

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.

June 30, 2018 and 2017

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 include the NRDC Action Fund, Inc. and NRDC Limited, (collectively, “NRDC”), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, 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 include the NRDC Action Fund, Inc. and NRDC Limited as of June 30, 2018 and 2017, 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, 2018 and 2017 taken as a whole. The Unconsolidated Schedule of Activities and the Consolidated Schedule of Functional Expenses for the year ended June 30, 2018 are presented for purposes of additional analysis and are not a required part of the 2018 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 2018 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 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 2018 consolidated financial statements or to the 2018 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 2018 consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
November 30, 2018

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Balance Sheets
As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 105,743,141	\$ 73,324,966
Contributions and grants receivable, net	18,990,179	19,579,112
Prepaid expenses and other assets	6,218,062	5,987,704
Investments	226,838,459	213,578,293
Investments pertaining to deferred compensation plan	2,654,584	2,454,101
Investments in split-interest agreements	20,174,848	19,913,302
Fixed assets, net	<u>33,577,026</u>	<u>35,011,569</u>
 Total assets	 <u>\$ 414,196,299</u>	 <u>\$ 369,849,047</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 16,881,067	\$ 13,984,566
Deferred rent	4,401,557	3,914,895
Bank revolving credit loan	7,213,262	7,576,956
Interest-rate swap agreement	1,359,638	2,067,497
Bonds payable, net	9,779,710	10,082,695
Obligations under deferred compensation plan	2,654,584	2,454,101
Defined benefit plan obligation	6,518,683	8,527,929
Split-interest agreements:		
Charitable gift annuities and CRUT - payable to annuitants	14,103,692	12,476,733
Pooled life income funds - deferred revenue	<u>557,687</u>	<u>417,507</u>
Total liabilities	<u>63,469,880</u>	<u>61,502,879</u>
 Commitments and contingencies		
NET ASSETS		
Unrestricted	237,483,128	211,414,013
Temporarily restricted	89,055,818	77,828,854
Permanently restricted	<u>24,187,473</u>	<u>19,103,301</u>
Total net assets	<u>350,726,419</u>	<u>308,346,168</u>
 Total liabilities and net assets	 <u>\$ 414,196,299</u>	 <u>\$ 369,849,047</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, 2018

	Unrestricted			Temporarily	Permanently	
	Operating	Designated	Total	Restricted	Restricted	Total
REVENUES						
Memberships and individual contributions	\$ 80,014,562	\$ 561,069	\$ 80,575,631	\$ 44,648,470	\$ 5,084,172	\$ 130,308,273
Foundation grants	695,500	-	695,500	34,804,979	-	35,500,479
Government grants	198,941	-	198,941	-	-	198,941
Bequests	-	13,864,853	13,864,853	743,299	-	14,608,152
In-kind contributions	5,641,178	-	5,641,178	40,413	-	5,681,591
Awarded attorneys fees	375,852	-	375,852	49,836	-	425,688
Investment return appropriated for operations	-	145,077	145,077	1,022,717	-	1,167,794
Investment return from operating reserves	537,277	-	537,277	-	-	537,277
Other revenue	1,969,493	-	1,969,493	-	-	1,969,493
Net assets released from restrictions	75,313,239	(3,823,360)	71,489,879	(71,489,879)	-	-
Total revenues	164,746,042	10,747,639	175,493,681	9,819,835	5,084,172	190,397,688
EXPENSES						
Program services:						
Clean energy future	64,646,652	-	64,646,652	-	-	64,646,652
Revive our oceans	9,147,558	-	9,147,558	-	-	9,147,558
Protect our health	15,963,132	-	15,963,132	-	-	15,963,132
Wildlife and wildlands	15,015,106	-	15,015,106	-	-	15,015,106
Safe and sufficient water	9,765,185	-	9,765,185	-	-	9,765,185
Sustainable communities	14,289,259	-	14,289,259	-	-	14,289,259
Membership services	3,222,223	-	3,222,223	-	-	3,222,223
Total program services	132,049,115	-	132,049,115	-	-	132,049,115
Supporting services:						
Management and general	14,589,292	-	14,589,292	-	-	14,589,292
Fundraising	9,614,329	-	9,614,329	-	-	9,614,329
Member recruitment	3,669,851	-	3,669,851	-	-	3,669,851
Total supporting services	27,873,472	-	27,873,472	-	-	27,873,472
Total expenses	159,922,587	-	159,922,587	-	-	159,922,587
Changes in net assets before transfers	4,823,455	10,747,639	15,571,094	9,819,835	5,084,172	30,475,101
Transfer between funds	(4,544,455)	4,544,455	-	-	-	-
Change in net assets, after transfers	279,000	15,292,094	15,571,094	9,819,835	5,084,172	30,475,101
NON-OPERATING ACTIVITIES						
Investment gains, net of amounts appropriated for operations	-	8,463,436	8,463,436	2,849,149	-	11,312,585
Change in value of interest-rate swap agreement	-	707,859	707,859	-	-	707,859
Pension related activity other than net periodic pension expense	-	1,922,425	1,922,425	-	-	1,922,425
Change in value of split-interest agreements	7,729	(603,428)	(595,699)	(1,442,020)	-	(2,037,719)
Total non-operating activities	7,729	10,490,292	10,498,021	1,407,129	-	11,905,150
Changes in net assets	286,729	25,782,386	26,069,115	11,226,964	5,084,172	42,380,251
Net assets, beginning of year	14,619,872	196,794,141	211,414,013	77,828,854	19,103,301	308,346,168
Net assets, end of year	\$ 14,906,601	\$ 222,576,527	\$ 237,483,128	\$ 89,055,818	\$ 24,187,473	\$ 350,726,419

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, 2017

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
REVENUES						
Memberships and individual contributions	\$ 84,938,028	\$ 409,378	\$ 85,347,406	\$ 41,227,207	\$ -	\$ 126,574,613
Foundation grants	682,350	50,000	732,350	28,483,062	-	29,215,412
Government grants	412,375	-	412,375	-	-	412,375
Bequests	-	10,379,812	10,379,812	94,041	-	10,473,853
In-kind contributions	4,240,310	-	4,240,310	29,597	-	4,269,907
Awarded attorneys fees	9,247,509	-	9,247,509	-	-	9,247,509
Investment return appropriated for operations	-	433,774	433,774	1,358,627	-	1,792,401
Investment return from operating reserves	542,645	-	542,645	-	-	542,645
Other revenue	1,335,334	-	1,335,334	-	-	1,335,334
Net assets released from restrictions	64,406,065	(3,598,286)	60,807,779	(60,807,779)	-	-
Total revenues	<u>165,804,616</u>	<u>7,674,678</u>	<u>173,479,294</u>	<u>10,384,755</u>	<u>-</u>	<u>183,864,049</u>
EXPENSES						
Program services:						
Clean energy future	54,121,658	-	54,121,658	-	-	54,121,658
Revive our oceans	7,285,905	-	7,285,905	-	-	7,285,905
Protect our health	13,528,324	-	13,528,324	-	-	13,528,324
Wildlife and wildlands	14,766,559	-	14,766,559	-	-	14,766,559
Safe and sufficient water	7,474,209	-	7,474,209	-	-	7,474,209
Sustainable communities	13,403,035	-	13,403,035	-	-	13,403,035
Membership services	3,470,182	-	3,470,182	-	-	3,470,182
Total program services	<u>114,049,872</u>	<u>-</u>	<u>114,049,872</u>	<u>-</u>	<u>-</u>	<u>114,049,872</u>
Supporting services:						
Management and general	10,944,929	-	10,944,929	-	-	10,944,929
Fundraising	8,886,195	-	8,886,195	-	-	8,886,195
Member recruitment	3,976,736	-	3,976,736	-	-	3,976,736
Total supporting services	<u>23,807,860</u>	<u>-</u>	<u>23,807,860</u>	<u>-</u>	<u>-</u>	<u>23,807,860</u>
Total expenses	<u>137,857,732</u>	<u>-</u>	<u>137,857,732</u>	<u>-</u>	<u>-</u>	<u>137,857,732</u>
Changes in net assets before transfers	27,946,884	7,674,678	35,621,562	10,384,755	-	46,006,317
Transfer between funds	(27,747,509)	27,747,509	-	1,000,000	(1,000,000)	-
Change in net assets, after transfers	<u>199,375</u>	<u>35,422,187</u>	<u>35,621,562</u>	<u>11,384,755</u>	<u>(1,000,000)</u>	<u>46,006,317</u>
NON-OPERATING ACTIVITIES						
Investment gains, net of amounts appropriated for operations	-	17,192,403	17,192,403	1,696,370	-	18,888,773
Change in value of interest-rate swap agreements	-	1,345,726	1,345,726	-	-	1,345,726
Pension related activity other than net periodic pension expense	-	1,879,069	1,879,069	-	-	1,879,069
Change in value of split-interest agreements	7,461	1,006,391	1,013,852	(12,580)	-	1,001,272
Total non-operating activities	<u>7,461</u>	<u>21,423,589</u>	<u>21,431,050</u>	<u>1,683,790</u>	<u>-</u>	<u>23,114,840</u>
Changes in net assets	206,836	56,845,776	57,052,612	13,068,545	(1,000,000)	69,121,157
Net assets, beginning of year	<u>14,413,036</u>	<u>139,948,365</u>	<u>154,361,401</u>	<u>64,760,309</u>	<u>20,103,301</u>	<u>239,225,011</u>
Net assets, end of year	<u>\$ 14,619,872</u>	<u>\$ 196,794,141</u>	<u>\$ 211,414,013</u>	<u>\$ 77,828,854</u>	<u>\$ 19,103,301</u>	<u>\$ 308,346,168</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 42,380,251	\$ 69,121,157
Adjustments to reconcile changes in net asset to net cash provided by operating activities:		
Depreciation and amortization	3,398,700	3,174,409
Amortization of bond issuance costs	12,015	12,014
Change in value of interest-rate swap agreement	(707,859)	(1,345,726)
Contributions for permanently restricted endowment	(5,084,172)	-
Change in provision for uncollectible contributions receivable	465,542	(9,329)
Change in discount allowance for contributions receivable	190,298	(85,176)
Net realized and unrealized appreciation in fair vale of investments	(12,776,140)	(20,810,555)
Change in operating assets and liabilities:		
Contributions and grants receivable	(66,907)	4,173,318
Prepaid expenses and other assets	(230,358)	2,636,143
Investments pertaining to deferred compensation plan	(200,483)	(172,405)
Investments in and obligations under split-interest agreements	3,045,350	1,278,099
Accounts payable and accrued expenses	2,386,815	371,900
Deferred rent	486,662	520,664
Obligations under deferred compensation plan	200,483	172,405
Defined benefit plan obligation	(2,009,246)	(2,039,259)
Net cash provided by operating activities	<u>31,490,951</u>	<u>56,997,659</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(166,891,315)	(88,226,860)
Proceeds from sales of investments	166,407,289	88,765,174
Purchases of fixed assets	<u>(1,454,471)</u>	<u>(1,902,915)</u>
Net cash used in investing activities	<u>(1,938,497)</u>	<u>(1,364,601)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for permanently restricted endowment	5,084,172	-
Repayment on revolving credit loan	(363,694)	(363,694)
Principal payment on bonds payable	(315,000)	(305,001)
Payments to beneficiaries under split-interest agreements	<u>(1,539,757)</u>	<u>(1,574,656)</u>
Net cash provided by (used in) financing activities	<u>2,865,721</u>	<u>(2,243,351)</u>
Net increase in cash and cash equivalents	32,418,175	53,389,707
Cash and cash equivalents, beginning of year	<u>73,324,966</u>	<u>19,935,259</u>
Cash and cash equivalents, end of year	<u>\$ 105,743,141</u>	<u>\$ 73,324,966</u>
Supplemental information:		
Cash paid for interest on indebtedness	<u>\$ 701,289</u>	<u>\$ 731,623</u>
Purchases of property and equipment in accounts payable	<u>\$ 579,210</u>	<u>\$ 185,668</u>
Completion of tenant improvement reclassified as deferred rent	<u>\$ -</u>	<u>\$ 2,307,950</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, 2018 and 2017

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 650 includes lawyers, 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 - climate change, dying rivers, over-logged forests, toxins in our communities -- and emerged with innovative, enforceable solutions that continue to protect both nature and human society. In the process, NRDC’s staff has grown from a small group of lawyers 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 about 3 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 our 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 develop creative solutions from every angle. While other groups have experts in one or two areas, NRDC’s effectiveness stems from its ability to tackle environmental challenges 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 1997. The Action Fund is a 501(c)(4) organization that is an affiliate of Natural Resources Defense Council, Inc.

The Action Fund works to build the political support we need in the United States to protect the planet and its people. The Action Fund mobilizes grassroots supporters and lobby elected officials to fight for clean air, safe water, pristine public lands and a clean energy future. The Action Fund supports candidates who stand up for environmental protection and hold accountable those who side with polluters rather than the public good.

This critical work is more important than ever before. Our country’s bedrock environmental laws are under constant attack from a hostile Congress, and science-denying elected officials threaten progress in our fight against global climate change.

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, with an emphasis on China, including Hong Kong.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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 the accompanying consolidated financial statements.

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 Notes 4 and 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 (see Notes 4 and 11).

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.

Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The estimated fair value of contributed services are recorded as in-kind contributions and expenses amongst the functional categories benefitted in the period

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

received (see Note 12). 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 does not meet the criteria for recognition.

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 as of the reporting date. 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 as of the reporting date. 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 each 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% of the average fair value of 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 2018 and 2017, the spending amounts approved totaled \$1,167,794 and \$1,792,401, respectively. For fiscal 2018 and 2017, additional special appropriations from NRDC's reserves totaled \$3,678,283 and \$3,168,475, respectively, and are included as part of net assets released from restrictions in the accompanying 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.

Split-Interest Agreements

NRDC holds assets under split-interest agreements consisting of pooled life income funds, charitable remainder unitrusts ("CRUT") 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 in the appropriate net asset category. When the terms of the gift instrument have been met, the remaining amount of the gift, if any, may be used for general or specific purposes as stipulated by the respective donor.

Under NRDC's charitable remainder unitrusts 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

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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 received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future interest, on the consolidated balance sheet. 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.

Fixed Assets

Property acquisitions and improvements are stated at cost, or in the case of donations, at fair value as determined on the date of gift. Assets, including improvements costing \$5,000 or more with expected useful lives longer than three years are capitalized and depreciated on a straight-line basis (modified half-year convention) over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 15 years
Computer and software	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.

Cloud-Based Computing Software

NRDC follows guidance that clarifies the accounting for Cloud-Based Software ("CCA"), including issues relating to financial statement recognition and measurement. This guidance provides that the fees paid for CCA fall within the scope of the internal-use software guidance if two criteria related to contractual right to the software and feasibility to run the software on own hardware are met with.

CCA customized for use is capitalized and amortized for a term of three-years and is recorded as part of prepaid expenses and other assets.

Measure of Operations

Included in unrestricted operating activities are revenues and expenses used for the general support of NRDC's program and supporting services, including amounts appropriated for expenditure under the Board-approved spending policy and other Board-approved appropriations. 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 (less than) amounts used for operations; (3) changes in values of split-interest agreements and interest-rate swap agreements; (4) pension related activities other than net periodic pension expense; and (5) other items considered to be unusual or nonrecurring in nature.

Expenses

The costs of providing program and supporting services have been summarized on the accompanying consolidated statements of activities. Certain overhead expenses, principally rent, depreciation and

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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 US GAAP 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 receivables and actuarial assumptions related to the defined benefit pension plan and obligations due under split-interest agreements. Actual results could differ from those estimates.

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).

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 1 - Quoted prices are available in active markets for identical financial instruments as of the measurement date. The type of investments in Level 1 include listed equities and certain fixed income and debt securities held in the name of NRDC, and exclude listed equities and other securities held indirectly in commingled funds.

Level 2 - 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

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date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - 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.

NRDC's policy is to recognize transfers in and transfers out of levels at the end of each respective reporting period.

Income Taxes

NRDC follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. 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 uncertain tax positions. This standard had no impact on NRDC's 2018 and 2017 consolidated financial statements. NRDC does not believe its 2018 and 2017 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.

Subsequent Events

NRDC evaluated its June 30, 2018 consolidated financial statements for subsequent events through November 30, 2018, the date the consolidated financial statements were issued. NRDC is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

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3. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net, at June 30, 2018 and 2017 are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Amounts expected to be collected in:		
One year or less	\$ 15,511,506	\$ 16,451,346
Between one and three years	<u>4,578,094</u>	<u>3,571,347</u>
	20,089,600	20,022,693
Less: discount to present value		
(at rates ranging from 1.95% to 5.84%)	(308,173)	(117,875)
Less: allowance for uncollectible accounts	<u>(791,248)</u>	<u>(325,706)</u>
	<u>\$ 18,990,179</u>	<u>\$ 19,579,112</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.

At June 30, 2018, NRDC was awarded \$9,000,000 in conditional grants which have not been recorded within the accompanying 2018 consolidated statement of activities.

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.

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NRDC's endowment consists of 58 individual funds (28 permanently restricted, 16 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 that are expected to be spent down over time, are tracked and managed outside of the endowment and will be used principally for program purposes. 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 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 of prudence prescribed by NYPMIFA.

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

		2018			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$	-	\$ 11,475,994	\$ 24,187,473	\$ 35,663,467
Board-designated funds		<u>179,107,536</u>	<u>-</u>	<u>-</u>	<u>179,107,536</u>
	<u>\$</u>	<u>179,107,536</u>	<u>\$ 11,475,994</u>	<u>\$ 24,187,473</u>	<u>\$ 214,771,003</u>
		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$	-	\$ 9,957,763	\$ 19,103,301	\$ 29,061,064
Board-designated funds		<u>151,664,683</u>	<u>-</u>	<u>-</u>	<u>151,664,683</u>
	<u>\$</u>	<u>151,664,683</u>	<u>\$ 9,957,763</u>	<u>\$ 19,103,301</u>	<u>\$ 180,725,747</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires NRDC to retain as a fund of permanent duration. In accordance with US GAAP, such amounts are 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 or the amount required to be maintained by law are reported in unrestricted net assets, with earnings in excess of this amount reported in temporarily restricted net assets. As of June 30, 2018 and 2017, there were no endowment funds below their historical dollar value.

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

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 151,664,683	\$ 9,957,763	\$ 19,103,301	\$ 180,725,747
Investment return:				
Dividends and interest	840,133	180,806	-	1,020,939
Investment fees	(1,036,808)	(217,147)	-	(1,253,955)
Net realized and unrealized gains	9,950,756	2,472,289	-	12,423,045
Total investment return	9,754,081	2,435,948	-	12,190,029
Contributions	16,457,053	105,000	5,084,172	21,646,225
Terminations of planned giving arrangements	1,376,796	-	-	1,376,796
Appropriation of endowment net assets for expenditure - spending policy	(145,077)	(1,022,717)	-	(1,167,794)
Endowment net assets, end of year	\$ 179,107,536	\$ 11,475,994	\$ 24,187,473	\$ 214,771,003
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 127,278,301	\$ 8,264,044	\$ 20,103,301	\$ 155,645,646
Investment return:				
Dividends and interest	1,085,529	215,397	-	1,300,926
Investment fees	(1,150,236)	(224,213)	-	(1,374,449)
Net realized and unrealized gains	16,059,735	3,028,121	-	19,087,856
Total investment return	15,995,028	3,019,305	-	19,014,333
Contributions	7,748,553	33,041	-	7,781,594
Reclassification of donor intent	-	-	(1,000,000)	(1,000,000)
Terminations of planned giving arrangements	1,076,575	-	-	1,076,575
Appropriation of endowment net assets for expenditure - spending policy	(433,774)	(1,358,627)	-	(1,792,401)
Endowment net assets, end of year	\$ 151,664,683	\$ 9,957,763	\$ 19,103,301	\$ 180,725,747

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5. INVESTMENTS

As of June 30, 2018 and 2017, NRDC's investments, at fair value, consist of the following:

	2018		
	Level 1	NAV ^(a)	Total
Endowment:			
Money market funds	\$ 29,392,511	\$ -	\$ 29,392,511
Equity mutual funds	86,989,173	-	86,989,173
Fixed income mutual funds	1,210,915	-	1,210,915
Corporate bonds	21,149,426	-	21,149,426
Common stocks	34,558,012	-	34,558,012
Venture capital	-	29,407	29,407
Hedge funds	-	26,044,356	26,044,356
Private equities	-	1,897,203	1,897,203
	<u>173,300,037</u>	<u>27,970,966</u>	<u>201,271,003</u>
Reserves, special funds and other:			
Money market funds	129,945	-	129,945
Corporate bonds	11,937,511	-	11,937,511
	<u>12,067,456</u>	<u>-</u>	<u>12,067,456</u>
Total investments, at fair value	<u>\$ 185,367,493</u>	<u>\$ 27,970,966</u>	213,338,459
Investment transfer pending - endowment ^(b)			<u>13,500,000</u>
Total investments			<u>\$ 226,838,459</u>
2017			
	Level 1	NAV ^(a)	Total
Endowment:			
Money market funds	\$ 19,244,806	\$ -	\$ 19,244,806
Equity mutual funds	67,746,029	-	67,746,029
Fixed income mutual funds	2,681,497	-	2,681,497
Corporate bonds	11,431,511	-	11,431,511
Common stocks	39,945,531	-	39,945,531
Venture capital	-	39,827	39,827
Hedge funds	-	34,194,918	34,194,918
Private equities	-	2,202,053	2,202,053
	<u>141,049,374</u>	<u>36,436,798</u>	<u>177,486,172</u>
Reserves, special funds and other:			
Money market funds	112,090	-	112,090
Corporate bonds	21,544,394	-	21,544,394
Equity mutual funds	11,196,062	-	11,196,062
	<u>32,852,546</u>	<u>-</u>	<u>32,852,546</u>
Total investments, at fair value	<u>\$ 173,901,920</u>	<u>\$ 36,436,798</u>	210,338,718
Redemption receivable - endowment			<u>3,239,575</u>
Total investments			<u>\$ 213,578,293</u>

^(a) In accordance with ASC Subtopic 820-10, investments measured at fair value using net asset value ("NAV") per share as a practical expedient have not been categorized in the fair value hierarchy.

^(b) Amounts presented above as pending investment purchase reflect cash disbursed to investment funds that have not yet been credit to NRDC's capital account as of June 30th.

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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 alternative investments within its investment portfolio as of June 30, 2018 and 2017, as detailed below.

2018							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Venture capital	Equity in environmental consulting services.	1	\$ 29,407	NA	\$ 62,500	No liquidity	No liquidity
Hedge funds	Engages in multiple strategies, including domestic and global credit and event driven investing, futures and forwards.	4	26,044,356	NA	-	2 funds quarterly, 1 fund annual, and 1 fund monthly	3 funds have gates
Private equities	Private equity with a focus on renewables and alternative energy.	2	1,897,203	1 fund with 1 year remaining, 1 fund with 2 years remaining	220,000	No liquidity	No liquidity
Total		<u>7</u>	<u>\$ 27,970,966</u>		<u>\$ 282,500</u>		

2017							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Venture capital	Equity in environmental consulting services.	1	\$ 39,827	NA	\$ 62,500	No liquidity	No liquidity
Hedge funds	Engages in multiple strategies, including domestic and global credit and event driven investing, futures and forwards.	4	34,194,918	NA	-	2 funds quarterly, 1 fund annual, and 1 fund monthly	3 funds have gates
Private equities	Private equity with a focus on renewables and alternative energy.	2	2,202,053	1 fund with 1 year remaining, 1 fund with 2 years remaining	232,500	No liquidity	No liquidity
Total		<u>7</u>	<u>\$ 36,436,798</u>		<u>\$ 295,000</u>		

NRDC has committed to investing additional amounts with certain private equity and venture capital funds. As of June 30, 2018, NRDC has a remaining commitment to invest an additional \$282,500. Such commitments are expected to be fulfilled during fiscal 2019.

Investment return, net, for the years ended June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 1,619,515	\$ 1,979,838
Investment fees	(1,377,999)	(1,566,574)
Realized and unrealized gains	<u>12,776,140</u>	<u>20,810,555</u>
Total return on investments	<u>\$ 13,017,656</u>	<u>\$ 21,223,819</u>

The above table excludes charitable gift annuity investment return amounting \$774,917 for the year ended June 30, 2018 and \$1,248,263 for the year ended June 30, 2017, which is included in change in value of split-interest agreements on the accompanying consolidated statements of activities.

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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, if any, 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 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, 2018 and 2017 were 3.4% and 2.4%, respectively. Discount rates used to value the charitable gift annuity split-interest agreements ranged from 1.2% to 11.6% for both fiscal 2018 and 2017. 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, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Obligations due under charitable remainder trusts	\$ -	\$ 1,510,142	\$ -	\$ 1,510,142
Obligations due under pooled life income funds	-	557,687	-	557,687
	<u>\$ -</u>	<u>\$ 2,067,829</u>	<u>\$ -</u>	<u>\$ 2,067,829</u>
	2017			
	Level 1	Level 2	Level 3	Total
Obligations due under charitable remainder trusts	\$ -	\$ 326,580	\$ -	\$ 326,580
Obligations due under pooled life income funds	-	417,507	-	417,507
	<u>\$ -</u>	<u>\$ 744,087</u>	<u>\$ -</u>	<u>\$ 744,087</u>

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

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The following table prioritizes 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, 2018:

	2018			
	Level 1	Level 2	NAV ^(a)	Total
Charitable gift annuities:				
Cash and cash equivalents	\$ 447,436	\$ -	\$ -	\$ 447,436
U.S. government and agency debt obligations	-	6,681,874	-	6,681,874
Corporate and other debt obligations	-	2,328,582	-	2,328,582
Common trust funds	-	-	7,033,207	7,033,207
Total	<u>447,436</u>	<u>9,010,456</u>	<u>7,033,207</u>	<u>16,491,099</u>
Charitable remainder trusts:				
Cash and cash equivalents	125,515	-	-	125,515
S&P index fund	82,138	-	-	82,138
U.S. treasury securities	-	72,947	-	72,947
Exchange traded funds	148,671	-	-	148,671
Equity mutual funds	1,332,475	-	-	1,332,475
Charitable bond common trust fund	-	-	491,258	491,258
Total	<u>1,688,799</u>	<u>72,947</u>	<u>491,258</u>	<u>2,253,004</u>
Pooled life income funds:				
Cash equivalents	19,482	-	-	19,482
Exchange traded fund	1,411,263	-	-	1,411,263
Total	<u>1,430,745</u>	<u>-</u>	<u>-</u>	<u>1,430,745</u>
Total investments	<u>\$ 3,566,980</u>	<u>\$ 9,083,403</u>	<u>\$ 7,524,465</u>	<u>\$ 20,174,848</u>

^(a) In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

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The following table prioritizes 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, 2017:

	2017			
	Level 1	Level 2	NAV^(a)	Total
Charitable gift annuities:				
Cash and cash equivalents	\$ 99,731	\$ -	\$ -	\$ 99,731
U.S. government and agency debt obligations	-	6,729,098	-	6,729,098
Corporate and other debt obligations	-	3,020,509	-	3,020,509
Common trust funds	-	-	7,939,650	7,939,650
Total	99,731	9,749,607	7,939,650	17,788,988
Charitable remainder trusts:				
Cash and cash equivalents	33,629	-	-	33,629
S&P index fund	74,922	-	-	74,922
U.S. treasury securities	-	73,689	-	73,689
Exchange traded funds	43,892	-	-	43,892
Equity mutual funds	317,872	-	-	317,872
Charitable bond common trust fund	-	-	84,465	84,465
Total	470,315	73,689	84,465	628,469
Pooled life income funds:				
Cash equivalents	6,604	-	-	6,604
Exchange traded fund	1,489,241	-	-	1,489,241
Total	1,495,845	-	-	1,495,845
Total investments	\$ 2,065,891	\$ 9,823,296	\$ 8,024,115	\$ 19,913,302

^(a) In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

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, 2018 and 2017, as detailed below:

2018							
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Charitable Bond Common Trust Fund	Investing primarily in fixed income securities	2	\$ 491,258	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	1,795,319	N/A	-	Monthly	None
Common Trust Fund: Non Lending Fund Emerging Markets MSCI Non Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index	1	1,021,044	N/A	-	Monthly	None
Common Trust Fund: U.S. Total Market Index CTF	Approximates overall performance of the Dow Jones U.S. Total Stock Market Index	1	4,216,844	N/A	-	Daily	None
		5	\$ 7,524,465		\$ -		

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2017							
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Charitable Bond Common Trust Fund	Investing primarily in fixed income securities	1	\$ 84,465	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	2,141,966	N/A	-	Monthly	None
Common Trust Fund: Non Lending Fund Emerging Markets MSCI Non Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index	1	1,210,752	N/A	-	Monthly	None
Common Trust Fund: U.S. Total Market Index CTF	Approximates overall performance of the Dow Jones U.S. Total Stock Market Index	1	4,586,932	N/A	-	Daily	None
		<u>4</u>	<u>\$ 8,024,115</u>		<u>\$ -</u>		

The following tables summarize the changes in split-interest agreement liabilities for the years ended June 30, 2018 and 2017:

	2018		2017	
	Charitable Gift Annuities and Charitable Remainder Trusts	Pooled Life Income Fund	Charitable Gift Annuities and Charitable Remainder Trusts	Pooled Life Income Fund
Beginning of the year	\$ 12,476,733	\$ 417,507	\$ 13,089,751	\$ 335,053
New agreements - CGA	485,703	-	675,962	-
New agreements - CRUT's	1,169,585	-	-	-
Payments to annuitants	(1,493,019)	(46,738)	(1,531,289)	(43,367)
Change in value due to actuarial valuations	267,083	130,735	232,102	40,629
Investment income	-	65,978	-	94,138
Fees	-	(9,795)	-	(8,946)
Other, charitable remainder trust activity	1,197,607	-	10,207	-
End of the year	<u>\$ 14,103,692</u>	<u>\$ 557,687</u>	<u>\$ 12,476,733</u>	<u>\$ 417,507</u>

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7. FIXED ASSETS, NET

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

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 46,423,772	\$ 46,337,424
Furniture and equipment	7,082,957	6,633,004
Computer and software	6,001,843	5,422,491
Leasehold improvements	<u>1,320,917</u>	<u>1,107,042</u>
	60,829,489	59,499,961
Less: accumulated depreciation and amortization	<u>(28,506,958)</u>	<u>(25,224,401)</u>
	32,322,531	34,275,560
Work-in-progress	<u>1,254,495</u>	<u>736,009</u>
	<u>\$ 33,577,026</u>	<u>\$ 35,011,569</u>

Work-in-progress principally represents costs incurred for renovations in the Santa Monica, New York, Washington, DC and San Francisco offices and computer network/system upgrades.

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 totaled \$3,398,700 and \$3,174,409, respectively.

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, employees will no longer 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.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
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The following table provides the funded status of the Plan at June 30, 2018 and 2017 and related actuarial assumptions and other information for the years then ended:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 25,901,197	\$ 26,567,627
Interest cost	901,390	838,815
Assumption change	(1,543,820)	(1,485,663)
Actuarial loss	530,452	830,401
Benefits paid	<u>(867,946)</u>	<u>(849,983)</u>
Projected benefit obligation, end of year	<u>24,921,273</u>	<u>25,901,197</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	17,373,268	16,000,439
Actual gain on assets	933,549	972,812
Employer contributions	1,202,000	1,250,000
Expense load	(238,280)	-
Benefits paid	<u>(867,946)</u>	<u>(849,983)</u>
Fair value of plan assets, end of year	<u>18,402,591</u>	<u>17,373,268</u>
Funded status	<u>\$ (6,518,682)</u>	<u>\$ (8,527,929)</u>
Accumulated benefit obligation	<u>\$ 24,921,273</u>	<u>\$ 25,901,197</u>
Accumulated net loss recognized in net assets	<u>\$ 10,450,854</u>	<u>\$ 12,373,279</u>
Components of net periodic pension cost:		
Service cost	\$ 238,280	\$ -
Interest cost	901,390	838,815
Expected return on assets	(1,075,496)	(932,299)
Amortization of actuarial loss	<u>1,051,004</u>	<u>1,183,294</u>
Net periodic pension cost	<u>\$ 1,115,178</u>	<u>\$ 1,089,810</u>
Other changes recognized in unrestricted net assets:		
Actuarial loss	\$ (871,421)	\$ (695,775)
Amortization of actuarial loss	<u>(1,051,004)</u>	<u>(1,183,294)</u>
Pension related-activity other than net periodic pension cost	<u>\$ (1,922,425)</u>	<u>\$ (1,879,069)</u>

The amount reflected above as assumption change, which served to decrease the fiscal 2018 benefit obligation by \$1,543,820, is primarily due to an increase in the discount rate (3.60% to 3.98%) commensurate with higher long-term interest rates.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
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Weighted-average assumptions used to determine benefit obligations at June 30, 2018 and 2017 follow:

	<u>2018</u>	<u>2017</u>
Discount rate	3.98%	3.60%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2018 and 2017 follow:

	<u>2018</u>	<u>2017</u>
Discount rate	3.60%	3.28%
Expected return on plan assets	6.40%	6.00%
Rate of compensation increase	N/A	N/A

Benefit payments are expected to be paid as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2019	\$ 1,491,000
2020	1,479,000
2021	1,496,000
2022	1,490,000
2023	1,500,000
2024-2028	<u>7,760,000</u>
	<u>\$ 15,216,000</u>

NRDC expects to contribute approximately \$1,250,000 to the Plan during fiscal 2019.

The estimated actuarial loss that will be amortized into net periodic pension cost during fiscal 2019 is \$908,530.

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 tables prioritize the inputs used to report the fair value of the Plan's investments within the fair value hierarchy as of June 30, 2018 and 2017:

	2018		
	Level 1	NAV ^(a)	Total
U.S. equity funds	\$ 1,373,297	\$ 2,244,687	\$ 3,617,984
Fixed income funds	2,700,853	5,798,397	8,499,250
Short-term money market fund	-	271,672	271,672
International equity funds	-	2,549,897	2,549,897
Emerging markets equity fund	-	1,324,376	1,324,376
Real estate fund	-	1,109,105	1,109,105
Hedge fund	-	1,029,551	1,029,551
	<u>\$ 4,074,150</u>	<u>\$ 14,327,685</u>	<u>18,401,835</u>
Cash			<u>756</u>
Total pension plan investments			<u>\$ 18,402,591</u>

	2017		
	Level 1	NAV ^(a)	Total
U.S. equity funds	\$ 1,384,700	\$ 2,341,365	\$ 3,726,065
Fixed income funds	2,618,107	5,041,915	7,660,022
Short-term money market fund	-	237,372	237,372
International equity funds	-	2,548,251	2,548,251
Emerging markets equity fund	-	1,166,889	1,166,889
Real estate fund	-	1,046,991	1,046,991
Hedge fund	-	987,171	987,171
	<u>\$ 4,002,807</u>	<u>\$ 13,369,954</u>	<u>17,372,761</u>
Cash			<u>507</u>
Total pension plan investments			<u>\$ 17,373,268</u>

^(a) In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	1 %	1 %
Equity	41	43
Fixed income	46	44
Other	<u>12</u>	<u>12</u>
	<u>100 %</u>	<u>100 %</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, 2018 and 2017, as detailed below:

		<u>2018</u>					
<u>Alternative Investment Type</u>	<u>Alternative Investment Strategy</u>	<u>Number of Funds</u>	<u>NAV in Funds</u>	<u>Remaining Life</u>	<u>Amount of Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Short-term money market fund	Seeks to maximize current income on cash reserves	1	\$ 271,673	N/A	\$ -	Daily	None
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	2,549,897	N/A	-	Daily	None
Emerging markets equity fund	Approximates overall performance of the MSCI Emerging Markets Equity Index	1	1,324,376	N/A	-	Daily	None
U.S. equity funds	Invests in U.S. equity markets directly, through funds, indexes, and hedging long- and short-sale positions	2	2,244,687	N/A	-	Daily to quarterly	None
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	5,798,396	N/A	-	Daily	None
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	1,109,105	N/A	-	Daily	None
Hedge fund	Invests in diversified alternative investment strategies	<u>1</u>	<u>1,029,551</u>	N/A	<u>-</u>	No liquidity	No liquidity
		<u>10</u>	<u>\$ 14,327,685</u>		<u>\$ -</u>		

NATURAL RESOURCES DEFENSE COUNCIL, INC.
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		2017					
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Short-term money market fund	Seeks to maximize current income on cash reserves	1	\$ 237,372	N/A	\$ -	Daily	None
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	2,548,251	N/A	-	Daily	None
Emerging markets equity fund	Approximates overall performance of the MSCI Emerging Markets Equity Index	1	1,166,889	N/A	-	Daily	None
U.S. equity funds	Invests in U.S. equity markets directly, through funds, indexes, and hedging long- and short-sale positions	2	2,341,365	N/A	-	Daily to quarterly	None
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	5,041,915	N/A	-	Daily	None
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	1,046,991	N/A	-	Daily	None
Hedge fund	Invests in diversified alternative investment strategies	1	987,171	N/A	-	No liquidity	No liquidity
		<u>10</u>	<u>\$ 13,369,954</u>		<u>\$ -</u>		

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 \$4,657,633 and \$4,264,868 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, NRDC’s obligations under the 457(b) plan totaled \$2,654,584 and \$2,454,101, respectively, and are reported separately as obligations under deferred compensation plan on the accompanying consolidated balance sheets. The funds are held for each employee in an individual account maintained by an investment firm.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
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As of June 30, 2018 and 2017, NRDC's investments pertaining to its deferred compensation plan consist of the following investments, all of which are categorized as Level 1 within the fair value hierarchy.

	<u>2018</u>	<u>2017</u>
Fixed income mutual funds	\$ 884,943	\$ 807,764
Equity mutual funds	1,165,080	1,010,173
Blended mutual funds	<u>604,561</u>	<u>636,164</u>
	<u>\$ 2,654,584</u>	<u>\$ 2,454,101</u>

9. DEBT OBLIGATIONS

Bank Revolving Credit Loan

NRDC has a 10-year unsecured term loan due July 2018. At June 30, 2018 and 2017, borrowings bore interest at a rate of 2.44% and 1.57%, respectively, which is calculated using the 1-month London Interbank Offered Rate ("LIBOR") plus an applicable margin of 0.35%. At June 30, 2018 and 2017, NRDC had a balance of \$7,213,262 and \$7,576,956, respectively, due under the term loan.

Bonds Payable, Net

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 20th Street, New York, New York.

Bonds payable consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</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	<u>\$ 9,779,710</u>	<u>\$ 10,082,695</u>

Pursuant to the terms of the bond indenture, NRDC is subject to certain 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 (including financial covenants) at June 30, 2018.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
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Scheduled annual principal payments are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2019	\$ 330,000
2020	340,000
2021	360,000
2022	375,000
2023	390,000
Thereafter	<u>8,219,197</u>
	10,014,197
Less: unamortized bond issuance costs	<u>(234,487)</u>
Total bonds payable, net	<u>\$ 9,779,710</u>

Interest expense totaling \$701,289 and \$731,624 for the years ended June 30, 2018 and 2017, 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 offset against the bonds payable on the accompanying consolidated balance sheets. At June 30, 2018 and 2017, \$234,487 and \$246,502, 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. One of the swaps matured in fiscal 2018. The swap notionals amortize at the same rate as the related debt principal.

<u>2018</u>						
<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, 2018</u>
Bank of America, N.A.	01/17/08	01/24/08	03/01/2038	\$ 10,100,000	3.639%	<u>\$ (1,359,638)</u>
<u>2017</u>						
<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, 2017</u>
Bank of America, N.A.	01/17/08	01/24/08	03/01/2038	\$ 10,415,000	3.639%	\$ (1,901,118)
Bank of America, N.A.	04/14/08	04/30/08	04/30/2018	\$ 7,576,956	4.025%	(166,379)
						<u>\$ (2,067,497)</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Fair Value at June 30, 2018	Fair Value at June 30, 2017	Consolidated Balance Sheet Location	Fair Value		Consolidated Statement of Activities Location	Level within Fair Value Hierarchy
			Change in Value June 30, 2018	Interest- Rate Swap Agreements June 30, 2017		
\$ (1,359,638)	\$ (2,067,497)	Interest-rate swap agreements (liabilities)	\$ 707,859	\$ 1,345,726	Change in value of interest- rate swap agreements (non-operating activities)	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, 2018, future minimum rentals pursuant to the Washington, D.C., San Francisco, Chicago and Beijing non-cancellable office lease agreements and other operating space and equipment leases are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2019	\$ 4,586,238
2020	4,192,928
2021	3,764,022
2022	3,847,464
2023	3,969,766
Thereafter	32,123,411
	<u>\$ 52,483,829</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, 2018 and 2017 totaled \$4,888,452 and \$3,965,117, 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 approximate \$69,250 through May 31, 2018 and at approximately \$98,000 per month for the extended term through February 28, 2019, with an additional average charge for utilities of \$5,700 monthly which includes a 3% additional charge for electricity, as per the lease agreement.

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.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

11. NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Specific environmental programs	\$ 74,990,437	\$ 64,481,313
NRDC Action Fund, Inc.	1,363,254	2,162,129
Awaiting appropriation for program	11,475,994	9,957,763
Restricted only as to the passage of time	<u>1,226,133</u>	<u>1,227,649</u>
	<u>\$ 89,055,818</u>	<u>\$ 77,828,854</u>

Net assets of \$71,489,879 and \$60,807,779 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, 2018 and 2017, respectively. The details of the net assets released from restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Memberships and individual contributions - programs	\$ 30,389,960	\$ 22,319,108
Foundations - programs	32,188,823	30,680,526
NRDC Action Fund, Inc.	5,915,312	5,520,524
NRDC Limited	551,478	462,671
Investment return appropriated for program services	1,022,717	1,358,627
Events	1,314,004	-
Other	<u>107,585</u>	<u>466,323</u>
	<u>\$ 71,489,879</u>	<u>\$ 60,807,779</u>

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2018 and 2017 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 2018 and 2017, NRDC received donated legal, consulting, and other services and goods at fair value as follows:

	<u>2018</u>	<u>2017</u>
Legal services	\$ 5,221,092	\$ 3,784,234
Consulting services	40,000	4,050
Goods and other services	<u>420,499</u>	<u>481,623</u>
	<u>\$ 5,681,591</u>	<u>\$ 4,269,907</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
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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. Accordingly, NRDC allocates a portion of direct mail costs to program services and to fundraising on the accompanying statements of activities.

During the years ended June 30, 2018 and 2017, NRDC allocated joint costs for such informational materials and activities as follows:

	<u>2018</u>	<u>2017</u>
Clean Energy Future	\$ 1,544,687	\$ -
Protect Our Health	335,782	-
Revive Our Oceans	207,623	6,363
Sustainable Communities	259,865	-
Safe and Sufficient Water	224,852	-
Wildlife and Wildlands	2,092,081	4,743,926
Membership Services	40,543	44,450
Fundraising	<u>2,740,225</u>	<u>3,124,160</u>
	<u>\$ 7,445,658</u>	<u>\$ 7,918,899</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

14. NRDC ACTION FUND, INC.

Included in the accompanying consolidated balance sheets at June 30, 2018 and 2017 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to the NRDC Action Fund, Inc.:

	<u>2018</u>	<u>2017</u>
Balance Sheets as of June 30:		
Assets	\$ 1,989,959	\$ 2,613,040
Liabilities	<u>(626,705)</u>	<u>(450,911)</u>
Net assets-temporarily restricted	<u>\$ 1,363,254</u>	<u>\$ 2,162,129</u>
Statements of Activities for years ended June 30:		
Revenues - contributions	\$ 5,089,156	\$ 4,931,903
Revenues - in-kind donations	<u>27,281</u>	<u>19,919</u>
Total revenue	<u>5,116,437</u>	<u>4,951,822</u>
Expenses:		
Program services:		
Clean energy future	4,338,167	5,052,074
Safe and sufficient water	<u>-</u>	<u>780</u>
Total program services	<u>4,338,167</u>	<u>5,052,854</u>
Supporting services:		
Management and general	347,625	347,179
Fundraising	<u>1,229,520</u>	<u>120,491</u>
Total supporting services	<u>1,577,145</u>	<u>467,670</u>
Total expenses	<u>5,915,312</u>	<u>5,520,524</u>
Change in net assets	(798,875)	(568,702)
Net assets, beginning of year	<u>2,162,129</u>	<u>2,730,831</u>
Net assets, end of year	<u>\$ 1,363,254</u>	<u>\$ 2,162,129</u>

SUPPLEMENTAL 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, 2018

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
REVENUES						
Memberships and individual contributions	\$ 80,014,562	\$ 561,068	\$ 80,575,630	\$ 39,998,226	\$ 5,084,172	\$ 125,658,028
Foundation grants	695,500	-	695,500	33,881,537	-	34,577,037
Government grants	198,941	-	198,941	-	-	198,941
Bequests	-	13,864,852	13,864,852	689,484	-	14,554,336
In-kind contributions	5,641,178	-	5,641,178	-	-	5,641,178
Awarded attorneys fees	375,852	-	375,852	49,836	-	425,688
Investment return appropriated for operations	-	145,077	145,077	1,022,717	-	1,167,794
Investment return from operating reserves	537,277	-	537,277	-	-	537,277
Other revenue	1,969,493	-	1,969,493	-	-	1,969,493
Net assets released from restrictions	68,846,448	(3,823,360)	65,023,088	(65,023,088)	-	-
Total revenues	<u>158,279,251</u>	<u>10,747,637</u>	<u>169,026,888</u>	<u>10,618,712</u>	<u>5,084,172</u>	<u>184,729,772</u>
EXPENSES						
Program services:						
Clean energy future	59,748,245	-	59,748,245	-	-	59,748,245
Revive our oceans	9,147,558	-	9,147,558	-	-	9,147,558
Protect our health	15,963,132	-	15,963,132	-	-	15,963,132
Wildlife and wildlands	15,015,106	-	15,015,106	-	-	15,015,106
Safe and sufficient water	9,765,185	-	9,765,185	-	-	9,765,185
Sustainable communities	14,289,259	-	14,289,259	-	-	14,289,259
Membership services	3,222,223	-	3,222,223	-	-	3,222,223
Total program services	<u>127,150,708</u>	<u>-</u>	<u>127,150,708</u>	<u>-</u>	<u>-</u>	<u>127,150,708</u>
Supporting services:						
Management and general	14,241,667	-	14,241,667	-	-	14,241,667
Fundraising	8,384,809	-	8,384,809	-	-	8,384,809
Member recruitment	3,669,851	-	3,669,851	-	-	3,669,851
Total supporting services	<u>26,296,327</u>	<u>-</u>	<u>26,296,327</u>	<u>-</u>	<u>-</u>	<u>26,296,327</u>
Total expenses	<u>153,447,035</u>	<u>-</u>	<u>153,447,035</u>	<u>-</u>	<u>-</u>	<u>153,447,035</u>
Changes in net assets, before transfers	4,832,216	10,747,637	15,579,853	10,618,712	5,084,172	31,282,737
Transfer between funds	(4,544,455)	4,544,455	-	-	-	-
Change in net assets, after transfers	<u>287,761</u>	<u>15,292,092</u>	<u>15,579,853</u>	<u>10,618,712</u>	<u>5,084,172</u>	<u>31,282,737</u>
NON-OPERATING ACTIVITIES						
Investment gains, net of amounts appropriated for operations	-	8,463,436	8,463,436	2,849,149	-	11,312,585
Change in value of interest-rate swap agreements	-	707,859	707,859	-	-	707,859
Pension related activity other than net periodic pension expense	-	1,922,425	1,922,425	-	-	1,922,425
Change in value of split-interest agreements	7,729	(603,430)	(595,701)	(1,442,020)	-	(2,037,721)
Changes in net assets	<u>295,490</u>	<u>25,782,382</u>	<u>26,077,872</u>	<u>12,025,841</u>	<u>5,084,172</u>	<u>43,187,885</u>
Net assets, beginning of year	<u>14,657,402</u>	<u>196,794,141</u>	<u>211,451,543</u>	<u>75,666,723</u>	<u>19,103,301</u>	<u>306,221,567</u>
Net assets, end of year	<u>\$ 14,952,892</u>	<u>\$ 222,576,523</u>	<u>\$ 237,529,415</u>	<u>\$ 87,692,564</u>	<u>\$ 24,187,473</u>	<u>\$ 349,409,452</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, 2018

	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	\$27,865,316	\$ 5,144,597	\$ 8,320,207	\$ 7,135,288	\$ 5,571,498	\$ 6,439,088	\$ 615,511	\$ 61,091,505	\$ 9,399,691	\$ 4,344,986	\$ 259,626	\$14,004,303	\$ 75,095,808
Rent and utilities	2,680,599	492,633	795,403	683,418	533,260	616,202	58,888	5,860,403	920,828	414,813	24,839	1,360,480	7,220,883
Depreciation and amortization	1,261,092	232,827	376,545	322,920	252,148	291,412	28,430	2,765,374	425,089	196,496	11,741	633,326	3,398,700
Professional consulting and counsel	14,901,347	1,434,068	3,903,159	2,632,742	1,635,341	3,803,802	312,462	28,622,921	1,139,803	652,890	107,264	1,899,957	30,522,878
Special mailings and postage	718,101	111,839	178,628	961,506	119,504	137,864	827,714	3,055,156	4,095	5,693	1,352,385	1,362,173	4,417,329
Printing and copying	1,377,190	212,830	350,899	1,034,164	223,465	262,143	894,872	4,355,563	984	97,658	1,388,335	1,486,977	5,842,540
Membership lists and maintenance	282,122	43,957	67,282	265,186	47,605	55,018	367,486	1,128,656	-	178	333,241	333,419	1,462,075
Travel	1,947,862	388,978	431,218	476,839	312,435	664,208	8,529	4,230,069	618,176	346,418	3,248	967,842	5,197,911
Public affairs and advertising	3,714,386	320,979	278,105	281,280	153,160	253,909	2,838	5,004,657	92,147	964,868	332	1,057,347	6,062,004
Conferences and meetings	289,555	62,972	68,870	77,756	58,991	124,247	25,000	707,391	113,524	62,653	440	176,617	884,008
Contributions to others	1,918,442	236,362	354,137	461,960	325,661	996,326	246	4,293,134	222,927	5,096	104	228,127	4,521,261
Other	2,792,233	465,516	838,679	682,047	532,117	645,040	80,247	6,035,879	1,304,403	1,293,060	188,296	2,785,759	8,821,638
Total expenses of NRDC (on a standalone basis)	59,748,245	9,147,558	15,963,132	15,015,106	9,765,185	14,289,259	3,222,223	127,150,708	14,241,667	8,384,809	3,669,851	26,296,327	153,447,035
NRDC Action Fund, Inc.	4,338,167	-	-	-	-	-	-	4,338,167	347,625	1,229,520	-	1,577,145	5,915,312
NRDC Limited	560,240	-	-	-	-	-	-	560,240	-	-	-	-	560,240
	<u>\$64,646,652</u>	<u>\$ 9,147,558</u>	<u>\$15,963,132</u>	<u>\$15,015,106</u>	<u>\$ 9,765,185</u>	<u>\$14,289,259</u>	<u>\$ 3,222,223</u>	<u>\$ 132,049,115</u>	<u>\$14,589,292</u>	<u>\$ 9,614,329</u>	<u>\$ 3,669,851</u>	<u>\$27,873,472</u>	<u>\$ 159,922,587</u>

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