

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

**Natural Resources Defense Council, Inc.**

June 30, 2020 and 2019

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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., NRDC Action Votes and NRDC Limited (collectively, "NRDC") which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 consolidated financial position of Natural Resources Defense Council, Inc., which include the NRDC Action Fund, Inc., NRDC Action Votes and NRDC Limited as of June 30, 2020 and 2019, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**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, 2020 and 2019 as a whole. The Unconsolidated Schedule of Activities and Consolidating Schedule of Activities for the year ended June 30, 2020 are presented for purposes of additional analysis and are not a required part of the 2020 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 2020 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 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 2020 consolidated financial statements or to the 2020 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 2020 consolidated financial statements as a whole.



New York, New York  
December 4, 2020

**Natural Resources Defense Council, Inc.**

**CONSOLIDATED BALANCE SHEETS**

**As of June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 44,768,394	\$ 35,506,038
Contributions and grants receivable, net	29,141,275	25,357,332
Prepaid expenses and other assets	4,883,471	5,571,080
Investments	343,970,053	326,186,704
Investments pertaining to deferred compensation plan	2,811,325	2,756,412
Investments in split-interest agreements	20,928,199	20,605,982
Fixed assets, net	35,137,525	36,250,154
Total assets	\$ 481,640,242	\$ 452,233,702
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 36,516,622	\$ 27,378,523
Deferred rent	5,682,907	5,016,663
Bank line of credit	7,213,262	7,213,262
Interest-rate swap agreement	2,898,155	2,049,522
Bonds payable, net	9,056,413	9,461,725
Obligations under deferred compensation plan	2,811,325	2,756,412
Defined benefit plan obligation	4,586,654	7,712,730
Split-interest agreements:		
Charitable gift annuities and CRUT - payable to annuitants	14,760,938	13,914,362
Pooled life income funds - deferred revenue	107,846	472,798
Total liabilities	83,634,122	75,975,997
Commitments and contingencies		
<b>NET ASSETS</b>		
Without donor restrictions	272,550,197	253,268,032
With donor restrictions	125,455,923	122,989,673
Total net assets	398,006,120	376,257,705
Total liabilities and net assets	\$ 481,640,242	\$ 452,233,702

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Memberships and individual contributions	\$ 92,515,298	\$ 40,993,615	\$ 133,508,913
Foundation grants	2,389,427	50,222,869	52,612,296
Bequests	13,300,155	397,986	13,698,141
In-kind contributions	4,576,587	115,312	4,691,899
Court awarded fees and settlements	1,800,297	2,866,666	4,666,963
Investment return appropriated for operations	250,000	1,200,854	1,450,854
Investment return from operating reserves	137,099	-	137,099
Other revenue	2,233,454	118,221	2,351,675
Net assets released from restrictions	92,717,977	(92,717,977)	-
Total revenues	<u>209,920,294</u>	<u>3,197,546</u>	<u>213,117,840</u>
<b>EXPENSES</b>			
Program services:			
Clean energy future	48,489,588	-	48,489,588
International	21,767,011	-	21,767,011
Wildlife and wildlands	29,009,381	-	29,009,381
Sustainable communities	56,466,663	-	56,466,663
Membership services	3,259,030	-	3,259,030
Total program services	<u>158,991,673</u>	<u>-</u>	<u>158,991,673</u>
Supporting services:			
Management and general	17,058,728	-	17,058,728
Fundraising	16,727,356	-	16,727,356
Member recruitment	3,865,378	-	3,865,378
Total supporting services	<u>37,651,462</u>	<u>-</u>	<u>37,651,462</u>
Total expenses	<u>196,643,135</u>	<u>-</u>	<u>196,643,135</u>
Changes in net assets from operating activities, before transfers	13,277,159	3,197,546	16,474,705
Transfer to operations from board-designated endowment for capital-related expenditures and pension expense	<u>7,600,000</u>	<u>-</u>	<u>7,600,000</u>
Changes in net assets from operating activities, after transfers	<u>20,877,159</u>	<u>3,197,546</u>	<u>24,074,705</u>
<b>NON-OPERATING ACTIVITIES</b>			
Investment gains, net of amounts appropriated for operations	8,125,497	386,229	8,511,726
Change in value of interest-rate swap agreement	(848,634)	-	(848,634)
Pension related activity other than net periodic pension expense and service costs	(2,273,924)	-	(2,273,924)
Transfer from board-designated endowment to operations for capital-related expenditures and pension expense	(7,600,000)	-	(7,600,000)
Change in value of split-interest agreements	1,002,067	(1,117,525)	(115,458)
Total non-operating activities	<u>(1,594,994)</u>	<u>(731,296)</u>	<u>(2,326,290)</u>
Changes in net assets	19,282,165	2,466,250	21,748,415
Net assets, beginning of year	<u>253,268,032</u>	<u>122,989,673</u>	<u>376,257,705</u>
Net assets, end of year	<u>\$ 272,550,197</u>	<u>\$ 125,455,923</u>	<u>\$ 398,006,120</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, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES</b>			
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	77,181,993	(77,181,993)	-
Total revenues	193,417,393	6,440,043	199,857,436
<b>EXPENSES</b>			
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	3,376,226	-	3,376,226
Total program services	149,059,056	-	149,059,056
Supporting services:			
Management and general	17,352,549	-	17,352,549
Fundraising	13,105,084	-	13,105,084
Member recruitment	4,115,175	-	4,115,175
Total supporting services	34,572,808	-	34,572,808
Total expenses	183,631,864	-	183,631,864
Changes in net assets from operating activities	9,785,529	6,440,043	16,225,572
<b>NON-OPERATING ACTIVITIES</b>			
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 and service costs	(1,508,065)	-	(1,508,065)
Change in value of split-interest agreements	212,922	286,294	499,216
Total non-operating activities	5,999,375	3,306,339	9,305,714
Changes in net assets	15,784,904	9,746,382	25,531,286
Net assets, beginning of year	237,483,128	113,243,291	350,726,419
Net assets, end of year	\$ 253,268,032	\$ 122,989,673	\$ 376,257,705

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, 2020

	2020										
	Program Services					Supporting Services					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	\$ 26,046,917	\$ 9,564,279	\$ 16,713,532	\$ 33,787,842	\$ 874,033	\$ 86,986,603	\$ 12,713,743	\$ 9,690,689	\$ 477,053	\$ 22,881,485	\$ 109,868,088
Rent and utilities	2,109,645	810,205	1,403,856	2,797,439	74,040	7,195,185	1,041,292	793,778	40,412	1,875,482	9,070,667
Depreciation and amortization	777,482	300,355	520,430	1,037,037	27,448	2,662,752	385,928	294,267	14,981	695,176	3,357,928
Professional consulting and counsel	9,820,028	8,453,277	3,703,577	10,429,145	52,970	32,458,997	1,099,491	1,141,411	46,382	2,287,284	34,746,281
Special mailings and postage	528,756	49,239	768,241	184,446	602,504	2,133,186	7,055	311,903	1,084,783	1,403,741	3,536,927
Printing and copying	709,643	152,556	1,549,094	352,340	1,254,014	4,017,647	4,744	381,262	1,825,181	2,211,187	6,228,834
Membership lists and maintenance	129,364	23,560	332,307	81,347	302,767	869,345	-	67	256,554	256,621	1,125,966
Travel	844,684	461,644	539,335	1,157,760	1,227	3,004,650	344,344	140,654	1,849	486,847	3,491,497
Public affairs and advertising	2,452,838	165,710	599,383	637,364	682	3,855,977	101,372	2,206,251	3,904	2,311,527	6,167,504
Conferences and meetings	103,374	175,468	113,070	287,506	147	679,565	59,530	22,207	80	81,817	761,382
Contributions to others	2,117,417	635,530	1,257,997	2,530,928	-	6,541,872	2,299	6,806	89	9,194	6,551,066
Other	2,849,440	975,188	1,508,559	3,183,509	69,198	8,585,894	1,298,930	1,738,061	114,110	3,151,101	11,736,995
<b>Total expenses</b>	<b>\$ 48,489,588</b>	<b>\$ 21,767,011</b>	<b>\$ 29,009,381</b>	<b>\$ 56,466,663</b>	<b>\$ 3,259,030</b>	<b>\$ 158,991,673</b>	<b>\$ 17,058,728</b>	<b>\$ 16,727,356</b>	<b>\$ 3,865,378</b>	<b>\$ 37,651,462</b>	<b>\$ 196,643,135</b>

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

	2019										
	Program Services					Supporting Services					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
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
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
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
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
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
Membership lists and maintenance	163,855	30,313	283,319	86,248	226,369	790,104	-	354	267,703	268,057	1,058,161
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
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
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
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
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
<b>Total expenses</b>	<b>\$ 46,315,233</b>	<b>\$ 20,687,766</b>	<b>\$ 28,935,012</b>	<b>\$ 49,744,819</b>	<b>\$ 3,376,226</b>	<b>\$ 149,059,056</b>	<b>\$ 17,352,549</b>	<b>\$ 13,105,084</b>	<b>\$ 4,115,175</b>	<b>\$ 34,572,808</b>	<b>\$ 183,631,864</b>

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, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 21,748,415	\$ 25,531,286
Adjustments to reconcile changes in net asset to net cash provided by operating activities:		
Depreciation and amortization	3,357,928	3,442,971
Amortization of bond and line of credit issuance costs	115,666	12,015
Change in value of interest-rate swap agreement	848,633	689,884
Contributions to permanent endowment	(5,000,000)	(333,646)
Change in provision for uncollectible contributions receivable	40,121	(234,858)
Change in discount allowance for contributions receivable	(607,128)	890,467
Net realized and unrealized appreciation in fair value of investments	(12,312,603)	(13,637,685)
Change in operating assets and liabilities:		
Contributions and grants receivable	(3,216,936)	(7,022,762)
Prepaid expenses and other assets	687,609	646,983
Investments pertaining to deferred compensation plan	(54,913)	(101,828)
Obligations under split-interest agreements	1,621,763	811,451
Accounts payable and accrued expenses	9,222,812	10,654,506
Deferred rent	666,245	615,106
Obligations under deferred compensation plan	54,913	101,828
Defined benefit plan obligation	(3,126,076)	1,194,047
Net cash provided by operating activities	14,046,449	23,259,765
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(73,104,675)	(192,169,180)
Proceeds from sales of investments	67,633,929	106,458,620
Purchases of fixed assets	(2,330,014)	(6,273,150)
Net cash used in investing activities	(7,800,760)	(91,983,710)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions to permanent endowment	5,000,000	333,646
Repayment on revolving credit loan	-	(7,213,262)
Line of credit	-	7,213,262
Principal payment on bonds payable	(340,000)	(330,000)
Cost of borrowing	(180,977)	-
Payments to beneficiaries under split-interest agreements	(1,462,356)	(1,516,804)
Net cash provided by (used in) financing activities	3,016,667	(1,513,158)
Net increase (decrease) in cash and cash equivalents	9,262,356	(70,237,103)
Cash and cash equivalents, beginning of year	35,506,038	105,743,141
Cash and cash equivalents, end of year	\$ 44,768,394	\$ 35,506,038
Supplemental information:		
Cash paid for interest on indebtedness	\$ 606,705	\$ 623,515
Purchases of property and equipment in accounts payable	\$ 64,218	\$ 278,723

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

**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 1 - NATURE OF OPERATIONS**

Natural Resources Defense Council, Inc. (“NRDC”) is a national nonprofit organization dedicated to ensuring a safe and healthy environment for all people and safeguarding the natural systems on which all life depends. NRDC’s staff of about 750 includes lawyers, scientists, and other professional staff working to safeguard the Earth.

Formed in 1970, NRDC tackles the most serious environmental threats of the past five decades – including climate change, water pollution, habitat destruction, and toxins in our communities and emerges with innovative, enforceable solutions that 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, other individuals, online activists and major foundations, NRDC has organized its work around three ambitious-yet-achievable environmental goals with the greatest potential to protect both the environment and human health for generations to come: avert dangerous climate change and its impacts, support healthy people and thriving communities, and conserve nature and protect 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 achieves 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 needed 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.

In fiscal 2014, the Action Fund formed a connected political action committee (NRDC Action Fund PAC) to make direct contributions to federal candidates who share NRDC Action Fund’s policy goals and priorities. In fiscal 2020, the Action Fund launched NRDC Action Votes, which is an independent federal political committee (commonly known as a Super PAC) that produces and promotes paid content to targeted voters in support of pro-environment candidates in the 2020 electoral cycle and future elections.

**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

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. A decision was made in April 2019 to de-register and dissolve NRDC Limited. All required documents have been submitted to the Hong Kong Inland Revenue Department. A decision by Hong Kong Government is awaited.

**COVID-19**

In March 2020, the World Health Organization declared COVID-19 a pandemic, which resulted in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, and stay at home orders. After evaluating the responses and guidance from federal, state, and local governments, NRDC closed its Beijing office in February 2020 (reopened since September 2020), and closed all its U.S. offices in March 2020, with a majority of the employees working remotely until at least January 2021. NRDC continues to monitor developments, including government requirements and recommendations at the national, state and local level, to evaluate possible extension to all or part of such closures.

In addition, NRDC has taken several steps to strengthen its financial position and maintain financial liquidity, including expense reductions across functional areas, increasing the draw from its endowment and reserve funds, establishing a bank revolver to expand liquidity, and broadening new donor cultivation activities all in an effort to offset potential declines in fundraising revenues and investment returns.

The outbreak has adversely impacted the level of economic activity around the world and disrupted normal business activity in every sector of the economy. As the COVID-19 pandemic is complex and rapidly evolving, NRDC's plans as described above may change. At this point, a reasonable estimate as to the duration and severity of the pandemic and its impact on NRDC's changes in net assets, financial position or cash flows cannot be determined.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The consolidated financial statements of NRDC, which include the NRDC Action Fund, NRDC Action Votes 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.

***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 the Board of Trustees.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 on donor-invested assets is generally available for expenditure according to donor-imposed restrictions, if any (see Notes 4 and 11).

**Revenue Recognition**

In accordance with Financial Accounting Standards Board (“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 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.

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 Accounting Standards Update (“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, discussed above. If the transfer of assets is determined to be a 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.

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

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 benefitted 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.

***Court Awarded Fee and Settlements:***

Court Awarded Fees and Settlement represents amounts awarded in NRDC lawsuits, for payments to third parties and for NRDC's attorneys' fees and costs.

***Investments***

Investments in mutual funds and debt and equity securities with readily determinable fair values are reported based on 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.

NRDC's investment objectives with respect to its endowment 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 12-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 2020 and 2019, the endowment spending amounts approved totaled \$9,050,854 and \$1,692,012, respectively, however, \$7,600,000 of the amount approved for fiscal 2020 remained undrawn from the endowment as of June 30, 2020. For fiscal 2020 and 2019, additional special appropriations from NRDC's reserves totaled \$250,000 and \$5,422,308, respectively, and are included as part of the transfer between funds for operations in the accompanying consolidated statements of activities.

***Cash and Cash Equivalents and Amounts Held in Escrow***

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

**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

During fiscal 2020, NRDC collaborated with two similarly focused nonprofit organizations, collectively, the 'Plaintiffs', and commenced a legal action against a for-profit company whose actions were harmful to the environment. The Plaintiffs were successful, and the court awarded a settlement of \$8.6 million, which was deposited in an escrow account with joint-decision making for disbursements amongst the Plaintiffs. Since NRDC was named as a one-third beneficiary of the court awarded settlement, it has recognized its ratable share of the settlement as revenue of the donor-restricted net asset category. Similarly, when amounts are disbursed from the escrow account, NRDC will recognize its ratable portion of the expense, as both a net asset release and a corresponding expense in the functional expense category to which the amount pertains. NRDC's interest in the escrow account cash balance is included as part of cash and cash equivalents on the 2020 consolidated balance sheet.

***Liquidity and Availability of Financial Assets***

The following table reflects NRDC's financial assets as of June 30, 2020 and 2019 available to meet general expenditures within one year of the balance sheet date:

	2020	2019
Cash and cash equivalents, excluding amounts held in escrow of \$1,322,337 in 2020	\$ 43,446,057	\$ 35,506,038
Contributions receivable, net, due within one year and unrestricted as to use	4,945,864	2,483,041
Total financial assets available within one year, before anticipated endowment draw	48,391,921	37,989,079
Add:		
Anticipated endowment draw in support of the following year's operations	31,424,000	2,039,000
Anticipated draw from operating reserves in support of the following year's operations	1,600,000	1,600,000
Total financial assets available to management for general expenditures within one year	\$ 81,415,921	\$ 41,628,079

The anticipated endowment draw in support of fiscal 2021 operations totaling \$31,424,000 is comprised of \$26,046,000 to be used to fund a budgeted operating deficit, \$3,400,000 to provide funding for certain capital-related expenditures and \$1,978,000 to provide for donor-funded program expenses. As of the date of these financial statements, NRDC continues to closely monitor its overall financial performance including the level of contributions and its budget to actual spending and will revise the amount of the anticipated endowment draw as appropriate.

Excluded from the detail provided above are all investment amounts pertaining to NRDC's endowment fund totaling \$258,252,876 as of June 30, 2020 and \$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, 2020 and 2019, NRDC had \$215,918,348 and \$203,874,868, respectively, of board-designated endowment funds. The extent of available financial assets as of June 30, 2020, presented above, includes an approximation of the fiscal 2021 endowment draw to be used in support of 2021 operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

See Note 9 for a detail of NRDC's available lines of credit.

**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 (applying the 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.

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 on the balance sheet.

**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



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

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 service cost 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. See the accompanying consolidated statements of functional expenses.

***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 grant receivables and actuarial assumptions related to the defined benefit pension and postretirement benefits plans 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.

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.

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**June 30, 2020 and 2019**

***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 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 2020 and 2019 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 market, credit and liquidity risks. 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 and such changes could be material. 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, 2020 consolidated financial statements for subsequent events through December 4, 2020, 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, other than what is disclosed in footnote 4 and the following paragraph.

On November 16, 2020, it was announced that NRDC had been selected to receive a \$100 million grant from the Bezos Earth Fund in recognition of NRDC’s efforts to accelerate climate action.

The grant will be utilized over the next several years to assist NRDC in advancing climate solutions and legislation at the state level, create and improve policies and programs focused on reducing oil and gas production, protect and restore ecosystems that store carbon (like forests and wetlands), and accelerate sustainable and regenerative agriculture practices.

Funding will also expand and support NRDC’s network of local, regional and national partners that are working on the ground throughout the United States to strengthen equity and justice at the heart of climate advocacy. Additionally, a portion of the grant will go directly to the NRDC Action Fund to support its work to build the political will for climate policies.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE 3 - CONTRIBUTIONS AND GRANTS RECEIVABLE, NET**

Contributions and grants receivable, net, at June 30, 2020 and 2019 are expected to be collected as follows:

	2020	2019
Amounts expected to be collected in:		
One year or less	\$ 18,682,175	\$ 12,029,030
Between one and five years	11,647,122	15,083,332
	30,329,297	27,112,362
Less: discount to present value (at rates ranging from 1.00% to 5.84%)	(591,511)	(1,198,640)
Less: allowance for uncollectible accounts	(596,511)	(556,390)
	<b>\$ 29,141,275</b>	<b>\$ 25,357,332</b>

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, 2020, NRDC has been awarded \$22,877,083 in conditional grants which have not been recorded on the accompanying 2020 consolidated financial statements. These grants are conditional based on the presence of quantifiable barriers and a right of return outlined in each agreement.

**NOTE 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.

NRDC's endowment consists of 61 individual funds (47 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

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019 is as follows:

	2020			Total
	Without Donor Restrictions	With Donor Restrictions		
		Accumulated Gains	Original Gift	
Donor-restricted funds	\$ -	\$ 12,813,409	\$ 29,521,119	\$ 42,334,528
Board-designated funds	215,918,348	-	-	215,918,348
	<u>\$ 215,918,348</u>	<u>\$ 12,813,409</u>	<u>\$ 29,521,119</u>	<u>\$ 258,252,876</u>
	2019			Total
	Without Donor Restrictions	With Donor Restrictions		
		Accumulated Gains	Original Gift	
Donor-restricted funds	\$ -	\$ 12,058,401	\$ 24,521,119	\$ 36,579,520
Board-designated funds	203,874,868	-	-	203,874,868
	<u>\$ 203,874,868</u>	<u>\$ 12,058,401</u>	<u>\$ 24,521,119</u>	<u>\$ 240,454,388</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, shortfalls of this nature are charged to donor-restricted net assets. As of June 30, 2020 and 2019, there were no endowment funds below their historical dollar value.

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June 30, 2020 and 2019

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	2020			Total
	Without Donor Restrictions	With Donor Restrictions Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ 203,874,868	\$ 12,058,401	\$ 24,521,119	\$ 240,454,388
Investment return:				
Dividends and interest	722,029	144,304	-	866,333
Investment fees	(2,503,975)	(474,531)	-	(2,978,506)
Net realized and unrealized gains	9,989,356	1,888,103	-	11,877,459
Total investment return	8,207,410	1,557,876	-	9,765,286
Collection of pledges receivable and other	-	397,986	5,000,000	5,397,986
Additions to quasi-endowment	10,579,544	-	-	10,579,544
Terminations of planned giving arrangements	856,526	-	-	856,526
Appropriation of endowment net assets for expenditure - spending policy	-	(1,200,854)	-	(1,200,854)
Appropriation of endowment net assets to operations for capital-related expenditures and pension expense	(7,600,000)	-	-	(7,600,000)
Endowment net assets, end of year	\$ 215,918,348	\$ 12,813,409	\$ 29,521,119	\$ 258,252,876

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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In 2020, the Board approved additional appropriations from the without donor-restricted portion of the endowment totaling \$7,600,000 to reimburse operating funds which were utilized to fund capital-related and pension expense outlays during fiscal 2020. Such amounts were not actually drawn from the endowment until fiscal 2021.

	2019			Total
	Without Donor Restrictions	With Donor Restrictions 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
Collection of pledges receivable and other	-	8,817	333,646	342,463
Additions to quasi-endowment	15,169,371	-	-	15,169,371
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>

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 5 - INVESTMENTS

As of June 30, 2020 and 2019, NRDC's investments, at fair value, consist of the following:

	2020		Total
	Level 1	NAV <sup>(a)</sup>	
Endowment:			
Cash and money market funds	\$ 32,029,225	\$ -	\$ 32,029,225
Equity mutual funds	73,470,886	-	73,470,886
Corporate bonds	31,800,685	-	31,800,685
Common stocks	44,890,803	-	44,890,803
Venture capital	-	14,784	14,784
Hedge funds	-	77,767,571	77,767,571
Private equities	-	5,878,922	5,878,922
	<u>182,191,599</u>	<u>83,661,277</u>	<u>265,852,876</u>
Board designated - President's fund:			
Cash and money market funds	490,594	-	490,594
Corporate bonds	4,699,576	-	4,699,576
	<u>5,190,170</u>	<u>-</u>	<u>5,190,170</u>
Strategic reserve for program initiatives and operational reserves:			
Cash and money market funds	6,777,461	-	6,777,461
Corporate bonds	64,923,777	-	64,923,777
	<u>71,701,238</u>	<u>-</u>	<u>71,701,238</u>
 Total investments, at fair value	 <u>\$ 259,083,007</u>	 <u>\$ 83,661,277</u>	 <u>342,744,284</u>
Investment transfer pending - endowment <sup>(b)</sup>			<u>1,225,769</u>
Total investments			<u>\$ 343,970,053</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

	Level 1	2019 NAV <sup>(a)</sup>	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
	170,884,013	64,570,375	235,454,388
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
	5,915,530	-	5,915,530
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
	79,816,786	-	79,816,786
 Total investments, at fair value	\$ 256,616,329	\$ 64,570,375	321,186,704
 Investment transfer pending - endowment <sup>(b)</sup>			5,000,000
 Total investments			\$ 326,186,704

(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. Once NRDC's capital account is credited for the pending purchase, it will be reflected as part of endowment investments.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019, as detailed below.

2020							
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	\$ 14,784	N/A	\$ 62,500	No liquidity	No liquidity
Hedge funds	Engages in multiple strategies, including investing both long and short in global equity markets, as well as domestic, global credit and event-driven investing.	12	77,767,571	N/A	-	8 funds quarterly, 2 funds annual, 1 fund semi-annual and 1 fund monthly	11 funds have gates
Private equities	Private equity with a focus on renewables and alternative energy.	7	5,878,922	1 fund with 1 year remaining, 1 fund with 2 years remaining, 5 funds N/A	12,522,122	No liquidity	No liquidity
Total		<u>20</u>	<u>\$ 83,661,277</u>		<u>\$ 12,584,622</u>		
2019							
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	\$ 18,759	N/A	\$ 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	N/A	-	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>		

NRDC has committed to investing additional amounts with certain private equity and venture capital funds. As of June 30, 2020, NRDC has a remaining commitment to invest an additional \$12,584,622. Such commitments are expected to be fulfilled over the next 3 years.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

**NOTE 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, 2020 and 2019 were 0.6% and 2.8%, respectively. Discount rates used to value the charitable gift annuity split-interest agreements ranged from 1.2% to 11.6% for both fiscal 2020 and 2019. 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, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Obligations due under charitable remainder trusts	\$ -	\$ 1,928,196	\$ -	\$ 1,928,196
Obligations due under pooled life income funds	-	107,846	-	107,846
	<u>\$ -</u>	<u>\$ 2,036,042</u>	<u>\$ -</u>	<u>\$ 2,036,042</u>
	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
	<u>\$ -</u>	<u>\$ 1,951,236</u>	<u>\$ -</u>	<u>\$ 1,951,236</u>

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

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020:

	2020			Total
	Level 1	Level 2	NAV <sup>(a)</sup>	
Charitable gift annuities:				
Cash and cash equivalents	\$ 537,490	\$ -	\$ -	\$ 537,490
U.S. government and agency debt obligations	-	6,799,469	-	6,799,469
Corporate and other debt obligations	-	2,391,544	-	2,391,544
Common trust funds	-	-	7,024,943	7,024,943
Total	537,490	9,191,013	7,024,943	16,753,446
Charitable remainder trusts:				
Cash and cash equivalents	624,658	-	-	624,658
U.S. treasury securities	-	45,791	-	45,791
Equity mutual funds	1,706,892	-	-	1,706,892
Charitable bond common trust fund	-	-	494,435	494,435
Total	2,331,550	45,791	494,435	2,871,776
Pooled life income funds:				
Cash equivalents	20,769	-	-	20,769
Exchange traded fund	1,282,208	-	-	1,282,208
Total	1,302,977	-	-	1,302,977
Total investments	\$ 4,172,017	\$ 9,236,804	\$ 7,519,378	\$ 20,928,199

<sup>(a)</sup> 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 - CONTINUED

June 30, 2020 and 2019

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 <sup>(a)</sup>	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	884,864	8,962,567	6,903,703	16,751,134
Charitable remainder trusts:				
5	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	1,802,475	77,725	526,594	2,406,794
Pooled life income funds:				
Cash equivalents	21,573	-	-	21,573
Exchange traded fund	1,426,481	-	-	1,426,481
Total	1,448,054	-	-	1,448,054
Total investments	\$ 4,135,393	\$ 9,040,292	\$ 7,430,297	\$ 20,605,982

<sup>(a)</sup> 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 - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019, as detailed below:

		2020					
Investment Type	Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Charitable Bond Common Trust Fund	Investing primarily in fixed-income securities.	1	\$ 494,435	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index.	1	1,782,306	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	999,156	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	4,243,481	N/A	-	Daily	None
		<u>4</u>	<u>\$ 7,519,378</u>		<u>\$ -</u>		
		2019					
Investment Type	Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Charitable Bond Common Trust Fund	Investing primarily in fixed-income securities.	1	\$ 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 - CONTINUED**

**June 30, 2020 and 2019**

The following tables summarize the changes in split-interest agreement liabilities for the years ended June 30, 2020 and 2019:

	2020		2019	
	Charitable Gift Annuities and CRUT	Pooled Life Income Funds	Charitable Gift Annuities and CRUT	Pooled Life Income Funds
Beginning of the year	\$ 13,914,362	\$ 472,798	\$ 14,103,692	\$ 557,687
New agreements - CGA	1,317,643	-	649,815	-
New agreements - CRUT's	384,453	-	-	-
Payments to annuitants	(1,397,609)	(64,747)	(1,455,953)	(60,851)
Change in value due to actuarial valuations	28,354	(228,298)	610,665	(119,730)
Investment income	-	(63,123)	-	104,508
Fees	-	(8,784)	-	(8,816)
Other charitable remainder trust activity	513,735	-	6,143	-
End of the year	<u>\$ 14,760,938</u>	<u>\$ 107,846</u>	<u>\$ 13,914,362</u>	<u>\$ 472,798</u>

**NOTE 7 - FIXED ASSETS, NET**

Fixed assets, net, consist of the following at June 30, 2020 and 2019:

	2020	2019
Buildings and improvements	\$ 47,370,850	\$ 46,542,699
Furniture and equipment	7,849,265	7,540,705
Computer and software	7,504,650	6,852,379
Leasehold improvements	4,036,131	1,324,005
	66,760,896	62,259,788
Less: accumulated depreciation and amortization	(35,034,630)	(31,806,492)
	31,726,266	30,453,296
Work-in-progress	3,411,259	5,796,858
	<u>\$ 35,137,525</u>	<u>\$ 36,250,154</u>

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

Depreciation and amortization for the years ended June 30, 2020 and 2019 totaled \$3,357,928 and \$3,442,971, respectively.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 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.

The following table provides the funded status of the Plan at June 30, 2020 and 2019 and related actuarial assumptions and other information for the years then ended:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 27,151,086	\$ 24,921,273
Interest cost	840,834	959,207
Assumption change	2,768,272	2,192,516
Actuarial loss (gain)	28,935	(9,772)
Benefits paid	<u>(962,930)</u>	<u>(912,138)</u>
Projected benefit obligation, end of year	<u>29,826,197</u>	<u>27,151,086</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	19,438,356	18,402,591
Actual gain on assets	1,534,117	923,903
Employer contributions	5,400,000	1,250,000
Plan expenses	(170,000)	(226,000)
Benefits paid	<u>(962,930)</u>	<u>(912,138)</u>
Fair value of plan assets, end of year	<u>25,239,543</u>	<u>19,438,356</u>
Funded status (unfunded)	<u>\$ (4,586,654)</u>	<u>\$ (7,712,730)</u>
Accumulated benefit obligation	<u>\$ 29,826,197</u>	<u>\$ 27,151,086</u>
Accumulated net loss recognized in net assets	<u>\$ 13,074,039</u>	<u>\$ 11,958,919</u>
Components of net periodic pension cost:		
Service cost	\$ -	\$ 226,000
Interest cost	840,834	959,207
Expected return on assets	(755,252)	(1,151,086)
Amortization of actuarial loss	<u>1,073,222</u>	<u>901,862</u>
Net periodic pension cost	<u>\$ 1,158,804</u>	<u>\$ 935,983</u>
Other changes recognized in net assets without donor restrictions:		
Actuarial gain	\$ 2,188,342	\$ 2,409,927
Amortization of actuarial loss	<u>(1,073,222)</u>	<u>(901,862)</u>
Pension related activity, other than net periodic pension cost	<u>\$ 1,115,120</u>	<u>\$ 1,508,065</u>

**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

The amount reflected above as assumption change, which served to increase the fiscal 2020 benefit obligation by \$2,768,272, is primarily due to a decrease in the discount rate (i.e., from 3.23% to 2.29%).

Weighted-average assumptions used to determine benefit obligations at June 30, 2020 and 2019 follow:

	2020	2019
Discount rate	2.29%	3.23%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2020 and 2019 follow:

	2020	2019
Discount rate	3.23%	3.98%
Expected return on plan assets	4.50%	6.50%
Rate of compensation increase	N/A	N/A

Benefit payments are expected to be paid as follows:

Year ending June 30,	
2021	\$ 1,742,000
2022	1,582,000
2023	1,576,000
2024	1,575,000
2025	1,625,000
2026-2030	8,045,000
	\$ 16,145,000

NRDC does not expect to have to contribute to the Plan during fiscal 2021.

The estimated actuarial loss that will be amortized into net periodic pension cost during fiscal 2021 is \$1,263,006.

***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 minimize the volatility in funded status by maintaining a diversified fixed income portfolio that exhibits similar characteristics to the Plan's liabilities. To develop the expected rate of return on assets assumption, NRDC considered the historical returns and the future expectations for returns for each fixed income asset class, as well as the target asset allocation of the pension plan portfolio.



Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019:

	2020		
	Level 2	NAV <sup>(a)</sup>	Total
Fixed-income funds	\$ 25,187,371	\$ -	\$ 25,187,371
Hedge fund	-	52,172	52,172
	<u>\$ 25,187,371</u>	<u>\$ 52,172</u>	<u>25,239,543</u>
Total pension plan investments			<u>\$ 25,239,543</u>

  

	2019		
	Level 1	NAV <sup>(a)</sup>	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>	<u>19,437,427</u>
Cash			<u>929</u>
Total pension plan investments			<u>\$ 19,438,356</u>

<sup>(a)</sup> 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.

The percentages of the fair value of total plan assets by asset category are as follows at June 30, 2020 and 2019:

	2020	2019
Cash and money market fund	-%	3%
Equity	-	35
Fixed income	99	47
Other	1	15
	<u>100%</u>	<u>100%</u>

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019, as detailed below:

		2020					
Investment Type	Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedge fund	Invests in diversified alternative investment strategies.	1	\$ 52,172	N/A	\$ -	No liquidity	No liquidity
		<u>1</u>	<u>\$ 52,172</u>		<u>\$ -</u>		
		2019					
Investment Type	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-U.S. 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.	1	1,016,654	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 - CONTINUED

June 30, 2020 and 2019

***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 \$7,056,958 and \$6,114,866 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, NRDC’s obligations under the 457(b) plan totaled \$2,811,325 and \$2,756,412, respectively, and are reported separately as part of both investments and 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.

As of June 30, 2020 and 2019, 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.

	2020	2019
Fixed-income mutual funds	\$ 876,340	\$ 858,464
Equity mutual funds	1,158,495	1,183,917
Blended mutual funds	776,490	714,031
	<u>\$ 2,811,325</u>	<u>\$ 2,756,412</u>

**NOTE 9 - DEBT OBLIGATIONS**

***Bank Line of Credit***

NRDC converted its Bank Revolving Credit Loan into a line of credit during fiscal 2019, payable July 2022. At June 30, 2020, borrowings bore interest at a rate of 0.52%, which is calculated using the 1-month London Interbank Offered Rate (“LIBOR”) plus an applicable margin of 0.35%. The line of credit, if not renewed, expires July 31, 2022. At June 30, 2020 and 2019, NRDC had a balance of \$7,213,262 and \$7,213,262, respectively, due under this line of credit.

NRDC established a bank revolving credit facility for \$30,000,000 on June 3, 2020. The facility has an unused commitment fee of 0.25% determined on the basis of the unused amount. There were no amounts drawn on the facility at June 30, 2020.

***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 located at 40 West 20th Street, New York, New York.

**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

Bonds payable consist of the following at June 30, 2020 and 2019:

	2020	2019
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 \$373,337 in 2020 and \$222,472 in 2019)	<u>\$ 9,056,413</u>	<u>\$ 9,461,725</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, 2020.

Scheduled annual principal payments are as follows:

Year ending June 30,	
2021	\$ 360,000
2022	375,000
2023	390,000
2024	405,000
2025	425,000
Thereafter	7,474,750
	9,429,750
Less: unamortized bond issuance costs	(373,337)
Total bonds payable, net	\$ 9,056,413

Interest expense totaling \$606,705 and \$623,515 for the years ended June 30, 2020 and 2019, 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. Moreover, NRDC incurred an additional \$180,977 of bond issuance costs in 2020 which have been capitalized and are being amortized over 5 years and are offset against bonds payable on the accompanying consolidated balance sheets. At June 30, 2020 and 2019, \$373,337 and \$222,472, 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. Details relating to the remaining swap in force follow:

	2020					
Counterparty	Issue Date	Effective Date	Expiration Date	Remaining Notional Amount	Swap Fixed Rate	Fair Value of Swap at June 30, 2020
Bank of America, N.A.	1/17/2008	1/24/2008	3/1/2038	\$ 9,430,000	3.639%	\$ (2,898,155)

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

2019						
Counterparty	Issue Date	Effective Date	Expiration Date	Remaining Notional Amount	Swap Fixed Rate	Fair Value of Swap at June 30, 2019
Bank of America, N.A.	1/17/2008	1/24/2008	3/1/2038	\$ 9,970,000	3.639%	\$ (2,049,522)

  

Fair Value						
Fair Value at June 30, 2020	Fair Value at June 30, 2019	Consolidated Balance Sheet Location	Change in Value Interest-Rate Swap Agreement		Consolidated Statement of Activities Location	Level Within Fair Value Hierarchy
			June 30, 2020	June 30, 2019		
\$ (2,898,155)	\$ (2,049,522)	Interest-rate swap agreement (liabilities)	\$ (848,634)	\$ (689,884)	Change in value of interest-rate swap agreement (non-operating activities)	Level 2

Interest rate volatility, remaining outstanding principal and time to maturity will affect the 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.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

***Lease Obligations and Rental Income***

At June 30, 2020, 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:

Year ending June 30,	Amount
2021	\$ 5,032,037
2022	4,916,153
2023	4,578,921
2024	4,698,243
2025	5,109,463
Thereafter	35,837,302
	<u>\$ 60,172,119</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, 2020 and 2019 totaled \$6,604,770 and \$6,380,970, 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 \$98,000 through February 2019 and approximately \$123,000 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.

**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE 11 - NET ASSETS**

Net assets with donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Specific environmental programs	\$ 68,185,895	\$ 72,060,755
NRDC Action Fund, Inc.	9,865,604	8,836,972
NRDC Action Votes	1,674,995	-
Pledges receivable – upon collection will be added to the permanent endowment	3,000,000	4,000,000
Amounts held in the permanent endowment - investments	29,521,119	24,521,119
Awaiting board-appropriation for program services	12,813,409	12,058,401
Restricted only as to the passage of time	394,901	1,512,427
	\$ 125,455,923	\$ 122,989,673

Net assets of \$92,717,977 and \$77,181,993 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, 2020 and 2019, respectively. The details of the net assets released from restrictions are as follows:

	2020	2019
Memberships and individual contributions - program services	\$ 30,613,694	\$ 27,478,389
Foundation grant - program services	46,751,856	39,498,030
NRDC Action Fund, Inc.	11,143,234	7,789,700
NRDC Limited	-	653,501
NRDC Action Votes	604,086	-
Investment return appropriated for program services	1,200,854	1,460,397
Court awarded fees and settlements	1,544,330	-
Fundraising events (litigation)	366,302	5,731
Other	493,621	296,245
	\$ 92,717,977	\$ 77,181,993

***Restricted Net Assets***

Net assets held in perpetuity at June 30, 2020 and 2019 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 pledges receivable totaling \$3,000,000 and \$4,000,000 as of June 30, 2020 and 2019, respectively.

**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE 12 - IN-KIND CONTRIBUTIONS**

During fiscal 2020 and 2019, NRDC received donated legal, consulting, and other services and goods at fair value as follows:

	2020	2019
Legal services	\$ 4,140,391	\$ 5,476,170
Consulting services	42,936	36,652
Goods and other services	508,572	315,293
	\$ 4,691,899	\$ 5,828,115

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

**NOTE 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 consolidated statements of activities.

During the years ended June 30, 2020 and 2019, NRDC allocated joint costs for such informational materials and activities as follows:

	2020	2019
Clean Energy Future	\$ 1,064,781	\$ 549,602
International	106,123	202,998
Sustainable communities	266,007	577,588
Wildlife and wildlands	2,485,316	2,918,157
Membership services	8,068	58,640
Fundraising	2,356,228	2,919,568
	\$ 6,286,523	\$ 7,226,553

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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

Included in the accompanying consolidated balance sheets at June 30, 2020 and 2019 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to NRDC Action Fund, Inc.:

	2020	2019
<b>Balance sheets as of June 30:</b>		
Assets	\$ 14,586,533	\$ 9,441,463
Liabilities	(4,720,929)	(604,491)
Net assets with donor restrictions	<u>\$ 9,865,604</u>	<u>\$ 8,836,972</u>
<b>Statements of activities for years ended June 30:</b>		
Revenues - contributions	\$ 14,335,542	\$ 15,232,641
Revenues - in-kind donations	56,324	30,776
Total revenue	<u>14,391,866</u>	<u>15,263,417</u>
Expenses:		
Program services:		
Clean energy future	7,724,604	4,957,094
Wildlife and wildlands	1,065,768	14,216
Sustainable communities	2,161,633	469,992
Total program services	<u>10,952,005</u>	<u>5,441,302</u>
Supporting services:		
Management and general	805,385	403,978
Fundraising	1,605,844	1,944,419
Total supporting services	<u>2,411,229</u>	<u>2,348,397</u>
Total expenses	<u>13,363,234</u>	<u>7,789,699</u>
Change in net assets	1,028,632	7,473,718
Net assets with donor restrictions, beginning of year	<u>8,836,972</u>	<u>1,363,254</u>
Net assets with donor restrictions, end of year	<u>\$ 9,865,604</u>	<u>\$ 8,836,972</u>



**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE 15 - NRDC LIMITED**

Included in the accompanying consolidated balance sheets at June 30, 2020 and 2019 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to NRDC Limited:

	2020	2019
<b>Balance sheets as of June 30:</b>		
Assets	\$ 882	\$ 882
Liabilities	(55,503)	(55,503)
Net assets - with donor restrictions	\$ (54,621)	\$ (54,621)
<b>Statements of activities for years ended June 30:</b>		
Revenues - contributions	\$ -	\$ 643,044
Revenues - in-kind donations	-	10,458
Total revenue	-	653,502
Expenses:		
Program services:		
International	-	661,836
Clean energy future	-	-
Total program services	-	661,836
Total expenses	-	661,836
Change in net assets	-	(8,334)
Net assets with donor restrictions, beginning of year	(54,621)	(46,287)
Net assets with donor restrictions, end of year	\$ (54,621)	\$ (54,621)

**Natural Resources Defense Council, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE 16 - NRDC ACTION VOTES**

Included in the accompanying consolidated balance sheet at June 30, 2020 and the accompanying consolidated statement of activities for the year then ended are the following amounts pertaining to NRDC Action Votes:

	2020
<b>Balance sheets as of June 30:</b>	
Assets	\$ 1,709,695
Liabilities	(34,700)
Net assets with donor restrictions	\$ 1,674,995
<b>Statements of activities for years ended June 30:</b>	
Revenues – contributions	\$ 2,220,093
Revenues - in-kind donations	58,988
Total revenue	2,279,081
Expenses:	
Program services:	
Clean energy future	545,014
Wildlife and wildlands	-
Sustainable communities	-
Total program services	545,014
Supporting services:	
Management and general	59,072
Fundraising	-
Total supporting services	59,072
Total expenses	604,086
Change in net assets	1,674,995
Net assets with donor restrictions, beginning of year	-
Net assets with donor restrictions, end of year	\$ 1,674,995

**SUPPLEMENTAL SCHEDULES**

Natural Resources Defense Council, Inc.

**SUPPLEMENTAL SCHEDULE - UNCONSOLIDATED SCHEDULE OF ACTIVITIES  
(EXCLUDING NRDC ACTION FUND, INC., NRDC LIMITED AND NRDC ACTION VOTES)**

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Memberships and individual contributions	\$ 92,515,300	\$ 32,013,113	\$ 124,528,413
Foundation grants	2,389,427	46,582,955	48,972,382
Bequests	13,300,155	397,986	13,698,141
In-kind contributions	4,576,587	-	4,576,587
Awarded attorneys fees	1,800,296	2,866,667	4,666,963
Investment return appropriated for operations	250,000	1,200,854	1,450,854
Investment return from operating reserves	137,099	-	137,099
Other revenue	2,233,454	-	2,233,454
Net assets released from restrictions	82,567,657	(82,567,657)	-
Total revenues	<u>199,769,975</u>	<u>493,918</u>	<u>200,263,893</u>
<b>EXPENSES</b>			
Program services:			
Clean energy future	42,403,194	-	42,403,194
International	22,004,341	-	22,004,341
Wildlife and wildlands	28,489,006	-	28,489,006
Sustainable communities	55,155,920	-	55,155,920
Membership services	3,259,193	-	3,259,193
Total program services	<u>151,311,654</u>	<u>-</u>	<u>151,311,654</u>
Supporting services:			
Management and general	16,194,271	-	16,194,271
Fundraising	15,121,512	-	15,121,512
Member recruitment	3,865,378	-	3,865,378
Total supporting services	<u>35,181,161</u>	<u>-</u>	<u>35,181,161</u>
Total expenses	<u>186,492,815</u>	<u>-</u>	<u>186,492,815</u>
Changes in net assets from operating activities, before transfers	<u>13,277,160</u>	<u>493,918</u>	<u>13,771,078</u>
Transfer to operations from board-designated endowment for capital-related expenditures and pension expense	<u>7,600,000</u>	<u>-</u>	<u>7,600,000</u>
Changes in net assets from operating activities, after transfers	<u>20,877,160</u>	<u>493,918</u>	<u>21,371,078</u>
<b>NON-OPERATING ACTIVITIES</b>			
Investment gains, net of amounts appropriated for operations	8,125,497	386,229	8,511,726
Change in value of interest-rate swap agreement	(848,634)	-	(848,634)
Pension related activity other than net periodic pension expense and service costs	(2,273,924)	-	(2,273,924)
Transfer from board-designated endowment to operations for capital-related expenditures and pension expense	(7,600,000)	-	(7,600,000)
Change in value of split-interest agreements	1,002,067	(1,117,525)	(115,458)
Changes in net assets	<u>19,282,166</u>	<u>(237,378)</u>	<u>19,044,788</u>
Net assets, beginning of year	<u>253,322,651</u>	<u>114,152,703</u>	<u>367,475,354</u>
Net assets, end of year	<u>\$ 272,604,817</u>	<u>\$ 113,915,325</u>	<u>\$ 386,520,142</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, 2020

	NRDC	NRDC Action Fund	NRDC LTD	NRDC Action Votes	Subtotal	Eliminations	Total
<b>REVENUES</b>							
Memberships and individual contributions	\$ 124,528,413	\$ 10,577,407	\$ -	\$ 2,220,093	\$ 137,325,913	\$ (3,817,000)	\$ 133,508,913
Foundation grants	48,972,382	3,639,914	-	-	52,612,296	-	52,612,296
Bequests	13,698,141	-	-	-	13,698,141	-	13,698,141
In-kind contributions	4,576,587	56,324	-	58,988	4,691,899	-	4,691,899
Awarded attorneys fees	4,666,963	-	-	-	4,666,963	-	4,666,963
Investment return appropriated for operations	1,450,854	-	-	-	1,450,854	-	1,450,854
Investment return from operating reserves	137,099	-	-	-	137,099	-	137,099
Other revenue	2,233,454	118,221	-	-	2,351,675	-	2,351,675
Total revenues	<u>200,263,893</u>	<u>14,391,866</u>	<u>-</u>	<u>2,279,081</u>	<u>216,934,840</u>	<u>(3,817,000)</u>	<u>213,117,840</u>
<b>EXPENSES</b>							
Program services:							
Clean energy future	42,403,194	7,724,604	-	545,014	50,672,812	(2,183,224)	48,489,588
International	22,004,341	-	-	-	22,004,341	(237,330)	21,767,011
Wildlife and wildlands	28,489,006	1,065,768	-	-	29,554,774	(545,393)	29,009,381
Sustainable communities	55,155,920	2,161,633	-	-	57,317,553	(850,890)	56,466,663
Membership services	3,259,193	-	-	-	3,259,193	(163)	3,259,030
Total program services	<u>151,311,654</u>	<u>10,952,005</u>	<u>-</u>	<u>545,014</u>	<u>162,808,673</u>	<u>(3,817,000)</u>	<u>158,991,673</u>
Supporting services:							
Management and general	16,194,271	805,385	-	59,072	17,058,728	-	17,058,728
Fundraising	15,121,512	1,605,844	-	-	16,727,356	-	16,727,356
Member recruitment	3,865,378	-	-	-	3,865,378	-	3,865,378
Total supporting services	<u>35,181,161</u>	<u>2,411,229</u>	<u>-</u>	<u>59,072</u>	<u>37,651,462</u>	<u>-</u>	<u>37,651,462</u>
Total expenses	<u>186,492,815</u>	<u>13,363,234</u>	<u>-</u>	<u>604,086</u>	<u>200,460,135</u>	<u>(3,817,000)</u>	<u>196,643,135</u>
Changes in net assets before non-operating activities, before transfers	<u>13,771,078</u>	<u>1,028,632</u>	<u>-</u>	<u>1,674,995</u>	<u>16,474,705</u>	<u>-</u>	<u>16,474,705</u>
Transfer to operations from board-designated endowment for capital-related expenditures and pension expense	<u>7,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,600,000</u>	<u>-</u>	<u>7,600,000</u>
Changes in net assets before non-operating activities, after transfers	<u>21,371,078</u>	<u>1,028,632</u>	<u>-</u>	<u>1,674,995</u>	<u>24,074,705</u>	<u>-</u>	<u>24,074,705</u>
<b>NON-OPERATING ACTIVITIES</b>							
Investment gains, net of amounts appropriated for operations	8,511,726	-	-	-	8,511,726	-	8,511,726
Change in value of interest-rate swap agreement	(848,634)	-	-	-	(848,634)	-	(848,634)
Pension related activity other than net periodic pension expense and service costs	(2,273,924)	-	-	-	(2,273,924)	-	(2,273,924)
Transfer from board-designated endowment to operations for capital-related expenditures and pension expense	(7,600,000)	-	-	-	(7,600,000)	-	(7,600,000)
Change in value of split-interest agreements	(115,458)	-	-	-	(115,458)	-	(115,458)
Total non-operating activities	<u>(2,326,290)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,326,290)</u>	<u>-</u>	<u>(2,326,290)</u>
Changes in net assets	<u>19,044,788</u>	<u>1,028,632</u>	<u>-</u>	<u>1,674,995</u>	<u>21,748,415</u>	<u>-</u>	<u>21,748,415</u>
Net assets, beginning of year	<u>367,475,354</u>	<u>8,836,972</u>	<u>(54,621)</u>	<u>-</u>	<u>376,257,705</u>	<u>-</u>	<u>376,257,705</u>
Net assets, end of year	<u>\$ 386,520,142</u>	<u>\$ 9,865,604</u>	<u>\$ (54,621)</u>	<u>\$ 1,674,995</u>	<u>\$ 398,006,120</u>	<u>\$ -</u>	<u>\$ 398,006,120</u>

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