,154</u>	<u>288,593</u>
Total expenses	<u>1,501,810</u>	<u>3,366,347</u>
Change in net assets	95,239	(1,549,540)
Net assets, beginning of year	<u>1,127,304</u>	<u>2,676,844</u>
Net assets, end of year	<u>\$ 1,222,543</u>	<u>\$ 1,127,304</u>

**SUPPLEMENTARY SCHEDULES**

**NATURAL RESOURCES DEFENSE COUNCIL, INC.**  
**Supplemental Schedule – Unconsolidated Schedule of Activities**  
**(excluding NRDC Action Fund, Inc. and NRDC Limited)**  
**For the year ended June 30, 2014**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
<b>REVENUES</b>						
Memberships and individual contributions	\$ 52,786,672	\$ 210,646	\$ 52,997,318	\$ 30,058,444	\$ -	\$ 83,055,762
Foundation grants	472,017	-	472,017	26,802,874	-	27,274,891
Government grants	212,400	-	212,400	-	-	212,400
Bequests	-	5,951,969	5,951,969	-	4	5,951,973
In-kind contributions	2,745,483	-	2,745,483	-	-	2,745,483
Awarded attorneys fees	783,493	-	783,493	-	-	783,493
Investment return appropriated for operations	-	4,369,889	4,369,889	1,236,099	-	5,605,988
Investment return for operating reserves	278,009	-	278,009	-	-	278,009
Other revenue	1,230,562	-	1,230,562	-	-	1,230,562
Net assets released from restrictions	59,172,177	(7,478,970)	51,693,207	(51,693,207)	-	-
Total revenues	<u>117,680,813</u>	<u>3,053,534</u>	<u>120,734,347</u>	<u>6,404,210</u>	<u>4</u>	<u>127,138,561</u>
<b>EXPENSES</b>						
Program services:						
Clean energy future	46,137,293	-	46,137,293	-	-	46,137,293
Revive our oceans	10,793,765	-	10,793,765	-	-	10,793,765
Protect our health	9,321,156	-	9,321,156	-	-	9,321,156
Wildlife and wildlands	14,290,506	-	14,290,506	-	-	14,290,506
Safe and sufficient water	5,982,286	-	5,982,286	-	-	5,982,286
Sustainable communities	8,515,054	-	8,515,054	-	-	8,515,054
Membership services	3,267,294	-	3,267,294	-	-	3,267,294
Total program services	<u>98,307,354</u>	<u>-</u>	<u>98,307,354</u>	<u>-</u>	<u>-</u>	<u>98,307,354</u>
Supporting services:						
Management and general	8,775,923	-	8,775,923	-	-	8,775,923
Fundraising	6,088,960	-	6,088,960	-	-	6,088,960
Member recruitment	4,504,060	-	4,504,060	-	-	4,504,060
Total supporting services	<u>19,368,943</u>	<u>-</u>	<u>19,368,943</u>	<u>-</u>	<u>-</u>	<u>19,368,943</u>
Total expenses	<u>117,676,297</u>	<u>-</u>	<u>117,676,297</u>	<u>-</u>	<u>-</u>	<u>117,676,297</u>
Changes in net assets, before non-operating activities	4,516	3,053,534	3,058,050	6,404,210	4	9,462,264
<b>NON-OPERATING ACTIVITIES</b>						
Investment return, net of amounts used in operations	-	9,958,523	9,958,523	2,078,173	-	12,036,696
Change in value of interest-rate swap agreements	-	114,166	114,166	-	-	114,166
Pension related activity other than net periodic pension expense	-	312,710	312,710	-	-	312,710
Change in value of split-interest agreements	-	1,381,716	1,381,716	(415,454)	-	966,262
Changes in net assets	<u>4,516</u>	<u>14,820,649</u>	<u>14,825,165</u>	<u>8,066,929</u>	<u>4</u>	<u>22,892,098</u>
Net assets, beginning of year	<u>14,707,834</u>	<u>121,664,570</u>	<u>136,372,404</u>	<u>52,801,467</u>	<u>20,005,902</u>	<u>209,179,773</u>
Net assets, end of year	<u>\$ 14,712,350</u>	<u>\$ 136,485,219</u>	<u>\$ 151,197,569</u>	<u>\$ 60,868,396</u>	<u>\$ 20,005,906</u>	<u>\$ 232,071,871</u>

*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, 2014**

	Program Services								Supporting Services				Total
	Clean Energy Future	Revive our Oceans	Protect our Health	Wildlife and Wildlands	Safe and Sufficient Water	Sustainable Communities	Membership Services	Total Programs	Management and General	Fundraising	Member Recruitment	Total Supporting Services	
Salaries and benefits	\$ 21,505,901	\$ 3,594,162	\$ 5,488,155	\$ 7,720,333	\$ 3,670,663	\$ 4,058,199	\$ 793,399	\$ 46,830,812	\$ 5,423,726	\$ 4,584,654	\$ 292,984	\$ 10,301,364	\$ 57,132,176
Rent and utilities	1,956,101	316,508	487,710	700,148	326,021	343,039	70,284	4,199,811	457,106	400,843	26,061	884,010	5,083,821
Depreciation and amortization	970,790	164,685	246,968	349,946	167,182	187,759	36,173	2,123,503	242,706	205,543	13,379	461,628	2,585,131
Professional consulting and counsel	13,860,412	1,283,024	1,696,513	2,334,954	972,631	2,081,293	522,181	22,751,008	1,084,373	227,098	253,533	1,565,004	24,316,012
Special mailings and postage	172,043	1,613,004	43,720	454,747	29,265	43,230	512,124	2,868,133	5,680	4,716	1,167,608	1,178,004	4,046,137
Printing and copying	511,702	2,369,802	127,723	807,925	83,035	104,892	806,582	4,811,661	4,141	52,191	2,044,523	2,100,855	6,912,516
Membership lists and maintenance	136,109	433,386	34,734	66,786	23,231	25,684	457,701	1,177,631	-	68,000	178,172	246,172	1,423,803
Travel	1,278,701	227,142	323,338	530,985	185,456	278,166	1,461	2,825,249	367,847	105,942	7,176	480,965	3,306,214
Public affairs and advertising	2,116,734	348,606	159,151	169,951	88,349	82,158	7,247	2,972,196	(419)	8,656	79,728	87,965	3,060,161
Conferences and meetings	374,892	43,731	88,853	109,325	42,558	59,982	7,387	726,728	116,832	58,032	15,747	190,611	917,339
Contributions to others	1,226,818	67,259	70,998	340,637	57,294	733,646	-	2,496,652	35,310	-	100	35,410	2,532,062
Other	2,027,090	332,456	553,293	704,769	336,601	517,006	52,755	4,523,970	1,038,621	373,285	425,049	1,836,955	6,360,925
Total expenses of NRDC (on a standalone basis)	46,137,293	10,793,765	9,321,156	14,290,506	5,982,286	8,515,054	3,267,294	98,307,354	8,775,923	6,088,960	4,504,060	19,368,943	117,676,297
NRDC Action Fund, Inc. - depreciation	-	-	-	-	-	-	-	-	4,907	-	-	4,907	4,907
NRDC Action Fund, Inc. - other expenses	1,324,656	-	-	-	-	-	-	1,324,656	130,320	41,927	-	172,247	1,496,903
Total Action Fund	1,324,656	-	-	-	-	-	-	1,324,656	135,227	41,927	-	177,154	1,501,810
NRDC Limited	277,326	-	-	-	-	-	-	277,326	-	-	-	-	277,326
	<u>\$ 47,739,275</u>	<u>\$ 10,793,765</u>	<u>\$ 9,321,156</u>	<u>\$ 14,290,506</u>	<u>\$ 5,982,286</u>	<u>\$ 8,515,054</u>	<u>\$ 3,267,294</u>	<u>\$ 99,909,336</u>	<u>\$ 8,911,150</u>	<u>\$ 6,130,887</u>	<u>\$ 4,504,060</u>	<u>\$ 19,546,097</u>	<u>\$ 119,455,433</u>

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