

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.

June 30, 2017 and 2016

NATURAL RESOURCES DEFENSE COUNCIL, INC.

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Consolidated Financial Statements:	
Consolidated Balance Sheets as of June 30, 2017 and 2016	3
Consolidated Statement of Activities for the year ended June 30, 2017	4
Consolidated Statement of Activities for the year ended June 30, 2016	5
Consolidated Statements of Cash Flows for the years ended June 30, 2017 and 2016	6
Notes to Consolidated Financial Statements	7 - 33
Supplemental Schedules:	
Unconsolidated Schedule of Activities for the year ended June 30, 2017	35
Consolidated Schedule of Functional Expenses for the year ended June 30, 2017	36



Grant Thornton LLP
757 Third Avenue, 9th Floor
New York, NY 10017
T 212.599.0100
F 212.370.4520
GrantThornton.com
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of Natural Resources Defense Council, Inc., which include the NRDC Action Fund, Inc. and NRDC Limited (collectively, "NRDC"), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Natural Resources Defense Council, Inc., which include the NRDC Action Fund, Inc. and NRDC Limited as of June 30, 2017 and 2016, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the years ended June 30, 2017 and 2016 taken as a whole. The Unconsolidated Schedule of Activities and the Consolidated Schedule of Functional Expenses for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



New York, New York
December 4, 2017

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Balance Sheets
As of June 30, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	\$ 73,324,966	\$ 19,935,259
Contributions and grants receivable, net	19,579,112	23,657,925
Prepaid expenses and other assets	5,987,704	6,315,897
Investments	213,578,293	193,306,052
Investments pertaining to deferred compensation plan	2,454,101	2,281,696
Investments in split-interest agreements	19,913,302	20,147,309
Fixed assets, net	35,011,569	38,925,069
Total assets	<u>\$ 369,849,047</u>	<u>\$ 304,569,207</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 13,984,566	\$ 13,946,722
Deferred rent	3,914,895	3,394,231
Bank revolving credit loan	7,576,956	7,940,650
Interest-rate swap agreements	2,067,497	3,413,223
Bonds payable, net	10,082,695	10,375,682
Obligations under deferred compensation plan	2,454,101	2,281,696
Defined benefit plan obligation	8,527,929	10,567,188
Split-interest agreements:		
Charitable gift annuities and CRUT - payable to annuitants	12,476,733	13,089,751
Pooled life income funds - deferred revenue	417,507	335,053
Total liabilities	<u>61,502,879</u>	<u>65,344,196</u>
 Commitments and contingencies		
 NET ASSETS		
Unrestricted	211,414,013	154,361,401
Temporarily restricted	77,828,854	64,760,309
Permanently restricted	19,103,301	20,103,301
Total net assets	<u>308,346,168</u>	<u>239,225,011</u>
Total liabilities and net assets	<u>\$ 369,849,047</u>	<u>\$ 304,569,207</u>

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Statement of Activities
For the year ended June 30, 2017

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

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Statement of Activities
For the year ended June 30, 2016

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
REVENUES						
Memberships and individual contributions	\$ 53,793,343	\$ 1,302,545	\$ 55,095,888	\$ 28,806,324	\$ 5,000	\$ 83,907,212
Foundation grants	1,197,050	-	1,197,050	37,007,628	-	38,204,678
Government grants	208,644	-	208,644	-	-	208,644
Bequests	-	7,548,232	7,548,232	1,000,000	92,394	8,640,626
In-kind contributions	4,116,643	-	4,116,643	72,849	-	4,189,492
Awarded attorneys fees	981,848	-	981,848	98,919	-	1,080,767
Investment return appropriated for operations	-	3,973,502	3,973,502	1,314,498	-	5,288,000
Investment return from operating reserves	855,227	-	855,227	-	-	855,227
Other revenue	857,057	-	857,057	-	-	857,057
Net assets released from restrictions	76,965,080	(8,443,352)	68,521,728	(68,521,728)	-	-
Total revenues	<u>138,974,892</u>	<u>4,380,927</u>	<u>143,355,819</u>	<u>(221,510)</u>	<u>97,394</u>	<u>143,231,703</u>
EXPENSES						
Program services:						
Clean energy future	59,286,781	-	59,286,781	-	-	59,286,781
Revive our oceans	6,666,110	-	6,666,110	-	-	6,666,110
Protect our health	13,635,417	-	13,635,417	-	-	13,635,417
Wildlife and wildlands	15,314,570	-	15,314,570	-	-	15,314,570
Safe and sufficient water	6,982,138	-	6,982,138	-	-	6,982,138
Sustainable communities	13,834,323	-	13,834,323	-	-	13,834,323
Membership services	3,162,880	-	3,162,880	-	-	3,162,880
Total program services	<u>118,882,219</u>	<u>-</u>	<u>118,882,219</u>	<u>-</u>	<u>-</u>	<u>118,882,219</u>
Supporting services:						
Management and general	11,080,520	-	11,080,520	-	-	11,080,520
Fundraising	6,511,546	-	6,511,546	-	-	6,511,546
Member recruitment	3,886,797	-	3,886,797	-	-	3,886,797
Total supporting services	<u>21,478,863</u>	<u>-</u>	<u>21,478,863</u>	<u>-</u>	<u>-</u>	<u>21,478,863</u>
Total expenses	<u>140,361,082</u>	<u>-</u>	<u>140,361,082</u>	<u>-</u>	<u>-</u>	<u>140,361,082</u>
Changes in net assets before non-operating activities	<u>(1,386,190)</u>	<u>4,380,927</u>	<u>2,994,737</u>	<u>(221,510)</u>	<u>97,394</u>	<u>2,870,621</u>
NON-OPERATING ACTIVITIES						
Investment loss, net of amounts appropriated for operations	-	(4,628,711)	(4,628,711)	(1,468,042)	-	(6,096,753)
Change in value of interest-rate swap agreements	-	(817,573)	(817,573)	-	-	(817,573)
Pension related activity other than net periodic pension expense	-	(2,762,051)	(2,762,051)	-	-	(2,762,051)
Change in value of split-interest agreements	8,508	(706,016)	(697,508)	(822)	-	(698,330)
Total non-operating activities	<u>8,508</u>	<u>(8,914,351)</u>	<u>(8,905,843)</u>	<u>(1,468,864)</u>	<u>-</u>	<u>(10,374,707)</u>
Changes in net assets	<u>(1,377,682)</u>	<u>(4,533,424)</u>	<u>(5,911,106)</u>	<u>(1,690,374)</u>	<u>97,394</u>	<u>(7,504,086)</u>
Net assets, beginning of year	<u>15,790,718</u>	<u>144,481,789</u>	<u>160,272,507</u>	<u>66,450,683</u>	<u>20,005,907</u>	<u>246,729,097</u>
Net assets, end of year	<u>\$ 14,413,036</u>	<u>\$ 139,948,365</u>	<u>\$ 154,361,401</u>	<u>\$ 64,760,309</u>	<u>\$ 20,103,301</u>	<u>\$ 239,225,011</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 69,121,157	\$ (7,504,086)
Adjustments to reconcile changes in net asset to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,174,409	2,739,955
Amortization of bond issuance costs	12,014	12,015
Change in value of interest-rate swap agreements	(1,345,726)	817,573
Contributions for permanently restricted endowment	-	(97,394)
Change in provision for uncollectible contributions receivable	(9,329)	(109,134)
Change in discount allowance for contributions receivable	(85,176)	(61,152)
Net realized and unrealized (appreciation) depreciation in fair value of investments	(20,810,555)	587,171
Change in operating assets and liabilities:		
Contributions and grants receivable	4,173,318	(3,198,609)
Prepaid expenses and other assets	2,636,143	(2,178,680)
Investments pertaining to deferred compensation plan	(172,405)	66,927
Investments in and obligations under split-interest agreements	1,278,099	2,006,728
Accounts payable and accrued expenses	371,900	(401,651)
Deferred rent	520,664	156,256
Obligations under deferred compensation plan	172,405	(66,927)
Defined benefit plan obligation	<u>(2,039,259)</u>	<u>2,737,990</u>
Net cash provided by (used in) operating activities	<u>56,997,659</u>	<u>(4,493,018)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(88,226,860)	(79,022,049)
Proceeds from sales of investments	88,765,174	78,388,483
Purchases of fixed assets	<u>(1,902,915)</u>	<u>(4,657,765)</u>
Net cash used in investing activities	<u>(1,364,601)</u>	<u>(5,291,331)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for permanently restricted endowment	-	97,394
Repayment on revolving credit loan	(363,694)	(363,693)
Principal payment on bonds payable	(305,001)	(289,589)
Payments to beneficiaries under split-interest agreements	<u>(1,574,656)</u>	<u>(1,643,199)</u>
Net cash used in financing activities	<u>(2,243,351)</u>	<u>(2,199,087)</u>
Net increase (decrease) in cash and cash equivalents	53,389,707	(11,983,436)
Cash and cash equivalents, beginning of year	<u>19,935,259</u>	<u>31,918,695</u>
Cash and cash equivalents, end of year	<u>\$ 73,324,966</u>	<u>\$ 19,935,259</u>
Supplemental information:		
Cash paid for interest on indebtedness	<u>\$ 731,623</u>	<u>\$ 758,555</u>
Purchases of property and equipment in accounts payable	<u>\$ 185,668</u>	<u>\$ 519,724</u>
Completion of tenant improvement reclassified as deferred rent	<u>\$ 2,307,950</u>	<u>\$ -</u>

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

1. NATURE OF OPERATIONS

Natural Resources Defense Council, Inc. (“NRDC”) is a national nonprofit organization dedicated to protecting the world’s natural resources and ensuring a safe and healthy environment for all people. NRDC’s staff of about 590 includes lawyers, scientists, and other environmental specialists working to safeguard the Earth.

Formed in 1970, NRDC has tackled the most serious environmental threats of the past four decades - climate change, dying rivers, over-logged forests, toxins in our communities -- and emerged with innovative, enforceable solutions that continue to protect both nature and human society. In the process, NRDC’s staff has grown from a small group of lawyers into a leading champion of the environment, wielding a potent combination of courtroom prowess, scientific expertise, policy influence, media outreach, and the grassroots energy of about 3 million concerned members and online activists

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

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

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

NRDC Action Fund, Inc. (“Action Fund”) commenced operations during fiscal 1997. The Action Fund is a 501(c)(4) organization that is an affiliate of Natural Resources Defense Council, Inc.

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

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

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Net Assets

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

Unrestricted net assets - include funds that have not been restricted by an outside donor and are therefore available for use in carrying out the general operations of NRDC. Unrestricted net assets may be designated for specific purposes by actions of the Board of Trustees.

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

Permanently restricted net assets - include funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity. Income earned is generally available for expenditure according to donor-imposed restrictions, if any (see Note 4).

Contributions and Grants

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

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

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

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

received (see Note 12). A number of unpaid volunteers have made significant contributions of their time in furtherance of NRDC's programs. The value of this contributed time is not reflected in the accompanying consolidated financial statements since it does not meet the criteria for recognition.

Investments

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

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

NRDC's investment objectives are to preserve the principal value, in both absolute as well as real terms, and to maximize, over the long-term, the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, NRDC's Board of Trustees has adopted a spending policy which allows for up to 5% of the average fair value of endowment funds, calculated at December 31st of the twelve preceding calendar-year quarters to be used in support of operations on an annual basis. The spending policy is reviewed and the actual amount designated for spending is determined annually. For fiscal 2017 and 2016, the spending amounts approved totaled \$1,792,401 and \$5,288,000, respectively. For fiscal 2017 and 2016, additional special appropriations from NRDC's reserves totaled \$3,168,475 and \$5,150,000, respectively, and are included as part of net assets released from restrictions in the accompanying statements of activities.

Cash and Cash Equivalents

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

Split-Interest Agreements

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

Under NRDC's charitable remainder unitrusts and charitable gift annuities programs where NRDC is the trustee, liabilities are recorded for the present or fair value of the estimated future payments expected to be

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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

Fixed Assets

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

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

Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter.

Measure of Operations

Included in unrestricted operating activities are revenues and expenses used for the general support of NRDC's program and supporting services, including amounts appropriated for expenditure under the Board-approved spending policy. These funds provide for the salaries and benefits for staff, costs of publications and other normal business functions such as telephone and rent.

Non-operating activities include: (1) planned giving funds, (2) investment return designated for long-term investment, in excess of (less than) amounts used for operations, (3) changes in values of split-interest agreements and interest-rate swap agreements, (4) pension related activities other than net periodic pension expense, and (5) other items considered to be unusual or nonrecurring in nature.

Expenses

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

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant estimates include the valuation of non-exchange traded alternative investments and

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

interest-rate swap agreements, the collection of contributions receivable and actuarial assumptions related to the defined benefit pension plan and obligations due under split-interest agreements. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In April 2015, the FASB issued Accounting Standard Update (“ASU”) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The ASU requires that deferred bond issuance costs be presented net of related debt on the balance sheet. The ASU is effective for fiscal years beginning after December 15, 2015. Management adopted this ASU, effective for the year ended June 30, 2017 and has applied the guidance retroactively for all periods presented. Bond issuance costs continue to be amortized over the lives of the respective bonds to which they pertain.

Fair Value of Financial Instruments

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

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

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

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

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

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

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

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the respective financial instrument as of the measurement date. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnerships and similar interests.

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

Income Taxes

NRDC follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. NRDC has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered uncertain tax positions. This standard had no impact on NRDC's 2017 and 2016 consolidated financial statements. NRDC does not believe its 2017 and 2016 consolidated financial statements include any material uncertain tax positions.

Concentrations of Credit Risk

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

Subsequent Events

NRDC evaluated its June 30, 2017 consolidated financial statements for subsequent events through December 4, 2017, the date the consolidated financial statements were issued. NRDC is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

3. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net, at June 30, 2017 and 2016 are expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Amounts expected to be collected in:		
One year or less	\$ 16,451,346	\$ 16,845,556
Between one and five years	<u>3,571,347</u>	<u>7,350,455</u>
	20,022,693	24,196,011
Less: discount to present value (at rates ranging from 1.65% to 3.63%)	(117,875)	(203,051)
Less: allowance for uncollectible accounts	<u>(325,706)</u>	<u>(335,035)</u>
	<u>\$ 19,579,112</u>	<u>\$ 23,657,925</u>

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

4. ENDOWMENT

In accordance with the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), NRDC applies a standard of prudence and considers the following factors, prescribed by NYPMIFA, in making a determination to appropriate for expenditure or to accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of NRDC and its donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and appreciation of endowment investments;
- (6) Other resources of NRDC;
- (7) The investment policies of NRDC; and,
- (8) Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on NRDC.

NRDC's endowment consists of 55 individual funds (26 permanently restricted, 15 temporarily restricted and 14 quasi-endowments) and is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support a variety of purposes, including funding its program and administrative operating costs. It also includes funds designated by NRDC's Board of Trustees to function as an endowment (quasi-endowment). Net assets associated with endowment

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

funds, including funds designated by NRDC's Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. In addition, NRDC also holds certain reserve and sinking funds that are expected to be spent down over time, are tracked and managed outside of the endowment and will be used principally for program purposes. These funds are not classified as part of the quasi-endowment.

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

Endowment net asset composition by type of fund as of June 30, 2017 and 2016 is as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 9,957,763	\$ 19,103,301	\$ 29,061,064
Board-designated funds	<u>151,664,683</u>	<u>-</u>	<u>-</u>	<u>151,664,683</u>
	<u>\$ 151,664,683</u>	<u>\$ 9,957,763</u>	<u>\$ 19,103,301</u>	<u>\$ 180,725,747</u>

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 8,264,044	\$ 20,103,301	\$ 28,367,345
Board-designated funds	<u>127,278,301</u>	<u>-</u>	<u>-</u>	<u>127,278,301</u>
	<u>\$ 127,278,301</u>	<u>\$ 8,264,044</u>	<u>\$ 20,103,301</u>	<u>\$ 155,645,646</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires NRDC to retain as a fund of permanent duration. In accordance with US GAAP, such amounts are charged to unrestricted net assets. Subsequent investment earnings on such funds which restore the fair value of individual endowment funds back to their original corpus value or the amount required to be maintained by law are reported in unrestricted net assets, with earnings in excess of this amount reported in temporarily restricted net assets. As of June 30, 2017 and 2016, there were no endowment funds below their historical dollar value.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 127,278,301	\$ 8,264,044	\$ 20,103,301	\$ 155,645,646
Investment return:				
Dividends and interest	1,085,529	215,397	-	1,300,926
Investment fees	(1,150,236)	(224,213)	-	(1,374,449)
Net realized and unrealized gains	16,059,735	3,028,121	-	19,087,856
Total investment return	15,995,028	3,019,305	-	19,014,333
Contributions	7,748,553	33,041	-	7,781,594
Reclassification of donor intent	-	-	(1,000,000)	(1,000,000)
Terminations of planned giving arrangements	1,076,575	-	-	1,076,575
Appropriation of endowment net assets for expenditure - spending policy	(433,774)	(1,358,627)	-	(1,792,401)
Endowment net assets, end of year	<u>\$ 151,664,683</u>	<u>\$ 9,957,763</u>	<u>\$ 19,103,301</u>	<u>\$ 180,725,747</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 124,332,934	\$ 8,729,435	\$ 20,005,907	\$ 153,068,276
Investment return:				
Dividends and interest	1,052,054	222,109	-	1,274,163
Investment fees	(1,171,507)	(236,775)	-	(1,408,282)
Net realized and unrealized loss	(616,851)	(142,757)	-	(759,608)
Total investment return	(736,304)	(157,423)	-	(893,727)
Contributions	7,548,538	1,006,530	97,394	8,652,462
Terminations of planned giving arrangements	106,635	-	-	106,635
Appropriation of endowment net assets for expenditure - spending policy	(3,973,502)	(1,314,498)	-	(5,288,000)
Endowment net assets, end of year	<u>\$ 127,278,301</u>	<u>\$ 8,264,044</u>	<u>\$ 20,103,301</u>	<u>\$ 155,645,646</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

5. INVESTMENTS

As of June 30, 2017 and 2016, NRDC's investments, at fair value, consist of the following:

	2017		
	Level 1	Net Asset Value ^(a)	Total
Endowment:			
Money market funds	\$ 19,244,806	\$ -	\$ 19,244,806
Equity mutual funds	67,746,029	-	67,746,029
Fixed income mutual funds	2,681,497	-	2,681,497
Corporate bonds	11,431,511	-	11,431,511
Common stocks	39,945,531	-	39,945,531
Venture capital	-	39,827	39,827
Hedge funds	-	34,194,918	34,194,918
Private equities	-	2,202,053	2,202,053
	<u>141,049,374</u>	<u>36,436,798</u>	<u>177,486,172</u>
Reserves, special funds and other:			
Money market funds	112,090	-	112,090
Corporate bonds	21,544,394	-	21,544,394
Equity mutual funds	11,196,062	-	11,196,062
	<u>32,852,546</u>	<u>-</u>	<u>32,852,546</u>
Total investments, at fair value	<u>\$ 173,901,920</u>	<u>\$ 36,436,798</u>	<u>210,338,718</u>
Redemption receivable - endowment			<u>3,239,575</u>
Total investments			<u>\$ 213,578,293</u>
2016			
	Level 1	Net Asset Value ^(a)	Total
Endowment:			
Money market funds	\$ 3,657,128	\$ -	\$ 3,657,128
Equity mutual funds	34,483,420	-	34,483,420
Fixed income mutual funds	16,349,732	-	16,349,732
Corporate bonds	10,797,485	-	10,797,485
Common stocks	5,397,640	-	5,397,640
Developed ex-Fossil Fuels Index fund	-	42,274,922	42,274,922
Venture capital	-	44,108	44,108
Hedge funds	-	40,049,938	40,049,938
Private equities	-	2,591,273	2,591,273
	<u>70,685,405</u>	<u>84,960,241</u>	<u>155,645,646</u>
Reserves, special funds and other:			
Money market funds	585,651	-	585,651
U.S. government obligations	1,400,334	-	1,400,334
Corporate bonds	19,461,461	-	19,461,461
Equity mutual funds	16,212,960	-	16,212,960
	<u>37,660,406</u>	<u>-</u>	<u>37,660,406</u>
Total investments	<u>\$ 108,345,811</u>	<u>\$ 84,960,241</u>	<u>\$ 193,306,052</u>

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016, as detailed below.

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

2016							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Developed ex-fossil fuels index fund	Seeks to track the FTSE Developed ex-Korea ex-Fossil Fuel Net Tax Index.	1	\$ 42,274,922	NA	\$ -	Daily redemption with 2 days notice	None
Venture capital	Equity in environmental consulting services.	1	44,108	NA	62,500	No liquidity	No liquidity
Hedge funds	Engages in multiple strategies, including domestic and global credit and event driven investing, futures and forwards.	4	40,049,938	NA	-	2 funds quarterly, 1 fund annual, and 1 fund monthly	3 funds have gates
Private equities	Private equity with a focus on renewables and alternative energy.	3	2,591,273	2 funds with 2 years remaining, 1 fund with 3 years remaining	355,825	No liquidity	No liquidity
Total		9	\$ 84,960,241		\$ 418,325		

NRDC has committed to investing additional amounts with certain private equity and venture capital funds. As of June 30, 2017, NRDC has a remaining commitment to invest an additional \$295,000. Such commitments are expected to be fulfilled during fiscal 2018.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Investment return for the years ended June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 1,979,838	\$ 2,129,390
Investment fees	(1,566,574)	(1,495,744)
Realized and unrealized (loss) gains	<u>20,810,555</u>	<u>(587,171)</u>
Total return on investments	<u>\$ 21,223,819</u>	<u>\$ 46,475</u>

The above table excludes charitable gift annuity investment return/(loss) amounting \$1,248,263 for the year ended June 30, 2017 and (\$37,279) for the year ended June 30, 2016, which is included in change in value of split-interest agreements on the accompanying consolidated statements of activities.

6. SPLIT-INTEREST AGREEMENTS

NRDC is the beneficiary of various split-interest agreements with donors. NRDC may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee(s)) at which time the remaining assets are generally unrestricted for NRDC's use. Under NRDC's charitable remainder trust and pooled life income fund programs, where NRDC is the trustee, NRDC has elected the fair value reporting option under ASC 825 which requires the obligation due under split-interest agreements to be measured at fair value annually based upon changes in the life expectancy of the donor or beneficiary and the discount rate at the date of measurement. Under NRDC's charitable gift annuities program, where 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, 2017 and 2016 were 2.4% and 1.8%, respectively. Discount rates used to value the charitable gift annuity split-interest agreements ranged from 1.2% to 11.6% for both fiscal 2017 and 2016. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

The following tables prioritize the inputs used to measure and report the fair value of NRDC's obligations due under charitable remainder trust and pooled life income fund programs at June 30, 2017 and 2016:

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Obligations due under charitable remainder trusts	\$ -	\$ 326,580	\$ -	\$ 326,580
Obligations due under pooled life income funds	-	417,507	-	417,507
	<u>\$ -</u>	<u>\$ 744,087</u>	<u>\$ -</u>	<u>\$ 744,087</u>
	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Obligations due under charitable remainder trusts	\$ -	\$ 330,624	\$ -	\$ 330,624
Obligations due under pooled life income funds	-	335,053	-	335,053
	<u>\$ -</u>	<u>\$ 665,677</u>	<u>\$ -</u>	<u>\$ 665,677</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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

The following table prioritizes the inputs used to report the fair value of NRDC's investments in split-interest agreements within the fair value hierarchy as of June 30, 2017:

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

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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, 2016:

	2016			
	Level 1	Level 2	Net Asset Value ^(a)	Total
Charitable gift annuities:				
Cash and cash equivalents	\$ 133,021	\$ -	\$ -	\$ 133,021
U.S. government and agency debt obligations	-	7,070,235	-	7,070,235
Corporate and other debt obligations	-	2,367,482	-	2,367,482
Common trust funds	-	-	8,521,495	8,521,495
Total	<u>133,021</u>	<u>9,437,717</u>	<u>8,521,495</u>	<u>18,092,233</u>
Charitable remainder trusts:				
Cash and cash equivalents	24,616	-	-	24,616
S&P index funds	66,687	-	-	66,687
U.S. treasury securities	-	75,850	-	75,850
Exchange traded fund	45,236	-	-	45,236
Equity mutual funds	310,237	-	-	310,237
Charitable bond common trust fund	-	-	78,431	78,431
Total	<u>446,776</u>	<u>75,850</u>	<u>78,431</u>	<u>601,057</u>
Pooled life income funds:				
Cash equivalents	6,816	-	-	6,816
Exchange traded fund	1,447,203	-	-	1,447,203
Total	<u>1,454,019</u>	<u>-</u>	<u>-</u>	<u>1,454,019</u>
Total investments	<u>\$ 2,033,816</u>	<u>\$ 9,513,567</u>	<u>\$ 8,599,926</u>	<u>\$ 20,147,309</u>

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016, as detailed below:

2017							
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Charitable Bond Common Trust Fund	Investing primarily in fixed income securities	1	\$ 84,465	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	2,141,966	N/A	-	Monthly	None
Common Trust Fund: Non Lending Fund Emerging Markets MSCI Non Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index	1	1,210,752	N/A	-	Monthly	None
Common Trust Fund: U.S. Total Market Index CTF	Approximates overall performance of the Dow Jones U.S. Total Stock Market Index	<u>1</u>	<u>4,586,932</u>	N/A	<u>-</u>	Daily	None
		<u>4</u>	<u>\$ 8,024,115</u>		<u>\$ -</u>		
2016							
Alternative Investment	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Charitable Bond Common Trust Fund	Investing primarily in fixed income securities	1	\$ 78,431	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	2,172,831	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	1,116,200	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	<u>1</u>	<u>5,232,464</u>	N/A	<u>-</u>	Daily	None
		<u>4</u>	<u>\$ 8,599,926</u>		<u>\$ -</u>		

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

The following tables summarize the changes in split-interest agreement liabilities for the years ended June 30, 2017 and 2016:

	2017		2016	
	Charitable Gift Annuities and Charitable		Charitable Gift Annuities and Charitable	
	Remainder Trusts	Pooled Life Income Fund	Remainder Trusts	Pooled Life Income Fund
	\$	\$	\$	\$
Beginning of the year	13,089,751	335,053	13,460,801	384,702
New agreements	675,962	-	600,167	-
Payments to annuitants	(1,531,289)	(43,367)	(1,592,316)	(50,883)
Change in value due to actuarial valuations	232,102	40,629	841,336	(52,137)
Investment income	-	94,138	-	62,536
Fees	-	(8,946)	-	(9,165)
Other, charitable remainder trusts activity	10,207	-	(220,237)	-
End of the year	12,476,733	417,507	13,089,751	335,053

7. FIXED ASSETS, NET

Fixed assets, net, consist of the following at June 30, 2017 and 2016:

	2017	2016
Buildings and improvements	\$ 46,337,424	\$ 46,264,685
Furniture and equipment	6,633,004	6,470,909
Computer and software	5,422,491	3,983,198
Leasehold improvements	1,107,042	1,076,108
	59,499,961	57,794,900
Less: accumulated depreciation and amortization	(25,224,401)	(22,049,992)
	34,275,560	35,744,908
Work-in-progress	736,009	3,180,161
	\$ 35,011,569	\$ 38,925,069

Work-in-progress principally represents costs incurred for renovations in the Santa Monica, New York and Chicago offices, computer network upgrade and energy improvements.

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 totaled \$3,174,409 and \$2,739,955, respectively.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016 and related actuarial assumptions and other information for the years then ended:

	<u>2017</u>	<u>2016</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 26,567,627	\$ 23,799,841
Interest cost	838,815	972,232
Assumption change	(1,485,663)	2,426,403
Actuarial gain	830,401	190,570
Benefits paid	<u>(849,983)</u>	<u>(821,419)</u>
Projected benefit obligation, end of year	<u>25,901,197</u>	<u>26,567,627</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	16,000,439	15,970,643
Actual gain/(loss) on assets	972,812	(148,785)
Employer contributions	1,250,000	1,000,000
Benefits paid	<u>(849,983)</u>	<u>(821,419)</u>
Fair value of plan assets, end of year	<u>17,373,268</u>	<u>16,000,439</u>
Funded status	<u>\$ (8,527,929)</u>	<u>\$ (10,567,188)</u>
Accumulated benefit obligation	<u>\$ 25,901,197</u>	<u>\$ 26,567,627</u>
Accumulated net loss recognized in net assets	<u>\$ 12,373,279</u>	<u>\$ 14,252,348</u>
Components of net periodic pension cost:		
Interest cost	\$ 838,815	\$ 972,232
Expected return on assets	(932,299)	(931,643)
Amortization of actuarial loss	<u>1,183,294</u>	<u>935,350</u>
Net periodic pension cost	<u>\$ 1,089,810</u>	<u>\$ 975,939</u>
Other changes recognized in unrestricted net assets:		
Actuarial (gain)/loss	\$ (695,775)	\$ 3,697,401
Amortization of actuarial loss	<u>(1,183,294)</u>	<u>(935,350)</u>
Pension related-activity other than net periodic pension cost	<u>\$ (1,879,069)</u>	<u>\$ 2,762,051</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

The amount reflected above as assumption change, which served to decrease the fiscal 2017 benefit obligation by \$1,485,663, is primarily due to an increase in the discount rate (3.28% to 3.60%) commensurate with higher long-term interest rates.

Weighted-average assumptions used to determine benefit obligations at June 30, 2017 and 2016 follow:

	<u>2017</u>	<u>2016</u>
Discount rate	3.60%	3.28%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2017 and 2016 follow:

	<u>2017</u>	<u>2016</u>
Discount rate	3.28%	4.17%
Expected return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A

Benefit payments are expected to be paid as follows:

<u>Year ending June 30th:</u>	<u>Amount</u>
2018	\$ 1,258,357
2019	1,360,544
2020	1,421,365
2021	1,441,062
2022	1,436,570
2023-2027	<u>7,481,539</u>
	<u>\$ 14,399,437</u>

NRDC expects to contribute approximately \$1,200,000 to the Plan during fiscal 2018.

The estimated actuarial loss that will be amortized into net periodic pension cost during fiscal 2018 is \$1,070,368.

Plan Assets

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

Third-party investment professionals manage NRDC's pension plan assets, rebalancing assets as NRDC deems appropriate. NRDC's investment strategy with respect to its pension plan assets is to maintain a diversified investment portfolio across several asset classes. To develop the expected long-term rate of

NATURAL RESOURCES DEFENSE COUNCIL, INC.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

return on assets assumption, NRDC considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension plan portfolio.

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, 2017 and 2016:

	2017		
	Level 1	Net Asset Value ^(a)	Total
U.S. equity funds	\$ 1,384,700	\$ 2,341,365	\$ 3,726,065
Fixed income funds	2,618,107	5,041,915	7,660,022
Short-term money market fund	-	237,372	237,372
International equity funds	-	2,548,251	2,548,251
Emerging markets equity fund	-	1,166,889	1,166,889
Real estate fund	-	1,046,991	1,046,991
Hedge fund	-	987,171	987,171
	<u>\$ 4,002,807</u>	<u>\$ 13,369,954</u>	<u>17,372,761</u>
Cash			<u>507</u>
Total pension plan investments			<u>\$ 17,373,268</u>
	2016		
	Level 1	Net Asset Value ^(a)	Total
U.S. equity funds	\$ 686,648	\$ 2,339,548	\$ 3,026,196
Fixed income funds	1,969,215	5,717,270	7,686,485
Short-term money market fund	-	1,017,860	1,017,860
International equity funds	-	1,593,198	1,593,198
Emerging markets equity fund	-	690,447	690,447
Real estate fund	-	853,151	853,151
Hedge fund	-	1,126,708	1,126,708
Private equity	-	6,317	6,317
	<u>\$ 2,655,863</u>	<u>\$ 13,344,499</u>	<u>16,000,362</u>
Cash			<u>77</u>
Total pension plan investments			<u>\$ 16,000,439</u>

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

The percentages of the fair value of total plan assets by asset category are as follows at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	1 %	6 %
Equity	43	33
Fixed income	44	48
Other	<u>12</u>	<u>13</u>
	<u>100 %</u>	<u>100 %</u>

NRDC uses as a practical expedient for fair value a reported NAV per share or its equivalent for purposes of valuing certain investments included within the Plan's investment portfolio as of June 30, 2017 and 2016, as detailed below:

2017							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Short-term money market fund	Seeks to maximize current income on cash reserves	1	\$ 237,372	N/A	\$ -	Daily	None
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	2,548,251	N/A	-	Daily	None
Emerging markets equity fund	Approximates overall performance of the MSCI Emerging Markets Equity Index	1	1,166,889	N/A	-	Daily	None
U.S. equity funds	Invests in U.S. equity markets directly, through funds, indexes, and hedging long and short-sale positions	2	2,341,365	N/A	-	Daily to quarterly	None
Fixed income funds	Approximates overall performance of the Barclay's Capital U.S. 1-5 Year Credit Bond Index and Capital Aggregate Bond Index	2	5,041,915	N/A	-	Daily	None
Real estate fund	Approximates overall performance of the Financial Time Stock Exchange, European Public Realtors Association, National Association of Real Estate Investment Trusts, and Global Real Estate Index	1	1,046,991	N/A	-	Daily	None
Hedge fund	Invests in diversified alternative investment strategies	<u>1</u>	<u>987,171</u>	N/A	<u>-</u>	No liquidity	No liquidity
		<u>10</u>	<u>\$ 13,369,954</u>		<u>\$ -</u>		

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

2016							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Short-term money market fund	Seeks to maximize current income on cash reserves	1	\$ 1,017,860	N/A	\$ -	Daily	None
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	1,593,198	N/A	-	Daily	None
Emerging markets equity funds	Approximates overall performance of the MSCI Emerging Markets Equity Index	1	690,447	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	3	2,339,548	N/A	-	Daily to quarterly	None
Fixed income funds	Approximates overall performance of the Barclay's Capital U.S. 1-5 Year Credit Bond Index and Capital Aggregate Bond Index	2	5,717,270	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	853,151	N/A	-	Daily	None
Hedge fund	Invests in diversified alternative investment strategies	1	1,126,708	N/A	-	No liquidity	No liquidity
Private equity	Private equity with focus on renewable and alternative energy	1	6,317	N/A	14,720	No liquidity	No liquidity
		<u>12</u>	<u>\$ 13,344,499</u>		<u>\$ 14,720</u>		

Tax-Deferred Annuity 403(b) Plan

In addition to the defined benefit pension plan, NRDC has a group tax-deferred annuity 403(b) plan covering substantially all employees. NRDC made employer contributions under a "Graduated Service Schedule" to its 403(b) Plan. The funds are held for each employee in an individual account maintained by an investment firm. Plan costs aggregated \$4,264,868 and \$3,969,589 for the years ended June 30, 2017 and 2016, respectively.

Deferred Compensation 457(b) Plan

In addition to the defined benefit pension plan and tax-deferred annuity 403(b) plan, NRDC implemented a 457(b) plan, effective September 1, 2002, for certain highly compensated employees who were former members of the pension plan. These employees (and anyone who is new to NRDC that meets specific requirements) can defer compensation up to the maximum dollar amount under Section 457(e)(15) of the Internal Revenue Code of 1986, as amended. As of June 30, 2017 and 2016, NRDC's obligations under the 457(b) plan totaled \$2,454,101 and \$2,281,696, respectively, and are reported separately as obligations under deferred compensation plan on the accompanying consolidated balance sheets. The funds are held for each employee in an individual account maintained by an investment firm.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

As of June 30, 2017 and 2016, NRDC's investments pertaining to its deferred compensation plan consist of the following investments, all of which are categorized as Level 1 within the fair value hierarchy.

	<u>2017</u>	<u>2016</u>
Fixed income mutual funds	\$ 807,764	\$ 813,460
Equity mutual funds	1,010,173	892,013
Blended mutual funds	<u>636,164</u>	<u>576,223</u>
	<u>\$ 2,454,101</u>	<u>\$ 2,281,696</u>

9. DEBT OBLIGATIONS

Bank Revolving Credit Loan

NRDC has a 10-year unsecured term loan due July 2018. At June 30, 2017 and 2016, borrowings bore interest at a rate of 1.57% and 0.81%, respectively, which is calculated using the 1-month London Interbank Offered Rate ("LIBOR") plus an applicable margin of 0.35%. At June 30, 2017 and 2016, NRDC had a balance of \$7,576,956 and \$7,940,650, respectively, due under the term loan.

Bonds Payable, Net

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

Bonds payable consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
New York City Capital Resource Corporation Variable Rate Demand Revenue Bonds Series 2008A dated January 24, 2008 due serially on March 31st from 2008 through 2038	<u>\$ 10,082,695</u>	<u>\$ 10,375,682</u>

Pursuant to the terms of the bond indenture, NRDC is subject to certain covenants which include covenants not to create, incur, assume, or suffer to exist any liens, indebtedness other than specified in the Bond Documents, make or commit to make any investments except specified in the Bond Documents, assume, or guarantee of indebtedness of another person, mergers, sales of assets, other than those in the normal course of business, change the nature of its operations, change its fiscal year, without express consent and written notice, and make any restricted payments in contravention of applicable law including, without limitation, the New York Not-for-Profit Corporation Law of the State of New York. NRDC was compliant with all such covenants (including financial covenants) at June 30, 2017.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Scheduled annual principal payments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 315,000
2019	330,000
2020	340,000
2021	360,000
2022	375,000
Thereafter	<u>8,609,197</u>
	10,329,197
Less: unamortized bond issuance costs	<u>(246,502)</u>
Total bonds payable, net	<u>\$ 10,082,695</u>

Interest expense totaling \$731,624 and \$758,555 for the years ended June 30, 2017 and 2016, respectively, has been allocated to program and supporting services on the accompanying consolidated statements of activities. NRDC incurred \$360,472 of bond issuance costs in 2008 which have been capitalized and are being amortized over 30 years and are offset against the bonds payable on the accompanying consolidated balance sheets. At June 30, 2017 and 2016, \$246,502 and \$258,516, respectively, remains unamortized.

Interest-Rate Swap Agreements

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

<u>2017</u>						
<u>Counterparty</u>	<u>Issue Date</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Remaining Notional Amount</u>	<u>Swap Fixed Rate</u>	<u>Fair Value of Swaps at June 30, 2017</u>
Bank of America, N.A.	01/17/08	01/24/08	03/01/2038	\$ 10,415,000	3.639%	\$ (1,901,118)
Bank of America, N.A.	04/14/08	04/30/08	04/30/2018	\$ 7,576,956	4.025%	<u>(166,379)</u>
						<u>\$ (2,067,497)</u>

<u>2016</u>						
<u>Counterparty</u>	<u>Issue Date</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Remaining Notional Amount</u>	<u>Swap Fixed Rate</u>	<u>Fair Value of Swaps at June 30, 2016</u>
Bank of America, N.A.	01/17/08	01/24/08	03/01/2038	\$ 10,720,000	3.639%	\$ (2,926,790)
Bank of America, N.A.	04/14/08	04/30/08	04/30/2018	\$ 7,940,650	4.025%	<u>(486,433)</u>
						<u>\$ (3,413,223)</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Fair Value at June 30, 2017	Fair Value at June 30, 2016	Consolidated Balance Sheet Location	Loss on Interest- Rate Swap Agreements		Consolidated Statement of Activities Location	Level within Fair Value Hierarchy
			June 30, 2017	June 30, 2016		
		Interest-Rate Swap agreements (Liabilities)			Change in value of interest- rate swap agreements (non-operating activities)	Level II
\$ (2,067,497)	\$ (3,413,223)		\$ 1,345,726	\$ (817,573)		

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

10. COMMITMENTS AND CONTINGENCIES

Lease Obligations and Rental Income

At June 30, 2017, future minimum rentals pursuant to the Washington, D.C., San Francisco, Chicago and Beijing non-cancellable office lease agreements and other operating space and equipment leases are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 3,462,740
2019	3,446,341
2020	3,193,967
2021	3,187,162
2022	3,266,186
Thereafter	<u>23,598,899</u>
	<u>\$ 40,155,295</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, 2017 and 2016 totaled \$3,965,117 and \$3,938,565, 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 \$67,300 and extend through May 31, 2018, with an additional average charge for utilities of \$4,800 monthly which includes a 3% additional charge for electricity, as per the lease agreement.

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

11. NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Specific environmental programs	\$ 64,481,313	\$ 52,525,204
NRDC Action Fund, Inc.	2,162,129	2,730,831
Awaiting appropriation for program activities	9,957,763	8,264,044
Restricted only as to the passage of time	<u>1,227,649</u>	<u>1,240,230</u>
	<u>\$ 77,828,854</u>	<u>\$ 64,760,309</u>

Net assets of \$60,807,779 and \$68,521,728 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, 2017 and 2016, respectively. The details of the net assets released from restrictions are as follows:

	<u>2017</u>	<u>2016</u>
Memberships and individual contributions - programs	\$ 22,319,108	\$ 31,159,464
Foundations	30,680,526	30,950,452
NRDC Action Fund, Inc.	5,520,524	3,307,927
NRDC Limited	462,671	864,104
Investment return appropriated for program services	1,358,627	1,994,648
Events	-	45,849
Other	<u>466,323</u>	<u>199,284</u>
	<u>\$ 60,807,779</u>	<u>\$ 68,521,728</u>

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2017 and 2016 consist of endowment funds, the investment return from which is restricted for specific purposes and is recorded as part of temporarily restricted net assets until appropriated for expenditure by NRDC's Board of Trustees.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

12. IN-KIND CONTRIBUTIONS

During fiscal 2017 and 2016, NRDC received donated legal, consulting, and other services and goods at fair value as follows:

	<u>2017</u>	<u>2016</u>
Legal services	\$ 3,784,234	\$ 3,724,812
Consulting services	4,050	15,000
Goods and other services	<u>481,623</u>	<u>449,680</u>
	<u>\$ 4,269,907</u>	<u>\$ 4,189,492</u>

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

13. JOINT COSTS

NRDC relies on a robust direct mail program to recruit and maintain the large Membership that gives it standing in court to bring legal action in defense of our environment. NRDC communicates by postal mail and other channels to generate income and to mobilize the public in direct action campaigns. These campaigns have produced millions of petitions to corporations and government agencies, thereby advancing NRDC's environmental mission. Accordingly, NRDC allocates a portion of direct mail costs to program services and to fundraising on the accompanying statements of activities.

During the years ended June 30, 2017 and 2016, NRDC allocated joint costs for such informational materials and activities as follows:

	<u>2017</u>	<u>2016</u>
Revive our oceans	\$ 6,363	\$ 324,188
Wildlife and wildlands	4,743,926	4,153,142
Membership services	44,450	31,924
Fundraising	<u>3,124,160</u>	<u>2,814,616</u>
	<u>\$ 7,918,899</u>	<u>\$ 7,323,870</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

14. NRDC ACTION FUND, INC.

Included in the accompanying consolidated balance sheets at June 30, 2017 and 2016 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to the NRDC Action Fund, Inc.:

	<u>2017</u>	<u>2016</u>
Balance Sheets as of June 30:		
Assets	\$ 2,613,040	\$ 2,921,828
Liabilities	<u>(450,911)</u>	<u>(190,997)</u>
Net assets-temporarily restricted	<u>\$ 2,162,129</u>	<u>\$ 2,730,831</u>
Statements of Activities for years ended June 30:		
Revenues - contributions	\$ 4,931,903	\$ 2,952,525
Revenues - in-kind donations	<u>19,919</u>	<u>20,808</u>
Total revenue	<u>4,951,822</u>	<u>2,973,333</u>
Expenses:		
Program services:		
Clean energy future	5,052,074	2,882,405
Protect our health	-	529
Safe and sufficient water	<u>780</u>	<u>82,048</u>
Total program services	<u>5,052,854</u>	<u>2,964,982</u>
Supporting services:		
Management and general	347,179	314,958
Fundraising	<u>120,491</u>	<u>27,987</u>
Total supporting services	<u>467,670</u>	<u>342,945</u>
Total expenses	<u>5,520,524</u>	<u>3,307,927</u>
Change in net assets	(568,702)	(334,594)
Net assets, beginning of year	<u>2,730,831</u>	<u>3,065,425</u>
Net assets, end of year	<u>\$ 2,162,129</u>	<u>\$ 2,730,831</u>

SUPPLEMENTAL SCHEDULES

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Supplemental Schedule – Unconsolidated Schedule of Activities
(excluding NRDC Action Fund, Inc. and NRDC Limited)
For the year ended June 30, 2017

	Unrestricted			Temporarily	Permanently	Total
	Operating	Designated	Total			
REVENUES						
Memberships and individual contributions	\$ 84,938,028	\$ 409,378	\$ 85,347,406	\$ 36,830,793	\$ -	\$ 122,178,199
Foundation grants	682,350	50,000	732,350	27,494,579	-	28,226,929
Government grants	412,375	-	412,375	-	-	412,375
Bequests	-	10,379,812	10,379,812	94,041	-	10,473,853
In-kind contributions	4,240,310	-	4,240,310	-	-	4,240,310
Awarded attorneys fees	9,247,509	-	9,247,509	-	-	9,247,509
Investment return appropriated for operations	-	433,774	433,774	1,358,627	-	1,792,401
Investment return from operating reserves	542,645	-	542,645	-	-	542,645
Other revenue	1,335,334	-	1,335,334	-	-	1,335,334
Net assets released from restrictions	58,422,871	(3,598,286)	54,824,585	(54,824,585)	-	-
Total revenues	<u>159,821,422</u>	<u>7,674,678</u>	<u>167,496,100</u>	<u>10,953,455</u>	<u>-</u>	<u>178,449,555</u>
EXPENSES						
Program services:						
Clean energy future	48,599,483	-	48,599,483	-	-	48,599,483
Revive our oceans	7,285,905	-	7,285,905	-	-	7,285,905
Protect our health	13,528,324	-	13,528,324	-	-	13,528,324
Wildlife and wildlands	14,766,559	-	14,766,559	-	-	14,766,559
Safe and sufficient water	7,473,429	-	7,473,429	-	-	7,473,429
Sustainable communities	13,403,035	-	13,403,035	-	-	13,403,035
Membership services	3,470,182	-	3,470,182	-	-	3,470,182
Total program services	<u>108,526,917</u>	<u>-</u>	<u>108,526,917</u>	<u>-</u>	<u>-</u>	<u>108,526,917</u>
Supporting services:						
Management and general	10,597,750	-	10,597,750	-	-	10,597,750
Fundraising	8,765,704	-	8,765,704	-	-	8,765,704
Member recruitment	3,976,736	-	3,976,736	-	-	3,976,736
Total supporting services	<u>23,340,190</u>	<u>-</u>	<u>23,340,190</u>	<u>-</u>	<u>-</u>	<u>23,340,190</u>
Total expenses	<u>131,867,107</u>	<u>-</u>	<u>131,867,107</u>	<u>-</u>	<u>-</u>	<u>131,867,107</u>
Changes in net assets, before transfers	27,954,315	7,674,678	35,628,993	10,953,455	-	46,582,448
Transfer between funds	<u>(27,747,509)</u>	<u>27,747,509</u>	<u>-</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>
Change in net assets, after transfers	206,806	35,422,187	35,628,993	11,953,455	(1,000,000)	46,582,448
NON-OPERATING ACTIVITIES						
Investment gains, net of amounts appropriated for operations	-	17,192,403	17,192,403	1,696,370	-	18,888,773
Change in value of interest-rate swap agreements	-	1,345,726	1,345,726	-	-	1,345,726
Pension related activity other than net periodic pension expense	-	1,879,069	1,879,069	-	-	1,879,069
Change in value of split-interest agreements	<u>7,460</u>	<u>1,006,391</u>	<u>1,013,851</u>	<u>(12,580)</u>	<u>-</u>	<u>1,001,271</u>
Changes in net assets	214,266	56,845,776	57,060,042	13,637,245	(1,000,000)	69,697,287
Net assets, beginning of year	<u>14,443,136</u>	<u>139,948,365</u>	<u>154,391,501</u>	<u>62,029,478</u>	<u>20,103,301</u>	<u>236,524,280</u>
Net assets, end of year	<u>\$ 14,657,402</u>	<u>\$ 196,794,141</u>	<u>\$ 211,451,543</u>	<u>\$ 75,666,723</u>	<u>\$ 19,103,301</u>	<u>\$ 306,221,567</u>

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Schedule of Functional Expenses
For the year ended June 30, 2017

	Program Services								Supporting Services			Total	
	Clean Energy Future	Revive our Oceans	Protect our Health	Wildlife and Wildlands	Safe and Sufficient Water	Sustainable Communities	Membership Services	Total Programs	Management and General	Fundraising	Member Recruitment		Total Supporting Services
Salaries and benefits	\$ 24,643,726	\$ 4,302,928	\$ 7,566,650	\$ 6,060,784	\$ 4,530,549	\$ 6,465,942	\$ 874,219	\$ 54,444,798	\$ 7,232,869	\$ 5,152,088	\$ 170,382	\$ 12,555,339	\$ 67,000,137
Rent and utilities	2,227,245	386,287	679,282	544,096	406,722	580,468	78,237	4,902,337	642,323	461,077	15,248	1,118,648	6,020,985
Depreciation and amortization	1,167,784	203,901	358,558	287,200	214,687	306,399	41,394	2,579,923	342,471	243,948	8,067	594,486	3,174,409
Professional consulting and counsel	12,785,790	1,141,974	3,009,597	1,818,508	1,430,963	3,511,465	343,240	24,041,537	878,655	656,733	195,485	1,730,873	25,772,410
Special mailings and postage	120,601	20,704	38,353	2,050,177	21,753	32,431	566,229	2,850,248	6,738	15,636	1,494,578	1,516,952	4,367,200
Printing and copying	420,037	66,896	122,678	2,159,420	68,572	103,061	819,793	3,760,457	696	49,950	1,598,913	1,649,559	5,410,016
Membership lists and maintenance	162,731	34,532	49,965	526,429	29,917	42,697	542,781	1,389,052	(124)	96,534	314,898	411,308	1,800,360
Travel	1,243,485	294,465	299,520	296,372	187,747	443,591	2,560	2,767,740	322,701	43,034	145	365,880	3,133,620
Public affairs and advertising	1,929,287	198,516	509,880	167,558	93,104	197,641	3,610	3,099,596	54,447	803,834	131	858,412	3,958,008
Conferences and meetings	483,870	60,790	38,418	43,555	35,006	64,330	32,073	758,042	151,275	80,649	26	231,950	989,992
Contributions to others	1,213,710	232,912	219,120	317,486	111,684	1,075,969	665	3,171,546	86,230	4,047	130	90,407	3,261,953
Other	2,201,217	342,000	636,303	494,974	342,725	579,041	165,381	4,761,641	879,469	1,158,174	178,733	2,216,376	6,978,017
Total expenses of NRDC (on a standalone basis)	48,599,483	7,285,905	13,528,324	14,766,559	7,473,429	13,403,035	3,470,182	108,526,917	10,597,750	8,765,704	3,976,736	23,340,190	131,867,107
NRDC Action Fund, Inc.	5,052,074	-	-	-	780	-	-	5,052,854	347,179	120,491	-	467,670	5,520,524
NRDC Limited	470,101	-	-	-	-	-	-	470,101	-	-	-	-	470,101
	<u>\$ 54,121,658</u>	<u>\$ 7,285,905</u>	<u>\$ 13,528,324</u>	<u>\$ 14,766,559</u>	<u>\$ 7,474,209</u>	<u>\$ 13,403,035</u>	<u>\$ 3,470,182</u>	<u>\$ 114,049,872</u>	<u>\$ 10,944,929</u>	<u>\$ 8,886,195</u>	<u>\$ 3,976,736</u>	<u>\$ 23,807,860</u>	<u>\$ 137,857,732</u>

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