

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.

June 30, 2019 and 2018

NATURAL RESOURCES DEFENSE COUNCIL, INC.

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Consolidated Financial Statements:	
Consolidated Balance Sheets as of June 30, 2019 and 2018	3
Consolidated Statement of Activities for the year ended June 30, 2019	4
Consolidated Statement of Activities for the year ended June 30, 2018	5
Consolidated Statement of Functional Expenses for the year ended June 30, 2019, with comparative totals for 2018	6
Consolidated Statements of Cash Flows for the years ended June 30, 2019 and 2018	7
Notes to Consolidated Financial Statements	8 - 37
Supplemental Schedules:	
Unconsolidated Schedule of Activities for the year ended June 30, 2019	39
Consolidating Schedule of Activities for the year ended June 30, 2019	40

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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, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, and the related consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements.

Management’s responsibility for the 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 financial position of Natural Resources Defense Council, Inc., which include the NRDC Action Fund, Inc. and NRDC Limited, as of June 30, 2019 and 2018, and the 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.

Other matters

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, 2019 and 2018 as a whole. The Unconsolidated Schedule of Activities and Consolidating Schedule of Activities for the year ended June 30, 2019 are presented for purposes of additional analysis and are not a required part of the 2019 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 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 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 2019 consolidated financial statements or to the 2019 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 2019 consolidated financial statements as a whole.



New York, New York
November 25, 2019

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Balance Sheets
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 35,506,038	\$ 105,743,141
Contributions and grants receivable, net	25,357,332	18,990,179
Prepaid expenses and other assets	5,571,080	6,218,062
Investments	326,186,704	226,838,459
Investments pertaining to deferred compensation plan	2,756,412	2,654,584
Investments in split-interest agreements	20,605,982	20,174,848
Fixed assets, net	<u>36,250,154</u>	<u>33,577,026</u>
Total assets	<u>\$ 452,233,702</u>	<u>\$ 414,196,299</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 27,378,523	\$ 16,881,067
Deferred rent	5,016,663	4,401,557
Bank revolving credit loan	-	7,213,262
Bank line of credit	7,213,262	-
Interest-rate swap agreement	2,049,522	1,359,638
Bonds payable, net	9,461,725	9,779,710
Obligations under deferred compensation plan	2,756,412	2,654,584
Defined benefit plan obligation	7,712,730	6,518,683
Split-interest agreements:		
Charitable gift annuities and CRUT - payable to annuitants	13,914,362	14,103,692
Pooled life income funds - deferred revenue	<u>472,798</u>	<u>557,687</u>
Total liabilities	<u>75,975,997</u>	<u>63,469,880</u>
Commitments and contingencies		
NET ASSETS		
Without donor restrictions	253,268,032	237,483,128
With donor restrictions	<u>122,989,673</u>	<u>113,243,291</u>
Total net assets	<u>376,257,705</u>	<u>350,726,419</u>
Total liabilities and net assets	<u>\$ 452,233,702</u>	<u>\$ 414,196,299</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Memberships and individual contributions	\$ 89,820,968	\$ 41,797,249	\$ 131,618,217
Foundation grants	445,097	39,810,496	40,255,593
Bequests	14,886,517	442,463	15,328,980
In-kind contributions	5,786,881	41,234	5,828,115
Awarded attorneys fees	780,104	-	780,104
Investment return appropriated for operations	231,615	1,460,397	1,692,012
Investment return from operating reserves	719,006	-	719,006
Other revenue	3,565,212	70,197	3,635,409
Net assets released from restrictions	<u>77,181,993</u>	<u>(77,181,993)</u>	<u>-</u>
Total revenues	<u>193,417,393</u>	<u>6,440,043</u>	<u>199,857,436</u>
EXPENSES			
Program services:			
Clean energy future	46,315,233	-	46,315,233
International	20,687,766	-	20,687,766
Wildlife and wildlands	28,935,012	-	28,935,012
Sustainable communities	49,744,819	-	49,744,819
Membership services	<u>3,376,226</u>	<u>-</u>	<u>3,376,226</u>
Total program services	<u>149,059,056</u>	<u>-</u>	<u>149,059,056</u>
Supporting services:			
Management and general	17,352,549	-	17,352,549
Fundraising	13,105,084	-	13,105,084
Member recruitment	<u>4,115,175</u>	<u>-</u>	<u>4,115,175</u>
Total supporting services	<u>34,572,808</u>	<u>-</u>	<u>34,572,808</u>
Total expenses	<u>183,631,864</u>	<u>-</u>	<u>183,631,864</u>
Changes in net assets from operating activities	<u>9,785,529</u>	<u>6,440,043</u>	<u>16,225,572</u>
NON-OPERATING ACTIVITIES			
Investment gains, net of amounts appropriated for operations	7,984,402	3,020,045	11,004,447
Change in value of interest-rate swap agreement	(689,884)	-	(689,884)
Pension related activity other than net periodic pension expense	(1,508,065)	-	(1,508,065)
Change in value of split-interest agreements	<u>212,922</u>	<u>286,294</u>	<u>499,216</u>
Total non-operating activities	<u>5,999,375</u>	<u>3,306,339</u>	<u>9,305,714</u>
Changes in net assets	15,784,904	9,746,382	25,531,286
Net assets, beginning of year	<u>237,483,128</u>	<u>113,243,291</u>	<u>350,726,419</u>
Net assets, end of year	<u>\$ 253,268,032</u>	<u>\$ 122,989,673</u>	<u>\$ 376,257,705</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Memberships and individual contributions	\$ 80,575,631	\$ 49,732,642	\$ 130,308,273
Foundation grants	695,500	34,804,979	35,500,479
Government grants	198,941	-	198,941
Bequests	13,864,853	743,299	14,608,152
In-kind contributions	5,641,178	40,413	5,681,591
Awarded attorneys fees	375,852	49,836	425,688
Investment return appropriated for operations	145,077	1,022,717	1,167,794
Investment return from operating reserves	537,277	-	537,277
Other revenue	1,969,493	-	1,969,493
Net assets released from restrictions	<u>71,489,879</u>	<u>(71,489,879)</u>	<u>-</u>
Total revenues	<u>175,493,681</u>	<u>14,904,007</u>	<u>190,397,688</u>
EXPENSES			
Program services:			
Clean energy future	64,646,652	-	64,646,652
Revive our oceans	9,147,558	-	9,147,558
Protect our health	15,963,132	-	15,963,132
Wildlife and wildlands	15,015,106	-	15,015,106
Safe and sufficient water	9,765,185	-	9,765,185
Sustainable communities	14,289,259	-	14,289,259
Membership services	<u>3,222,223</u>	<u>-</u>	<u>3,222,223</u>
Total program services	<u>132,049,115</u>	<u>-</u>	<u>132,049,115</u>
Supporting services:			
Management and general	14,589,292	-	14,589,292
Fundraising	9,614,329	-	9,614,329
Member recruitment	<u>3,669,851</u>	<u>-</u>	<u>3,669,851</u>
Total supporting services	<u>27,873,472</u>	<u>-</u>	<u>27,873,472</u>
Total expenses	<u>159,922,587</u>	<u>-</u>	<u>159,922,587</u>
Changes in net assets from operating activities	<u>15,571,094</u>	<u>14,904,007</u>	<u>30,475,101</u>
NON-OPERATING ACTIVITIES			
Investment gains, net of amounts appropriated for operations	8,463,436	2,849,149	11,312,585
Change in value of interest-rate swap agreement	707,859	-	707,859
Pension related activity other than net periodic pension expense	1,922,425	-	1,922,425
Change in value of split-interest agreements	<u>(595,699)</u>	<u>(1,442,020)</u>	<u>(2,037,719)</u>
Total non-operating activities	<u>10,498,021</u>	<u>1,407,129</u>	<u>11,905,150</u>
Changes in net assets	26,069,115	16,311,136	42,380,251
Net assets, beginning of year	<u>211,414,013</u>	<u>96,932,155</u>	<u>308,346,168</u>
Net assets, end of year	<u>\$ 237,483,128</u>	<u>\$ 113,243,291</u>	<u>\$ 350,726,419</u>

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Statement of Functional Expenses
For the year ended June 30, 2019, with comparative totals for 2018

	2019										2018	
	Program Services					Supporting Services					Total	Total
	Clean Energy Future	International	Wildlife and Wildlands	Sustainable Communities	Membership Services	Total Program Services	Management and General	Fundraising	Member Recruitment	Total Supporting Services		
Salaries and benefits	\$ 23,430,547	\$ 8,492,804	\$ 14,474,097	\$ 23,531,398	\$ 764,045	\$ 70,692,891	\$ 12,307,985	\$ 6,914,966	\$ 440,383	\$ 19,663,334	\$ 90,356,225	\$ 76,775,422
Rent and utilities	2,263,465	836,927	1,468,263	2,370,210	77,566	7,016,431	1,216,131	676,163	44,708	1,937,002	8,953,433	7,220,883
Depreciation and amortization	867,146	320,284	564,504	911,302	29,823	2,693,059	472,751	259,972	17,189	749,912	3,442,971	3,398,700
Professional consulting and counsel	9,789,143	7,200,082	4,525,323	11,997,455	385,987	33,897,990	945,658	1,179,995	149,736	2,275,389	36,173,379	32,243,214
Special mailings and postage	292,882	108,949	1,311,996	310,764	932,669	2,957,260	8,229	224,683	1,462,821	1,695,733	4,652,993	4,918,317
Printing and copying	515,326	316,450	1,534,597	569,318	893,077	3,828,768	6,140	252,118	1,532,446	1,790,704	5,619,472	5,843,459
Membership lists and maintenance	163,855	30,313	283,319	86,248	226,369	790,104	-	354	267,703	268,057	1,058,161	1,475,149
Travel	1,271,785	672,482	883,290	1,670,596	2,105	4,500,258	439,811	344,947	4,281	789,039	5,289,297	5,311,773
Public affairs and advertising	2,190,417	310,730	794,923	958,386	1,027	4,255,483	119,619	1,701,329	6,219	1,827,167	6,082,650	7,010,399
Conferences and meetings	227,158	445,369	238,827	383,521	10,477	1,305,352	82,920	48,007	309	131,236	1,436,588	887,321
Contributions to others	2,432,084	983,081	1,541,978	4,595,085	217	9,552,445	169,403	2,008	165	171,576	9,724,021	5,449,961
Other	2,871,425	970,295	1,313,895	2,360,536	52,864	7,569,015	1,583,902	1,500,542	189,215	3,273,659	10,842,674	9,387,989
Total expenses	<u>\$ 46,315,233</u>	<u>\$ 20,687,766</u>	<u>\$ 28,935,012</u>	<u>\$ 49,744,819</u>	<u>\$ 3,376,226</u>	<u>\$ 149,059,056</u>	<u>\$ 17,352,549</u>	<u>\$ 13,105,084</u>	<u>\$ 4,115,175</u>	<u>\$ 34,572,808</u>	<u>\$ 183,631,864</u>	<u>\$ 159,922,587</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 25,531,286	\$ 42,380,251
Adjustments to reconcile changes in net asset to net cash provided by operating activities:		
Depreciation and amortization	3,442,971	3,398,700
Amortization of bond issuance costs	12,015	12,015
Change in value of interest-rate swap agreement	689,884	(707,859)
Contributions to permanent endowment	(333,646)	(5,084,172)
Change in provision for uncollectible contributions receivable	(234,858)	465,542
Change in discount allowance for contributions receivable	890,467	190,298
Net realized and unrealized appreciation in fair value of investments	(13,637,685)	(12,776,140)
Change in operating assets and liabilities:		
Contributions and grants receivable	(7,022,762)	(66,907)
Prepaid expenses and other assets	646,983	(230,358)
Investments pertaining to deferred compensation plan	(101,828)	(200,483)
Investments in and obligations under split-interest agreements	811,451	3,045,350
Accounts payable and accrued expenses	10,654,506	2,386,815
Deferred rent	615,106	486,662
Obligations under deferred compensation plan	101,828	200,483
Defined benefit plan obligation	<u>1,194,047</u>	<u>(2,009,246)</u>
Net cash provided by operating activities	<u>23,259,765</u>	<u>31,490,951</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(192,169,180)	(166,891,315)
Proceeds from sales of investments	106,458,620	166,407,289
Purchases of fixed assets	<u>(6,273,150)</u>	<u>(1,454,471)</u>
Net cash used in investing activities	<u>(91,983,710)</u>	<u>(1,938,497)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to permanent endowment	333,646	5,084,172
Repayment on revolving credit loan	(7,213,262)	(363,694)
Line of credit	7,213,262	-
Principal payment on bonds payable	(330,000)	(315,000)
Payments to beneficiaries under split-interest agreements	<u>(1,516,804)</u>	<u>(1,539,757)</u>
Net cash (used in) provided by financing activities	<u>(1,513,158)</u>	<u>2,865,721</u>
Net (decrease) increase in cash and cash equivalents	(70,237,103)	32,418,175
Cash and cash equivalents, beginning of year	<u>105,743,141</u>	<u>73,324,966</u>
Cash and cash equivalents, end of year	<u>\$ 35,506,038</u>	<u>\$ 105,743,141</u>
Supplemental information:		
Cash paid for interest on indebtedness	<u>\$ 623,515</u>	<u>\$ 701,289</u>
Purchases of property and equipment in accounts payable	<u>\$ 278,723</u>	<u>\$ 579,210</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, 2019 and 2018

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 750 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, dirty 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 over 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 (“IRC”).

With the support of members, online activists and major foundations, NRDC has identified three environmental priority areas with the greatest potential to protect both the environment and human health for generations to come: climate and clean energy, health people and thriving communities, and nature and wildlife.

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. These capacities allow NRDC to develop creative solutions from every angle. Although 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 achieve lasting 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 NRDC.

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 lobbies 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, 2019 and 2018

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 preparation of the accompanying consolidated financial statements.

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU No. 2016-14”). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and,
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

A summary of the net asset reclassification driven by the adoption of the ASU 2016-14 as of June 30, 2018 is presented below:

	As of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
As previously presented, pre-adoption of ASU 2016-14			
Unrestricted	\$ 237,483,128	\$ -	\$ 237,483,128
Temporarily restricted	-	89,055,818	89,055,818
Permanently restricted	-	24,187,473	24,187,473
Net assets, as presented under ASU 2016-14	<u>\$ 237,483,128</u>	<u>\$ 113,243,291</u>	<u>\$ 350,726,419</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Net Assets

NRDC's consolidated financial statements distinguish between net assets with donor restrictions and net assets without donor restrictions based upon the existence or absence of donor-imposed restrictions, as follows:

Net assets without donor restrictions - 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. Such net assets may be designated for specific purposes by actions of the Board of Trustees.

Net assets with donor restrictions - 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 and 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).

Revenue Recognition

In accordance with FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), NRDC recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration NRDC expects to be entitled to in exchange for those goods or services. NRDC applies the five-step revenue model stipulated by ASC 606 to applicable revenue streams in order to determine when revenue is earned and recognized. The five-step model requires NRDC to i.) identify contracts with customers, ii.) identify performance obligations related to those contracts, iii.) determine the transaction price, iv.) allocate that transaction price to performance obligations, and, v.) recognize revenue when or as NRDC satisfies a performance obligation(s).

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. NRDC recognizes contract revenue with customers, as goods or services are transferred or provided in accordance with ASC 606.

The results of applying ASC 606, using the modified retrospective approach, did not have a material impact on the consolidated financial statements, business processes, controls or systems of NRDC.

NRDC derives its revenues principally from foundations, memberships and individual contributions, bequests and investment returns. The carrying value of receivables has been reduced by an estimated allowance for potentially uncollectible accounts, based on historical collection experience, and therefore, approximates net realizable value. Receivables are written-off in the period in which they are deemed to be uncollectible. Amounts received in advance are recognized as deferred revenue on the consolidated balance sheet.

Contributions and Grants

NRDC recognizes revenue from grants and contracts in accordance with ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, NRDC evaluates whether a transfer of assets is (i) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (ii) a contribution. If the transfer of assets is determined to be an exchange transaction, NRDC applies guidance under ASC 606. If the transfer of assets is determined to be a

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

contribution, NRDC evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before NRDC is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The results of applying ASU 2018-08 did not have a material impact on the consolidated financial statements.

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 potentially 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 net assets with donor restrictions 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 also recognized as increases in net assets with donor restrictions.

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 expense categories benefited in the period 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulations regarding the purpose or time or whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity.

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Investments consist of a combination of endowment investments and core cash investments. NRDC's investment objectives with respect to its endowment and associated NRDC investment funds are to preserve and enhance its real, inflation-adjusted asset value while minimizing year-to-year volatility, and to provide adequate liquidity to support NRDC in perpetuity. 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 31 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 2019 and 2018, the spending amounts approved totaled \$1,692,012 and \$1,167,794, respectively. For fiscal 2019 and 2018, additional special appropriations from NRDC's reserves totaled \$5,422,308 and \$3,678,283, respectively, and are included as part of the transfer between funds for operations in the accompanying consolidated statements of activities.

NRDC's investment objectives with respect to its core cash reserves are to preserve principal value and liquidity

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.

Liquidity and Availability of Financial Assets

The following table reflects NRDC's financial assets as of June 30, 2019 available to meet general expenditures within one year of the balance sheet date:

	<u>2019</u>
Cash and cash equivalents	\$ 35,506,038
Contributions receivable, net, due within one year and unrestricted as to use	<u>2,483,041</u>
Total financial assets available within one year, before anticipated endowment draw	37,989,079
Add:	
Anticipated endowment draw in support of fiscal 2020 operations	2,039,000
Anticipated draw from operating reserves in support of fiscal 2020 operations	<u>1,600,000</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 41,628,079</u>

Excluded from the detail provided above are all investment amounts pertaining to NRDC's endowment fund totaling \$240,454,388 as of June 30, 2019. NRDC's endowment fund includes both donor-restricted investments (original gift amount and accumulated gains) and NRDC's board-designated endowment (quasi-endowment) (See footnote 4 for a detail of NRDC's endowment fund). The endowment is subject to an annual spending rate of 5%, as further described in footnote 2. Although NRDC does not intend to spend from its board-designated endowment, other than amounts appropriated for operations annually, if necessary, such amounts could be made available in support of general operations, following board approval. As of June 30, 2019, NRDC had \$203,874,868 of board-designated endowment funds. The

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

extent of available financial assets as of June 30, 2019, presented above, includes an approximation of the fiscal 2020 endowment draw to be used for operations.

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 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 interests, 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 Computing Arrangements

NRDC follows guidance that clarifies the accounting for Cloud Computing Arrangements (“CCA”), including principles relating to financial statement recognition and measurement. This guidance provides that the fees paid for a CCA are within the scope of the internal-use software guidance if two criteria exist, including a contractual right to the software and feasibility to operate the software on hardware located on premises.

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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

Measure of Operations

Included in operating activities without donor restrictions 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 and transfers. 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 fund related activities; (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 agreement; (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 amortization, insurance and interest, are allocated among NRDC's program 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. The more significant estimates include the valuation of non-exchange traded alternative investments and interest-rate swap agreement, the collection of contributions and grants, receivables and actuarial assumptions related to the defined benefit pension plan and postretirement benefits and obligations due under split-interest agreements. Actual results could differ from those estimates.

Fair Value of Financial Instruments

FASB 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.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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 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. NRDC does not believe its 2019 and 2018 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 multiple independent investment managers. 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, 2019 consolidated financial statements for subsequent events through November 25, 2019, 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.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

3. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net, at June 30, 2019 and 2018 are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Amounts expected to be collected in:		
One year or less	\$ 12,029,030	\$ 15,511,506
Between one and five years	<u>15,083,332</u>	<u>4,578,094</u>
	27,112,362	20,089,600
Less: discount to present value (at rates ranging from 1.95% to 5.84%)	(1,198,640)	(308,173)
Less: allowance for uncollectible accounts	<u>(556,390)</u>	<u>(791,248)</u>
	<u>\$ 25,357,332</u>	<u>\$ 18,990,179</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, 2019, NRDC has been awarded \$23,337,000 in conditional grants which have not been recorded on the accompanying 2019 consolidated financial statements. These grants are conditional based on the presence of quantifiable barriers and a right of return outlined in each agreement.

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 its endowment;
- (2) The purposes of NRDC and its 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.

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

NRDC's endowment consists of 59 individual funds (45 donor-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 supporting services. It also includes funds designated by NRDC's Board of Trustees to function as an endowment (quasi-endowment). Net assets associated with individual 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 reserves 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 Original Gift (i.e., gifts given to the permanent endowment): (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 Original Gift is classified as Accumulated Gains 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, 2019 and 2018 is as follows:

2019					
		With Donor Restrictions			
	Without Donor Restrictions	Accumulated Gains	Original Gift	Total	
Donor-restricted funds	\$ -	\$ 12,058,401	\$ 24,521,119	\$ 36,579,520	
Board-designated funds	<u>203,874,868</u>	-	-	<u>203,874,868</u>	
	<u>\$ 203,874,868</u>	<u>\$ 12,058,401</u>	<u>\$ 24,521,119</u>	<u>\$ 240,454,388</u>	
2018					
		With Donor Restrictions			
	Without Donor Restrictions	Accumulated Gains	Original Gift	Total	
Donor-restricted funds	\$ -	\$ 11,475,994	\$ 24,187,473	\$ 35,663,467	
Board-designated funds	<u>179,107,536</u>	-	-	<u>179,107,536</u>	
	<u>\$ 179,107,536</u>	<u>\$ 11,475,994</u>	<u>\$ 24,187,473</u>	<u>\$ 214,771,003</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, short falls of this nature are charged to donor-restricted net assets. As of June 30, 2019 and 2018, there were no endowment funds below their historical dollar value.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ 179,107,536	\$ 11,475,994	\$ 24,187,473	\$ 214,771,003
Investment return:				
Dividends and interest	881,500	176,951	-	1,058,451
Investment fees	(1,631,098)	(303,670)	-	(1,934,768)
Net realized and unrealized gains	10,561,358	2,160,706	-	12,722,064
Total investment return	9,811,760	2,033,987	-	11,845,747
Transfer-in	15,169,371	8,817	333,646	15,511,834
Terminations of planned giving arrangements	17,816	-	-	17,816
Appropriation of endowment net assets for expenditure - spending policy	(231,615)	(1,460,397)	-	(1,692,012)
Endowment net assets, end of year	<u>\$ 203,874,868</u>	<u>\$ 12,058,401</u>	<u>\$ 24,521,119</u>	<u>\$ 240,454,388</u>
	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
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
Transfer-in	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	<u>\$ 179,107,536</u>	<u>\$ 11,475,994</u>	<u>\$ 24,187,473</u>	<u>\$ 214,771,003</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

5. INVESTMENTS

As of June 30, 2019 and 2018, NRDC's investments, at fair value, consist of the following:

	2019		
	Level 1	NAV ^(a)	Total
Endowment:			
Cash and money market funds	\$ 25,342,901	\$ -	\$ 25,342,901
Equity mutual funds	68,873,540	-	68,873,540
Corporate bonds	29,673,360	-	29,673,360
Common stocks	46,994,212	-	46,994,212
Venture capital	-	18,759	18,759
Hedge funds	-	61,143,704	61,143,704
Private equities	-	3,407,912	3,407,912
	<u>170,884,013</u>	<u>64,570,375</u>	<u>235,454,388</u>
Board designated - President's fund:			
Cash and money market funds	52,243	-	52,243
U.S. government obligations	244,556	-	244,556
Corporate bonds	5,618,731	-	5,618,731
	<u>5,915,530</u>	<u>-</u>	<u>5,915,530</u>
Strategic reserve for program initiatives and operational reserves:			
Cash and money market funds	704,898	-	704,898
U.S. government obligations	3,299,731	-	3,299,731
Corporate bonds	75,812,157	-	75,812,157
	<u>79,816,786</u>	<u>-</u>	<u>79,816,786</u>
Total investments, at fair value	<u>\$ 256,616,329</u>	<u>\$ 64,570,375</u>	321,186,704
Investment transfer pending - endowment ^(b)			<u>5,000,000</u>
Total investments			<u>\$ 326,186,704</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

	2018		
	Level 1	NAV ^(a)	Total
Endowment:			
Cash and 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, designations and other:			
Cash and 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>

(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 credited to NRDC's capital account as of June 30.

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, 2019 and 2018, as detailed below.

2019							
Alternative Investment Type	Alternative Investment Strategy	Number of		Remaining Life	Amount of		Redemption Restrictions
		Funds	NAV in Funds		Unfunded Commitments	Redemption Terms	
Venture capital	Equity in environmental consulting service companies	1	\$ 18,759	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.	11	61,143,704	NA	-	7 funds quarterly, 2 funds annual, 1 fund semi-annual and 1 fund monthly	10 funds have gates
Private equities	Private equity with a focus on renewables and alternative energy.	6	3,407,912	1 fund with 1 year remaining, 1 fund with 2 years remaining, 4 funds N/A	15,384,599	No liquidity	No liquidity
Total		<u>18</u>	<u>\$ 64,570,375</u>		<u>\$ 15,447,099</u>		

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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 service companies	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		7	\$ 27,970,966		\$ 282,500		

NRDC has committed to investing additional amounts with certain private equity and venture capital funds. As of June 30, 2019, NRDC has a remaining commitment to invest an additional \$15,447,099. Such commitments are expected to be fulfilled during fiscal 2020.

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, 2019 and 2018 were 2.8% and 3.4%, respectively. Discount rates used to value the charitable gift annuity split-interest agreements ranged from 1.2% to 11.6% for both fiscal 2019 and 2018. 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, which are recurring fair value measurements due to changes in discount rates and certain other assumptions, at June 30, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Obligations due under charitable remainder trusts	\$ -	\$ 1,478,438	\$ -	\$ 1,478,438
Obligations due under pooled life income funds	-	472,798	-	472,798
	\$ -	\$ 1,951,236	\$ -	\$ 1,951,236

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

	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>

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

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, 2019:

	2019			
	Level 1	Level 2	NAV ^(a)	Total
Charitable gift annuities:				
Cash and cash equivalents	\$ 884,864	\$ -	\$ -	\$ 884,864
U.S. government and agency debt obligations	-	6,115,627	-	6,115,627
Corporate and other debt obligations	-	2,846,940	-	2,846,940
Common trust funds	-	-	6,903,703	6,903,703
Total	<u>884,864</u>	<u>8,962,567</u>	<u>6,903,703</u>	<u>16,751,134</u>
Charitable remainder trusts:				
Cash and cash equivalents	126,750	-	-	126,750
U.S. treasury securities	-	77,725	-	77,725
Equity mutual funds	1,675,725	-	-	1,675,725
Charitable bond common trust fund	-	-	526,594	526,594
Total	<u>1,802,475</u>	<u>77,725</u>	<u>526,594</u>	<u>2,406,794</u>
Pooled life income funds:				
Cash equivalents	21,573	-	-	21,573
Exchange traded fund	1,426,481	-	-	1,426,481
Total	<u>1,448,054</u>	<u>-</u>	<u>-</u>	<u>1,448,054</u>
Total investments	<u>\$ 4,135,393</u>	<u>\$ 9,040,292</u>	<u>\$ 7,430,297</u>	<u>\$ 20,605,982</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.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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.

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, 2019 and 2018, as detailed below:

Alternative Investment	Alternative Investment Strategy	2019					
		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	\$ 526,594	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	1,879,193	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	1,033,828	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	3,990,682	N/A	-	Daily	None
		<u>4</u>	<u>\$ 7,430,297</u>		<u>\$ -</u>		

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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
		<u>5</u>	<u>\$ 7,524,465</u>		<u>\$ -</u>		

The following tables summarize the changes in split-interest agreement liabilities for the years ended June 30, 2019 and 2018:

	2019		2018	
	Charitable Gift Annuities and CRUT	Pooled Life Income Funds	Charitable Gift Annuities and CRUT	Pooled Life Income Funds
Beginning of the year	\$ 14,103,692	\$ 557,687	\$ 12,476,733	\$ 417,507
New agreements - CGA	649,815	-	485,703	-
New agreements - CRUT's	-	-	1,169,585	-
Payments to annuitants	(1,455,953)	(60,851)	(1,493,019)	(46,738)
Change in value due to actuarial valuations	610,665	(119,730)	267,083	130,735
Investment income	-	104,508	-	65,978
Fees	-	(8,816)	-	(9,795)
Other charitable remainder trust activity	6,143	-	1,197,607	-
End of the year	<u>\$ 13,914,362</u>	<u>\$ 472,798</u>	<u>\$ 14,103,692</u>	<u>\$ 557,687</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

7. FIXED ASSETS, NET

Fixed assets, net, consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 46,542,699	\$ 46,423,772
Furniture and equipment	7,540,705	7,082,957
Computer and software	6,852,379	6,001,843
Leasehold improvements	<u>1,324,005</u>	<u>1,320,917</u>
	62,259,788	60,829,489
Less: accumulated depreciation and amortization	<u>(31,806,492)</u>	<u>(28,506,958)</u>
	30,453,296	32,322,531
Work-in-progress	<u>5,796,858</u>	<u>1,254,495</u>
	<u>\$ 36,250,154</u>	<u>\$ 33,577,026</u>

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

Depreciation and amortization for the years ended June 30, 2019 and 2018 totaled \$3,442,971 and \$3,398,700, 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
June 30, 2019 and 2018

The following table provides the funded status of the Plan at June 30, 2019 and 2018 and related actuarial assumptions and other information for the years then ended:

	<u>2019</u>	<u>2018</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 24,921,273	\$ 25,901,197
Interest cost	959,207	901,391
Assumption change	2,192,516	(1,543,820)
Actuarial (gain) loss	(9,772)	530,452
Benefits paid	(912,138)	(867,946)
Projected benefit obligation, end of year	<u>27,151,086</u>	<u>24,921,274</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	18,402,591	17,373,268
Actual gain on assets	923,903	933,549
Employer contributions	1,250,000	1,202,000
Plan expenses	(226,000)	(238,280)
Benefits paid	(912,138)	(867,946)
Fair value of plan assets, end of year	<u>19,438,356</u>	<u>18,402,591</u>
Funded status	<u>\$ (7,712,730)</u>	<u>\$ (6,518,683)</u>
Accumulated benefit obligation	<u>\$ 27,151,086</u>	<u>\$ 24,921,274</u>
Accumulated net loss recognized in net assets	<u>\$ 11,958,919</u>	<u>\$ 10,450,854</u>
Components of net periodic pension cost:		
Service cost	\$ 226,000	\$ 238,280
Interest cost	959,207	901,390
Expected return on assets	(1,151,086)	(1,075,496)
Amortization of actuarial loss	<u>901,862</u>	<u>1,051,004</u>
Net periodic pension cost	<u>\$ 935,983</u>	<u>\$ 1,115,178</u>
Other changes recognized in unrestricted net assets:		
Actuarial gain (loss)	\$ 2,409,927	\$ (871,421)
Amortization of actuarial loss	<u>(901,862)</u>	<u>(1,051,004)</u>
Pension related activity, other than net periodic pension cost	<u>\$ 1,508,065</u>	<u>\$ (1,922,425)</u>

The amount reflected above as assumption change, which served to increase the fiscal 2019 benefit obligation by \$2,192,516, is primarily due to a decrease in the discount rate (i.e., from 3.98% to 3.23%).

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Weighted-average assumptions used to determine benefit obligations at June 30, 2019 and 2018 follow:

	<u>2019</u>	<u>2018</u>
Discount rate	3.23%	3.98%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2019 and 2018 follow:

	<u>2019</u>	<u>2018</u>
Discount rate	3.98%	3.60%
Expected return on plan assets	6.50%	6.40%
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>
2020	\$ 1,634,000
2021	1,543,000
2022	1,536,000
2023	1,544,000
2024	1,545,000
2025-2029	<u>7,977,000</u>
	<u>\$ 15,779,000</u>

NRDC expects to contribute approximately \$1,250,000 to the Plan during fiscal 2020.

The estimated actuarial loss that will be amortized into net periodic pension cost during fiscal 2020 is \$1,108,371.

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
June 30, 2019 and 2018

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, 2019 and 2018:

	2019		
	Level 1	NAV ^(a)	Total
U.S. equity funds	\$ 1,682,266	\$ 2,236,531	\$ 3,918,797
Fixed-income funds	2,315,189	6,864,891	9,180,080
Short-term money market fund	-	475,966	475,966
International equity funds	-	2,383,347	2,383,347
Emerging markets equity fund	-	549,161	549,161
Real estate fund	-	1,913,422	1,913,422
Hedge fund	-	1,016,654	1,016,654
	<u>\$ 3,997,455</u>	<u>\$ 15,439,972</u>	19,437,427
Cash			<u>929</u>
Total pension plan investments			<u>\$ 19,438,356</u>
	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>	18,401,835
Cash			<u>756</u>
Total pension plan investments			<u>\$ 18,402,591</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.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The percentages of the fair value of total plan assets by asset category are as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and money market fund	3 %	1 %
Equity	35	41
Fixed income	47	46
Other	<u>15</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, 2019 and 2018, as detailed below:

		2019					
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	\$ 475,966	N/A	\$ -	Daily	None
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	2,383,347	N/A	-	Daily	None
Emerging markets equity fund	Approximates overall performance of the MSCI Emerging Markets Equity Index	1	549,161	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	2,236,531	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	6,864,891	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	1,913,422	N/A	-	Daily	None
Hedge fund	Invests in diversified alternative investment strategies	<u>1</u>	<u>1,016,654</u>	N/A	-	No liquidity	No liquidity
		<u>10</u>	<u>\$ 15,439,972</u>		<u>\$ -</u>		

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2018							
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	\$ 271,672	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	5,798,397	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	1	1,029,551	N/A	-	No liquidity	No liquidity
		<u>10</u>	<u>\$ 14,327,685</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 \$6,114,866 and \$4,657,633 for the years ended June 30, 2019 and 2018, 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 eligibility requirements) can defer compensation up to the maximum dollar amount under Section 457(e)(15) of the IRC of 1986, as amended. As of June 30, 2019 and 2018, NRDC’s obligations under the 457(b) plan totaled \$2,756,412 and \$2,654,584, 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
June 30, 2019 and 2018

As of June 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Fixed-income mutual funds	\$ 858,464	\$ 884,943
Equity mutual funds	1,183,917	1,165,080
Blended mutual funds	<u>714,031</u>	<u>604,561</u>
	<u>\$ 2,756,412</u>	<u>\$ 2,654,584</u>

9. DEBT OBLIGATIONS

Bank Revolving Credit Loan

NRDC paid off the 10-year unsecured term loan during fiscal 2019. At June 30, 2018, borrowings bore interest at a rate of 2.44% which is calculated using the 1-month London Interbank Offered Rate ("LIBOR") plus an applicable margin of 0.35%. At June 30, 2019 and 2018, NRDC had a balance of \$0 and \$7,213,262, respectively, due under the term loan.

Bank Line of Credit

NRDC converted the Bank Revolving Credit Loan described above into a line of credit during fiscal 2019. At June 30, 2019, borrowings bore interest at a rate of 2.44% which is calculated using the 1-month London Interbank Offered Rate ("LIBOR") plus an applicable margin of 0.35%. At June 30, 2019 and 2018, NRDC had a balance of \$7,213,262 and \$0, respectively, due under this line of credit.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
New York City Capital Resource Corporation Variable Rate Demand Revenue Bonds Series 2008A dated January 24, 2008 due serially on March 31 from 2008 through 2038 (net of unamortized bond issuance costs of \$222,472 in 2019 and \$234,487 in 2018)	<u>\$ 9,461,725</u>	<u>\$ 9,779,710</u>

Pursuant to the terms of the bond indenture and the letter of credit and reimbursement agreement supporting the bonds, NRDC is subject to certain covenants including both operational restrictions and financial covenants. NRDC was compliant with all such covenants at June 30, 2019.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Scheduled annual principal payments are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2020	\$ 340,000
2021	360,000
2022	375,000
2023	390,000
2024	405,000
Thereafter	<u>7,814,196</u>
	9,684,196
Less: unamortized bond issuance costs	<u>(222,471)</u>
Total bonds payable, net	<u><u>\$ 9,461,725</u></u>

Interest expense totaling \$623,515 and \$701,289 for the years ended June 30, 2019 and 2018, 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 bonds payable on the accompanying consolidated balance sheets. At June 30, 2019 and 2018, \$222,471 and \$234,487, 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 notional amortizes at the same rate as the related debt principal.

2019						
<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 Swap at June 30, 2019</u>
Bank of America, N.A.	01/17/08	01/24/08	03/01/2038	\$ 9,770,000	3.639%	<u>\$ (2,049,522)</u>

2018						
<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 Swap 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>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Fair Value at June 30, 2019	Fair Value at June 30, 2018	Consolidated Balance Sheet Location	Fair Value		Consolidated Statement of Activities Location	Level within Fair Value Hierarchy
			Change in Value Interest- Rate Swap Agreement June 30, 2019	June 30, 2018		
\$ (2,049,522)	\$ (1,359,638)	Interest-rate swap agreement (liabilities)	\$ (689,884)	\$ 707,859	Change in value of interest- rate swap agreement (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, 2019, 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>
2020	\$ 5,110,129
2021	4,694,380
2022	4,635,431
2023	4,290,478
2024	4,401,869
Thereafter	<u>35,939,625</u>
	<u>\$ 59,071,912</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, 2019 and 2018 totaled \$6,380,970 and \$4,888,452, 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 \$98,080 through February, 2019 and approximately \$123,050 per month for the extended term through May 31, 2019, with an additional average charge for utilities of \$6,400 monthly which includes a 3% additional charge for electricity, as per the lease agreement. The lease terminated in June 2019.

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, 2019 and 2018

11. NET ASSETS

Restricted net assets consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific environmental programs	\$ 72,060,755	\$ 74,990,437
NRDC Action Fund, Inc.	8,836,972	1,363,254
Restricted in perpetuity - investments	24,521,119	24,187,473
Restricted in perpetuity (upon collection) - pledges	4,000,000	-
Awaiting board-appropriation for program services	12,058,401	11,475,994
Restricted only as to the passage of time	<u>1,512,426</u>	<u>1,226,133</u>
	<u>\$ 122,989,673</u>	<u>\$ 113,243,291</u>

Net assets of \$77,181,993 and \$71,489,879 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, 2019 and 2018, respectively. The details of the net assets released from restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Memberships and individual contributions - program services	\$ 27,478,389	\$ 30,389,960
Foundation grant - program services	39,498,030	32,188,823
NRDC Action Fund, Inc.	7,789,700	5,915,312
NRDC Limited	653,501	551,478
Investment return appropriated for program services	1,460,397	1,022,717
Events	5,731	1,314,004
Other	<u>296,245</u>	<u>107,585</u>
	<u>\$ 77,181,993</u>	<u>\$ 71,489,879</u>

Restricted Net Assets

Net assets held in perpetuity at June 30, 2019 and 2018 consist of endowment funds, the investment return from which is restricted for specific purposes and is recorded as part of net assets with donor restrictions (accumulated gains) until appropriated for expenditure by NRDC's Board of Trustees. Net assets held in perpetuity also include a pledge totaling \$4,000,000 as of June 30, 2019.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

12. IN-KIND CONTRIBUTIONS

During fiscal 2019 and 2018, NRDC received donated legal, consulting, and other services and goods at fair value as follows:

	<u>2019</u>	<u>2018</u>
Legal services	\$ 5,476,170	\$ 5,221,092
Consulting services	36,652	40,000
Goods and other services	<u>315,293</u>	<u>420,499</u>
	<u>\$ 5,828,115</u>	<u>\$ 5,681,591</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 its 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, 2019 and 2018, NRDC allocated joint costs for such informational materials and activities as follows:

	<u>2019</u>	<u>2018</u>
Clean Energy Future	\$ 549,602	\$ 1,544,687
International	202,998	-
Protect Our Health	-	335,782
Revive Our Oceans	-	207,623
Sustainable Communities	577,588	259,865
Safe and Sufficient Water	-	224,852
Wildlife and Wildlands	2,918,157	2,092,081
Membership Services	58,640	40,543
Fundraising	<u>2,919,568</u>	<u>2,740,225</u>
	<u>\$ 7,226,553</u>	<u>\$ 7,445,658</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

14. NRDC ACTION FUND, INC.

Included in the accompanying consolidated balance sheets at June 30, 2019 and 2018 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to NRDC Action Fund, Inc.:

	<u>2019</u>	<u>2018</u>
Balance Sheets as of June 30:		
Assets	\$ 9,441,463	\$ 1,989,959
Liabilities	<u>(604,491)</u>	<u>(626,705)</u>
Net assets with donor restrictions	<u>\$ 8,836,972</u>	<u>\$ 1,363,254</u>
Statements of Activities for years ended June 30:		
Revenues - contributions	\$ 15,232,641	\$ 5,089,156
Revenues - in-kind donations	<u>30,776</u>	<u>27,281</u>
Total revenue	<u>15,263,417</u>	<u>5,116,437</u>
Expenses:		
Program services:		
Clean energy future	4,957,094	4,338,167
Wildlife and wildlands	14,216	-
Sustainable communities	<u>469,992</u>	<u>-</u>
Total program services	<u>5,441,302</u>	<u>4,338,167</u>
Supporting services:		
Management and general	403,978	347,625
Fundraising	<u>1,944,419</u>	<u>1,229,520</u>
Total supporting services	<u>2,348,397</u>	<u>1,577,145</u>
Total expenses	<u>7,789,699</u>	<u>5,915,312</u>
Change in net assets	7,473,718	(798,875)
Net assets, beginning of year	<u>1,363,254</u>	<u>2,162,129</u>
Net assets, end of year	<u>\$ 8,836,972</u>	<u>\$ 1,363,254</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

15. NRDC LIMITED

Included in the accompanying consolidated balance sheets at June 30, 2019 and 2018 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to NRDC Limited:

	<u>2019</u>	<u>2018</u>
Balance Sheets as of June 30:		
Assets	\$ 882	\$ 742,973
Liabilities	<u>(55,503)</u>	<u>(789,260)</u>
Net assets - with donor restrictions	<u>\$ (54,621)</u>	<u>\$ (46,287)</u>
Statements of Activities for years ended June 30:		
Revenues - contributions	\$ 643,044	\$ 538,347
Revenues - in-kind donations	<u>10,458</u>	<u>13,131</u>
Total revenue	<u>653,502</u>	<u>551,478</u>
Expenses:		
Program services:		
International	661,836	-
Clean energy future	<u>-</u>	<u>560,240</u>
Total program services	<u>661,836</u>	<u>560,240</u>
Total expenses	<u>661,836</u>	<u>560,240</u>
Change in net assets	(8,334)	(8,762)
Net assets with donor restrictions, beginning of year	<u>(46,287)</u>	<u>(37,525)</u>
Net assets with donor restrictions, end of year	<u>\$ (54,621)</u>	<u>\$ (46,287)</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Memberships and individual contributions	\$ 89,820,969	\$ 30,507,328	\$ 120,328,297
Foundation grants	445,097	37,629,931	38,075,028
Bequests	14,886,517	442,463	15,328,980
In-kind contributions	5,786,881	-	5,786,881
Awarded attorneys fees	780,104	-	780,104
Investment return appropriated for operations	231,615	1,460,397	1,692,012
Investment return from operating reserves	719,006	-	719,006
Other revenue	3,565,209	-	3,565,209
Net assets released from restrictions	71,073,792	(71,073,792)	-
Total revenues	<u>187,309,190</u>	<u>(1,033,673)</u>	<u>186,275,517</u>
EXPENSES			
Program services:			
Clean energy future	42,234,135	-	42,234,135
International	20,285,487	-	20,285,487
Wildlife and wildlands	29,377,858	-	29,377,858
Sustainable communities	50,017,212	-	50,017,212
Membership services	3,376,226	-	3,376,226
Total program services	<u>145,290,918</u>	<u>-</u>	<u>145,290,918</u>
Supporting services:			
Management and general	16,948,571	-	16,948,571
Fundraising	11,160,665	-	11,160,665
Member recruitment	4,115,175	-	4,115,175
Total supporting services	<u>32,224,411</u>	<u>-</u>	<u>32,224,411</u>
Total expenses	<u>177,515,329</u>	<u>-</u>	<u>177,515,329</u>
Changes in net assets from operating activities	<u>9,793,861</u>	<u>(1,033,673)</u>	<u>8,760,188</u>
NON-OPERATING ACTIVITIES			
Investment gains, net of amounts appropriated for operations	7,984,402	3,020,045	11,004,447
Change in value of interest-rate swap agreement	(689,884)	-	(689,884)
Pension related activity other than net periodic pension expense	(1,508,065)	-	(1,508,065)
Change in value of split-interest agreements	212,922	286,294	499,216
Changes in net assets	15,793,236	2,272,666	18,065,902
Net assets, beginning of year	<u>237,529,415</u>	<u>111,880,037</u>	<u>349,409,452</u>
Net assets, end of year	<u>\$ 253,322,651</u>	<u>\$ 114,152,703</u>	<u>\$ 367,475,354</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.
Supplemental Schedule - Consolidating Schedule of Activities
For the year ended June 30, 2019

	NRDC	Action Fund	NRDC LTD	Subtotal	Eliminations	Total
REVENUES						
Memberships and individual contributions	\$ 120,328,297	\$ 13,624,920	\$ -	\$ 133,953,217	\$ (2,335,000)	\$ 131,618,217
Foundation grants	38,075,028	1,537,521	643,044	40,255,593	-	40,255,593
Bequests	15,328,980	-	-	15,328,980	-	15,328,980
In-kind contributions	5,786,881	30,776	10,458	5,828,115	-	5,828,115
Awarded attorneys fees	780,104	-	-	780,104	-	780,104
Investment return appropriated for operations	1,692,012	-	-	1,692,012	-	1,692,012
Investment return from operating reserves	719,006	-	-	719,006	-	719,006
Other revenue	3,565,209	70,200	-	3,635,409	-	3,635,409
Total revenues	186,275,517	15,263,417	653,502	202,192,436	(2,335,000)	199,857,436
EXPENSES						
Program services:						
Clean energy future	42,234,135	4,957,094	-	47,191,229	(875,996)	46,315,233
International	20,285,487	-	661,836	20,947,323	(259,557)	20,687,766
Wildlife and wildlands	29,377,858	14,216	-	29,392,074	(457,062)	28,935,012
Sustainable communities	50,017,212	469,992	-	50,487,204	(742,385)	49,744,819
Membership services	3,376,226	-	-	3,376,226	-	3,376,226
Total program services	145,290,918	5,441,302	661,836	151,394,056	(2,335,000)	149,059,056
Supporting services:						
Management and general	16,948,571	403,978	-	17,352,549	-	17,352,549
Fundraising	11,160,665	1,944,419	-	13,105,084	-	13,105,084
Member recruitment	4,115,175	-	-	4,115,175	-	4,115,175
Total supporting services	32,224,411	2,348,397	-	34,572,808	-	34,572,808
Total expenses	177,515,329	7,789,699	661,836	185,966,864	(2,335,000)	183,631,864
Change in net assets before non-operating activities	8,760,188	7,473,718	(8,334)	16,225,572	-	16,225,572
NON-OPERATING ACTIVITIES						
Investment gains, net of amounts appropriated for operations	11,004,447	-	-	11,004,447	-	11,004,447
Change in value of interest-rate swap agreement	(689,884)	-	-	(689,884)	-	(689,884)
Pension related activity other than net periodic pension expense	(1,508,065)	-	-	(1,508,065)	-	(1,508,065)
Change in value of split-interest agreements	499,216	-	-	499,216	-	499,216
Total non-operating activities	9,305,714	-	-	9,305,714	-	9,305,714
Change in net assets	18,065,902	7,473,718	(8,334)	25,531,286	-	25,531,286
Net assets, beginning of year	349,409,452	1,363,254	(46,287)	350,726,419	-	350,726,419
Net assets, end of year	\$ 367,475,354	\$ 8,836,972	\$ (54,621)	\$ 376,257,705	\$ -	\$ 376,257,705

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