

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.

As of June 30, 2015 and 2014

NATURAL RESOURCES DEFENSE COUNCIL, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of Natural Resources Defense Council, Inc., which include the NRDC Action Fund, Inc. and NRDC Limited (collectively, "NRDC"), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014 taken as a whole. The Unconsolidated Schedule of Activities and the Consolidated Schedule of Functional Expenses for the year ended June 30, 2015 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



New York, New York
November 25, 2015

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Consolidated Balance Sheets
As of June 30, 2015 and 2014

ASSETS	2015	2014
Cash and cash equivalents	\$ 31,918,695	\$ 25,304,894
Contributions and grants receivable, net	20,289,030	17,482,238
Prepaid expenses and other assets	4,407,747	5,135,126
Investments	193,259,657	186,631,231
Investments pertaining to deferred compensation plan	2,348,623	2,133,338
Investments in split-interest agreements	20,931,537	21,327,947
Fixed assets, net	<u>36,673,685</u>	<u>37,242,933</u>
Total assets	<u>\$ 309,828,974</u>	<u>\$ 295,257,707</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 14,014,799	\$ 15,242,830
Deferred rent	3,237,975	2,978,539
Mortgage loan payable	-	128,643
Bank revolving credit loan	8,304,343	8,668,037
Interest-rate swap agreements	2,595,650	2,334,806
Bonds payable	10,923,786	11,204,197
Obligations under deferred compensation plan	2,348,623	2,133,338
Defined benefit plan obligation	7,829,198	5,394,533
Split-interest agreements		
Charitable gift annuities and CRUT - payable to annuitants	13,460,801	13,427,760
Pooled life income funds - deferred revenue	<u>384,702</u>	<u>461,591</u>
Total liabilities	<u>63,099,877</u>	<u>61,974,274</u>
Commitments and contingencies		
 NET ASSETS		
Unrestricted	160,272,507	151,186,586
Temporarily restricted	66,450,683	62,090,940
Permanently restricted	<u>20,005,907</u>	<u>20,005,907</u>
Total net assets	<u>246,729,097</u>	<u>233,283,433</u>
Total liabilities and net assets	<u>\$ 309,828,974</u>	<u>\$ 295,257,707</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, 2015

	Unrestricted			Temporarily	Permanently	
	Operating	Designated	Total	Restricted	Restricted	Total
REVENUES						
Memberships and individual contributions	\$ 58,966,044	\$ 7,380,426	\$ 66,346,470	\$ 34,466,611	\$ -	\$ 100,813,081
Foundation grants	572,670	50,000	622,670	30,042,239	-	30,664,909
Government grants	874,317	-	874,317	-	-	874,317
Bequests	-	6,513,517	6,513,517	24,050	-	6,537,567
In-kind contributions	4,971,985	-	4,971,985	51,993	-	5,023,978
Awarded attorneys fees	693,111	-	693,111	-	-	693,111
Investment return appropriated for operations	-	3,829,141	3,829,141	1,282,383	-	5,111,524
Investment return from operating reserves	818,197	-	818,197	-	-	818,197
Other revenue	1,023,050	-	1,023,050	-	-	1,023,050
Net assets released from restrictions	66,370,795	(5,539,787)	60,831,008	(60,831,008)	-	-
Total revenues	<u>134,290,169</u>	<u>12,233,297</u>	<u>146,523,466</u>	<u>5,036,268</u>	<u>-</u>	<u>151,559,734</u>
EXPENSES						
Program services:						
Clean energy future	53,354,785	-	53,354,785	-	-	53,354,785
Revive our oceans	9,737,769	-	9,737,769	-	-	9,737,769
Protect our health	10,547,315	-	10,547,315	-	-	10,547,315
Wildlife and wildlands	15,533,768	-	15,533,768	-	-	15,533,768
Safe and sufficient water	7,283,759	-	7,283,759	-	-	7,283,759
Sustainable communities	11,596,215	-	11,596,215	-	-	11,596,215
Membership services	3,347,670	-	3,347,670	-	-	3,347,670
Total program services	<u>111,401,281</u>	<u>-</u>	<u>111,401,281</u>	<u>-</u>	<u>-</u>	<u>111,401,281</u>
Supporting services:						
Management and general	9,865,377	-	9,865,377	-	-	9,865,377
Fundraising	6,986,357	-	6,986,357	-	-	6,986,357
Member recruitment	5,027,572	-	5,027,572	-	-	5,027,572
Total supporting services	<u>21,879,306</u>	<u>-</u>	<u>21,879,306</u>	<u>-</u>	<u>-</u>	<u>21,879,306</u>
Total expenses	<u>133,280,587</u>	<u>-</u>	<u>133,280,587</u>	<u>-</u>	<u>-</u>	<u>133,280,587</u>
Changes in net assets before non-operating activities	<u>1,009,582</u>	<u>12,233,297</u>	<u>13,242,879</u>	<u>5,036,268</u>	<u>-</u>	<u>18,279,147</u>
NON-OPERATING ACTIVITIES						
Investment return (loss), net of amounts used in operations	76,268	(957,809)	(881,541)	(525,916)	-	(1,407,457)
Change in value of interest-rate swap agreements	-	(260,844)	(260,844)	-	-	(260,844)
Pension related activity other than net periodic pension expense	-	(2,662,892)	(2,662,892)	-	-	(2,662,892)
Change in value of split-interest agreements	3,500	(355,181)	(351,681)	(150,609)	-	(502,290)
Total non-operating activities	<u>79,768</u>	<u>(4,236,726)</u>	<u>(4,156,958)</u>	<u>(676,525)</u>	<u>-</u>	<u>(4,833,483)</u>
Changes in net assets	1,089,350	7,996,571	9,085,921	4,359,743	-	13,445,664
Net assets, beginning of year	<u>14,701,368</u>	<u>136,485,218</u>	<u>151,186,586</u>	<u>62,090,940</u>	<u>20,005,907</u>	<u>233,283,433</u>
Net assets, end 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>

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, 2014

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

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 13,445,664	\$ 22,982,822
Adjustments to reconcile changes in net asset to net cash provided by operating activities:		
Depreciation and amortization	2,342,391	2,590,038
Amortization of bond issuance costs	12,015	12,015
Change in value of interest-rate swap agreements	260,844	(114,166)
Contributions for permanently restricted endowment	-	-
Change in provision for uncollectible contributions receivable	35,413	(12,500)
Change in discount allowance for contributions receivable	132,449	5,693
Net realized and unrealized appreciation in fair value of investments	(4,221,827)	(15,914,296)
Change in operating assets and liabilities:		
Contributions and grants receivable	(2,974,654)	(2,318,760)
Prepaid expenses and other assets	715,364	(1,046,049)
Investments pertaining to deferred compensation plan	(215,285)	(2,133,338)
Investments in and obligations under split-interest agreements	2,005,067	980,189
Accounts payable and accrued expenses	(1,042,007)	2,174,710
Deferred rent	259,436	309,801
Obligations under deferred compensation plan	215,285	2,133,338
Defined benefit plan obligation	2,434,665	(378,445)
Net cash provided by operating activities	<u>13,404,820</u>	<u>9,271,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(136,986,047)	(56,831,733)
Proceeds from sales of investments	134,579,448	39,830,408
Purchases of fixed assets	<u>(1,959,167)</u>	<u>(1,207,478)</u>
Net cash used in investing activities	<u>(4,365,766)</u>	<u>(18,208,803)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage loan payable	(128,643)	(278,657)
Repayment on revolving credit loan	(363,694)	(363,694)
Principal payment on bonds payable	(280,411)	(265,000)
Payments to beneficiaries under split-interest agreements	<u>(1,652,505)</u>	<u>(1,626,719)</u>
Net cash used in financing activities	<u>(2,425,253)</u>	<u>(2,534,070)</u>
Net increase (decrease) in cash and cash equivalents	6,613,801	(11,471,821)
Cash and cash equivalents, beginning of year	<u>25,304,894</u>	<u>36,776,715</u>
Cash and cash equivalents, end of year	<u>\$ 31,918,695</u>	<u>\$ 25,304,894</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 751,766</u>	<u>\$ 837,491</u>
Purchases of property and equipment in accounts payable	<u>\$ 186,150</u>	<u>\$ 372,174</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, 2015 and 2014

1. NATURE OF OPERATIONS

Natural Resources Defense Council, Inc. (“NRDC”) is a national nonprofit organization dedicated to protecting the world’s natural resources and ensuring a safe and healthy environment for all people. NRDC’s staff of about 500 includes attorneys, scientists, and other environmental specialists working to safeguard the Earth.

Formed in 1970, NRDC has tackled the most serious environmental threats of the past four decades -- acid rain, dying rivers, over-logged forests, ozone depletion -- and emerged with innovative, enforceable solutions that continue to protect both nature and human society. In the process, NRDC has grown from a small law firm into a leading champion of the environment, wielding a potent combination of courtroom prowess, scientific expertise, policy influence, media outreach, and the grassroots energy of 2.4 million concerned members and online activists.

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

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

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

NRDC Action Fund, Inc. (“Action Fund”) commenced operations during fiscal 1999. The Action Fund is a 501(c)(4) organization that is a subsidiary of NRDC and was created to undertake legislative efforts to promote environmental protection. The Action Fund works to promote accountability of elected officials by informing their constituencies of their activities on environmental issues.

The Action Fund’s current goal is to seek to rebuild the environmental majority, and help advance the clean energy economy and improve public health. To succeed in this goal, the Action Fund informs candidates for offices about clean energy and climate issues, mobilizes voters through a range of tools including social media and cultivates strategic political partnerships that endure.

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Net Assets

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

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

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

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

Contributions and Grants

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

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

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

A number of unpaid volunteers have made significant contributions of their time in furtherance of NRDC's programs. The value of this contributed time is not reflected in the accompanying consolidated financial statements, since it is not susceptible to objective measurement or valuation. Donated professional and

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

legal services in support of NRDC's programs, the estimated fair value of which is quantifiable, are recorded as in-kind contributions and expenses in the period received.

Investments

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

Investment transactions are reported on a trade-date basis. Realized gains and losses are determined on the basis of specific identification. Unrealized gains or losses are determined by comparing cost to fair value at the beginning and end of 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 percent of the average fair value of quasi-endowment and permanent endowment funds, calculated at December 31st of the twelve preceding calendar-year quarters to be used in support of operations on an annual basis. The spending policy is reviewed and the actual amount designated for spending is determined annually. For fiscal 2015 and 2014, the spending amounts approved totaled \$5,111,524 and \$5,605,988, respectively. For fiscal 2015 and 2014, additional special appropriations from NRDC's reserves totaled \$2,139,702 and \$3,765,419, respectively, and are included as part of net assets released from restrictions in the accompanying statement 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. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor.

Under NRDC's charitable remainder 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 when received and the

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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

Office buildings and improvements are carried at cost, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the buildings and related improvements and range from 10 to 40 years. Furniture and equipment are carried at cost or, with respect to donated equipment, at fair value determined at the date of donation. Depreciation of furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets which range from 3 to 15 years. The cost of computer software developed or obtained for internal use is capitalized and amortized over its estimated useful life of 3 years. Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter.

Measure of Operations

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

Non-operating activities include: (1) planned giving funds, (2) investment return designated for long-term investment, in excess of amounts used for operations, (3) 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 programs and supporting services have been summarized on the accompanying consolidated statement of activities. Certain overhead expenses, principally rent, depreciation and amortization, insurance and interest, are allocated among NRDC's programs and supporting services on the basis of salaries charged to the respective functional area.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant estimates include the valuation of non-exchange traded alternative investments and interest rate swap agreements, the collection of contributions receivable and actuarial assumptions related to the defined benefit pension plan and obligations under and residual interests pertaining to split-interest agreements. Actual results could differ from those estimates.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Fair Value of Financial Instruments

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

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

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

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

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

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

- Level 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 directly 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.

NATURAL RESOURCES DEFENSE COUNCIL, INC.

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Income Taxes

The FASB Accounting Standards Codification (“ASC”) established criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity’s financial statements. This standard requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. NRDC has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered an uncertain tax position. The tax years ending June 30, 2012, 2013, 2014 and 2015 remain open to audit for both federal and state purposes. This standard had no impact on NRDC’s 2015 and 2014 consolidated financial statements. NRDC does not believe its 2015 and 2014 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.

New Accounting Standard

ASC Topic 820, Fair Value Measurements, permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using a net asset value (“NAV”) per share of the investment, or its equivalent. In May 2015, the FASB issued Accounting Standard Update (“ASU”) 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments in this update are effective for fiscal years beginning after December 15, 2016. The reporting entity is required upon adoption to apply the amendments retrospectively to all periods presented.

NRDC early adopted ASU 2015-07 effective July 1, 2014, and has applied the amendments retroactively for all periods presented. The adoption of this new guidance by NRDC only amended disclosure requirements and did not have an impact on NRDC’s consolidated financial statements for the periods presented.

Subsequent Events

NRDC evaluated its June 30, 2015 consolidated financial statements for subsequent events through November 25, 2015, the date the consolidated financial statements were issued.

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3. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net, at June 30, 2015 and 2014 are expected to be collected as follows:

	<u>2015</u>	<u>2014</u>
Amounts expected to be collected in:		
One year or less	\$ 13,944,401	\$ 14,070,674
Between one and five years	<u>7,053,001</u>	<u>3,952,074</u>
	20,997,402	18,022,748
Less: discount to present value		
(at rates ranging from 1.65% to 3.21%)	(264,203)	(131,754)
Less: allowance for uncollectible accounts	<u>(444,169)</u>	<u>(408,756)</u>
	<u>\$ 20,289,030</u>	<u>\$ 17,482,238</u>

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

4. ENDOWMENT

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

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

NRDC's endowment consists of 54 individual funds (25 permanently restricted, 15 temporarily restricted and 14 quasi-endowments) and is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support a variety of purposes, including funding its program and administrative operating costs. It also includes funds designated by NRDC's

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

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

Endowment net asset composition by type of fund as of June 30, 2015 and 2014 is as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 8,729,435	\$ 20,005,907	\$ 28,735,342
Board-designated funds	<u>124,332,934</u>	<u>-</u>	<u>-</u>	<u>124,332,934</u>
	<u>\$ 124,332,934</u>	<u>\$ 8,729,435</u>	<u>\$ 20,005,907</u>	<u>\$ 153,068,276</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 9,255,351	\$ 20,005,907	\$ 29,261,258
Board-designated funds	<u>117,893,833</u>	<u>-</u>	<u>-</u>	<u>117,893,833</u>
	<u>\$ 117,893,833</u>	<u>\$ 9,255,351</u>	<u>\$ 20,005,907</u>	<u>\$ 147,155,091</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 would be charged to unrestricted net assets. Subsequent investment earnings on such funds which restore the fair value of individual endowment funds back to their original corpus value are reported in unrestricted net assets, with earnings in excess of this amount reported in temporarily restricted net assets. As of June 30, 2015 and 2014, there were no endowment funds below the historical dollar value.

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Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 117,893,833	\$ 9,255,351	\$ 20,005,907	\$ 147,155,091
Investment return:				
Dividends and interest	715,078	164,150	-	879,228
Investment fees and expenses	(1,211,359)	(261,897)	-	(1,473,256)
Net realized and unrealized gains	3,879,355	854,214	-	4,733,569
Total investment return	3,383,074	756,467	-	4,139,541
Contributions	6,513,517	-	-	6,513,517
Terminations of planned giving arrangements	371,651	-	-	371,651
Appropriation of endowment net assets for expenditure - spending policy	(3,829,141)	(1,282,383)	-	(5,111,524)
Endowment net assets, end of year	\$ 124,332,934	\$ 8,729,435	\$ 20,005,907	\$ 153,068,276

Contributions of \$6,513,517 in the 2015 table above, include bequest receivables of \$382,461.

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

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

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5. INVESTMENTS

As of June 30, 2015 and 2014, NRDC's investments, at fair value, by level within the fair value hierarchy, consist of the following:

	2015				Total
	Level 1	Level 2	Level 3	Net Asset Value*	
Endowment:					
Money market funds	\$ 3,602,794	\$ -	\$ -	\$ -	\$ 3,602,794
Vanguard bond mutual fund	13,237,652	-	-	-	13,237,652
Vanguard equity mutual funds	4,279,970	-	-	-	4,279,970
Fixed income funds	2,476,964	-	-	-	2,476,964
Corporate bonds	10,289,106	-	-	-	10,289,106
Common stocks	5,754,142	-	-	-	5,754,142
Developed ex-fossil fuels index fund (a)	-	-	-	67,806,351	67,806,351
Venture capital	-	-	-	64,758	64,758
Hedge funds	-	-	-	38,170,072	38,170,072
Private equities	-	-	-	6,624,564	6,624,564
	<u>39,640,628</u>	<u>-</u>	<u>-</u>	<u>112,665,745</u>	<u>152,306,373</u>
Reserves, special funds and other:					
Money market funds	159,733	-	-	-	159,733
U.S. government obligations	2,517,416	-	-	-	2,517,416
Corporate bonds	38,276,135	-	-	-	38,276,135
	<u>40,953,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,953,284</u>
Total investments	<u>\$ 80,593,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,665,745</u>	<u>\$ 193,259,657</u>

- (a) In fiscal 2014, NRDC, BlackRock and FTSE Group ("FTSE"), partnered together to launch an equity global index series - FTSE Developed ex-Fossil Fuels Index Series - that excludes companies linked to exploration, ownership or extraction of carbon-based fossil fuel reserves. BlackRock created a fossil fuel free investment fund to track the new index series and during fiscal 2015, NRDC invested approximately \$66 million of funds in the newly created BlackRock ex-fossil fuels index fund.

	2014				Total
	Level 1	Level 2	Level 3	Net Asset Value*	
Endowment:					
Money market funds	\$ 2,700,904	\$ -	\$ -	\$ -	\$ 2,700,904
Vanguard bond mutual fund	13,480,980	-	-	-	13,480,980
Vanguard equity mutual funds	68,189,170	-	-	-	68,189,170
Fixed income funds	2,715,416	-	-	-	2,715,416
Corporate bonds	9,172,810	-	-	-	9,172,810
Common stocks	5,420,549	-	-	-	5,420,549
Venture capital	-	-	-	70,114	70,114
Hedge funds	-	-	-	36,524,173	36,524,173
Private equities	-	-	-	7,710,276	7,710,276
	<u>101,679,829</u>	<u>-</u>	<u>-</u>	<u>44,304,563</u>	<u>145,984,392</u>
Reserves, special funds and other:					
Cash	240,406	-	-	-	240,406
U.S. government obligations	2,528,388	-	-	-	2,528,388
Corporate bonds	37,878,045	-	-	-	37,878,045
	<u>40,646,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,646,839</u>
Total investments	<u>\$ 142,326,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,304,563</u>	<u>\$ 186,631,231</u>

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

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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, 2015 and 2014, as detailed below.

2015							
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	\$ 67,806,351	NA	\$ -	Daily redemption with 2 days notice	None
Venture capital	Equity in environmental consulting services.	1	64,758	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	38,170,072	NA	-	2 funds quarterly, 1 fund annual, and 1 fund monthly	2 funds have 25% gates, 1 fund has 20% gates
Private equities	Private equity with a focus on renewables and alternative energy.	4	6,624,564	3 funds with 3 years remaining, 1 fund with 4 years remaining	1,698,182	No liquidity	No liquidity
Total		<u>10</u>	<u>\$ 112,665,745</u>		<u>\$ 1,760,682</u>		

2014							
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	\$ 70,114	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	36,524,173	NA	-	2 funds quarterly, 1 fund annual, and 1 fund monthly	2 funds have 25% gates, 1 fund has 20% gates
Private equities	Private equity with a focus on renewables and alternative energy.	4	7,710,276	3 funds with 4 years remaining, 1 fund with 5 years remaining	1,874,221	No liquidity	No liquidity
Total		<u>9</u>	<u>\$ 44,304,563</u>		<u>\$ 1,936,721</u>		

NRDC has committed to investing additional amounts with certain private equity and venture capital funds. As of June 30, 2015, NRDC had a remaining commitment to invest an additional \$1,760,682. Such commitments are expected to be fulfilled by fiscal 2018.

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Investment return for the years ended June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 1,783,788	\$ 3,547,450
Investment expenses and fees	(1,559,622)	(1,541,053)
Realized and unrealized gains	<u>4,221,827</u>	<u>15,914,296</u>
Total return on investments	<u>\$ 4,445,993</u>	<u>\$ 17,920,693</u>

The above table excludes charitable gift annuity investment return amounting to \$284,579 for the year ended June 30, 2015 and \$2,023,587 for the year ended June 30, 2014, 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, 2015 and 2014 were 2.0% and 2.2%, respectively. Discount rates used to value the charitable gift annuity split-interest agreements ranged from 1.2% to 11.6% for both fiscal 2015 and 2014. 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, 2015 and 2014:

	<u>2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Obligations due under charitable remainder trusts	\$ -	\$ 348,627	\$ -	\$ 348,627
Obligations due under pooled life income funds	-	384,702	-	384,702
	<u>\$ -</u>	<u>\$ 733,329</u>	<u>\$ -</u>	<u>\$ 733,329</u>

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

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

The following tables prioritize the inputs used to report the fair value of NRDC's investments in split-interest agreements within the fair value hierarchy as of June 30, 2015:

	2015				Total
	Level 1	Level 2	Level 3	Net Asset Value*	
Charitable gift annuities:					
Cash and cash equivalents	\$ 95,554	\$ -	\$ -	\$ -	\$ 95,554
U.S. government and agency debt obligations	2,998,653	3,904,746	-	-	6,903,399
Corporate and other debt obligations	-	2,934,469	-	-	2,934,469
Common trust funds	-	-	-	8,748,293	8,748,293
Total	<u>3,094,207</u>	<u>6,839,215</u>	<u>-</u>	<u>8,748,293</u>	<u>18,681,715</u>
Charitable remainder trusts:					
Cash and cash equivalents	42,429	-	-	-	42,429
Exchange traded fund	51,591	-	-	-	51,591
S&P index fund	73,859	-	-	-	73,859
U.S. treasury securities	-	69,658	-	-	69,658
Equity mutual funds	446,666	-	-	-	446,666
Charitable bond common trust fund	-	-	-	86,104	86,104
Total	<u>614,545</u>	<u>69,658</u>	<u>-</u>	<u>86,104</u>	<u>770,307</u>
Pooled life income funds:					
Cash equivalents	26	-	-	-	26
Exchange traded fund	1,479,489	-	-	-	1,479,489
Total	<u>1,479,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,479,515</u>
Total investments	<u>\$ 5,188,267</u>	<u>\$ 6,908,873</u>	<u>\$ -</u>	<u>\$ 8,834,397</u>	<u>\$ 20,931,537</u>

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

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The following tables prioritize the inputs used to report the fair value of NRDC's investments in split-interest agreements within the fair value hierarchy as of June 30, 2014:

	2014				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
Charitable gift annuities:					
Cash and cash equivalents	\$ 457,643	\$ -	\$ -	\$ -	\$ 457,643
U.S. government and agency debt obligations	-	5,982,475	-	-	5,982,475
Corporate and other debt obligations	-	2,833,694	-	-	2,833,694
Common trust funds	-	-	-	9,764,399	9,764,399
Total	<u>457,643</u>	<u>8,816,169</u>	<u>-</u>	<u>9,764,399</u>	<u>19,038,211</u>
Charitable remainder trusts:					
Cash and cash equivalents	37,776	-	-	-	37,776
S&P index funds	70,142	-	-	-	70,142
U.S. treasury securities	-	69,758	-	-	69,758
Exchange traded fund	48,349	-	-	-	48,349
Equity mutual funds	413,685	-	-	-	413,685
Charitable bond common trust fund	-	-	-	61,615	61,615
Total	<u>569,952</u>	<u>69,758</u>	<u>-</u>	<u>61,615</u>	<u>701,325</u>
Pooled life income funds:					
Cash equivalents	3,253	-	-	-	3,253
Exchange traded fund	1,585,158	-	-	-	1,585,158
Total	<u>1,588,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,588,411</u>
Total investments	<u>\$ 2,616,006</u>	<u>\$ 8,885,927</u>	<u>\$ -</u>	<u>\$ 9,826,014</u>	<u>\$ 21,327,947</u>

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

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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, 2015 and 2014, as detailed below:

2015							
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	\$ 86,104	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	2,419,944	N/A	-	Monthly	None
Common Trust Fund: Non Lend Emerging Markets MSCI Non Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index	1	1,152,742	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	5,175,607	N/A	-	Daily	None
		<u>4</u>	<u>\$ 8,834,397</u>		<u>\$ -</u>		
2014							
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	\$ 61,615	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF - ECTF	Approximates overall performance of the MSCI EAFE Index	1	2,527,151	N/A	-	Monthly	None
Common Trust Fund: Non Lend Emerging Markets MSCI Non Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index	1	1,027,619	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	6,209,629	N/A	-	Daily	None
		<u>4</u>	<u>\$ 9,826,014</u>		<u>\$ -</u>		

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The following tables summarize the changes in split-interest agreement liabilities for the years ended June 30, 2015 and 2014:

	<u>2015</u>		<u>2014</u>	
	<u>Charitable Gift</u>		<u>Charitable Gift</u>	
	<u>Annuities and</u>		<u>Annuities and</u>	
	<u>Charitable</u>	<u>Pooled Life</u>	<u>Charitable</u>	<u>Pooled Life</u>
	<u>Remainder</u>	<u>Income Fund</u>	<u>Remainder</u>	<u>Income Fund</u>
Beginning of the year	\$ 13,427,760	\$ 461,591	\$ 13,821,215	\$ 280,278
New agreements	877,671	-	375,182	-
Payments to annuitants	(1,601,801)	(50,704)	(1,560,216)	(66,503)
Change in value due to actuarial valuations	737,866	5,112	747,711	43,456
Investment (loss) income	-	(21,470)	-	215,062
Fees	-	(9,827)	-	(10,702)
Other, charitable remainder trusts activity	19,305	-	43,868	-
End of the year	<u>\$ 13,460,801</u>	<u>\$ 384,702</u>	<u>\$ 13,427,760</u>	<u>\$ 461,591</u>

7. FIXED ASSETS, NET

Fixed assets, net, consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Office buildings and improvements	\$ 46,171,669	\$ 45,965,327
Furniture and equipment	5,535,198	5,381,998
Computer and software	2,733,470	1,417,748
Leasehold improvements	845,953	212,285
	<u>55,286,290</u>	<u>52,977,358</u>
Less: accumulated depreciation and amortization	<u>(19,310,037)</u>	<u>(16,967,646)</u>
	35,976,253	36,009,712
Work-in-progress	697,432	1,233,221
	<u>\$ 36,673,685</u>	<u>\$ 37,242,933</u>

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

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 totaled \$2,342,391 and \$2,590,038, respectively.

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

Defined Benefit Pension Plan

Prior to June 30, 2007, NRDC provided a defined benefit pension plan (the “Plan”) covering salaried permanent employees. Benefits were based on years of service and the employee’s compensation during the last five years of employment. Effective June 30, 2007, NRDC froze the Plan. Following June 30, 2007, no employees have become eligible to participate in the Plan and vested employees in the Plan prior to June 30, 2007 will no longer accrue additional benefits. NRDC’s funding policy is to contribute annually at least the minimum contributions required by applicable regulations.

The following table provides the funded status of the Plan at June 30, 2015 and 2014 and related actuarial assumptions and other information for the years then ended:

	<u>2015</u>	<u>2014</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 21,405,078	\$ 19,959,878
Interest cost	844,029	875,749
Assumption change	1,859,833	1,343,712
Actuarial gain/(loss)	382,426	(263,401)
Benefits paid	<u>(691,525)</u>	<u>(510,860)</u>
Projected benefit obligation, end of year	<u>23,799,841</u>	<u>21,405,078</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	16,010,545	14,186,900
Actual (loss) return on assets	(198,377)	1,484,505
Employer contributions	850,000	850,000
Benefits paid	<u>(691,525)</u>	<u>(510,860)</u>
Fair value of plan assets, end of year	<u>15,970,643</u>	<u>16,010,545</u>
Funded status	<u>\$ (7,829,198)</u>	<u>\$ (5,394,533)</u>
Accumulated benefit obligation	<u>\$ 23,799,841</u>	<u>\$ 21,405,078</u>
Accumulated net loss recognized in net assets	<u>\$ 11,490,297</u>	<u>\$ 8,827,405</u>
Components of net periodic pension cost:		
Interest cost	\$ 844,029	\$ 875,749
Expected return on assets	(938,198)	(830,449)
Amortization of actuarial loss	<u>715,942</u>	<u>738,966</u>
Net periodic pension cost	<u>\$ 621,773</u>	<u>\$ 784,266</u>
Other changes recognized in unrestricted net assets:		
Actuarial loss	\$ 3,378,834	\$ 426,256
Amortization of actuarial loss	<u>(715,942)</u>	<u>(738,966)</u>
Pension related-activity other than net periodic pension cost	<u>\$ 2,662,892</u>	<u>\$ (312,710)</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
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The amount reflected above as assumption change, which served to increase the fiscal 2015 benefit obligation by \$1,859,833, is primarily due to change in the mortality table rates that projects a longer life expectancy for individuals.

Weighted-average assumptions used to determine benefit obligations at June 30, 2015 and 2014 follow:

	<u>2015</u>	<u>2014</u>
Discount rate	4.17%	4.02%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2015 and 2014 follow:

	<u>2015</u>	<u>2014</u>
Discount rate	4.02%	4.52%
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>
2016	\$ 969,850
2017	1,070,873
2018	1,113,960
2019	1,236,731
2020	1,321,772
2021-2025	<u>6,870,987</u>
	<u>\$ 12,584,173</u>

NRDC expects to contribute approximately \$1,000,000 to the Plan during fiscal 2016.

The estimated actuarial loss that will be amortized into net periodic pension cost during fiscal 2016 is \$935,000.

Plan Assets

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

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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

The following table prioritizes the inputs used to report the fair value of the Plan's investments within the fair value hierarchy as of June 30, 2015 and 2014:

	2015				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
U.S. equity funds	\$ 668,936	\$ -	\$ -	\$ 3,740,704	\$ 4,409,640
Fixed income funds	1,698,423	-	-	5,283,268	6,981,691
Short-term money market fund	-	-	-	308,140	308,140
International equity funds	-	-	-	1,730,006	1,730,006
Emerging markets equity funds	-	-	-	693,834	693,834
Real estate fund	-	-	-	865,867	865,867
Hedge fund	-	-	-	961,475	961,475
Private equity	-	-	-	19,955	19,955
	<u>\$ 2,367,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,603,249</u>	<u>15,970,608</u>
Cash					35
Total pension plan investments					<u>\$ 15,970,643</u>
	2014				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
U.S. equity funds	\$ 910,782	\$ -	\$ -	\$ 3,403,683	\$ 4,314,465
Fixed income funds	2,051,923	-	-	3,510,792	5,562,715
Commodities funds	725,559	-	-	-	725,559
Short-term money market fund	-	-	-	905,335	905,335
International equity funds	-	-	-	1,995,271	1,995,271
Emerging markets equity funds	-	-	-	571,255	571,255
Real estate fund	-	-	-	897,981	897,981
Hedge fund	-	-	-	906,578	906,578
Private equity	-	-	-	109,567	109,567
	<u>\$ 3,688,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,300,462</u>	<u>15,988,726</u>
Cash					21,819
Total pension plan investments					<u>\$ 16,010,545</u>

* 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
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The percentages of the fair value of total Plan assets by asset category are as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	2 %	6 %
Equity	43 %	42 %
Fixed income	44 %	36 %
Other	11 %	16 %
	<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, 2015 and 2014, as detailed below:

		2015						
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	\$ 308,140	N/A	\$ -	Daily	None	
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	1,730,006	N/A	-	Daily	None	
Emerging markets equity funds	Approximates overall performance of the MSCI Emerging Markets Equity Index	2	693,834	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	5	3,740,704	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	5,283,268	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	865,867	N/A	-	Daily	None	
Hedge fund	Invests in diversified alternative investment strategies	1	961,475	N/A	-	No liquidity	No liquidity	
Private equity	Private equity with focus on renewable and alternative energy	1	19,955	N/A	15,790	No liquidity	No liquidity	
		<u>15</u>	<u>\$ 13,603,249</u>		<u>\$ 15,790</u>			

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
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		2014					
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	\$ 905,335	N/A	\$ -	Daily	None
International equity funds	Invests in non-U.S. markets directly, through funds or approximating MSCI ACWI ex-US index	2	1,995,271	N/A	-	Daily	None
Emerging markets equity funds	Approximates overall performance of the MSCI Emerging Markets Equity Index	2	571,255	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	5	3,403,683	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	3,510,792	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	897,981	N/A	-	Daily	None
Hedge fund	Invests in diversified alternative investment strategies	1	906,578	N/A	-	No liquidity	No liquidity
Private equity	Private equity with focus on renewable and alternative energy	1	109,567	N/A	16,762	No liquidity	No liquidity
		<u>15</u>	<u>\$ 12,300,462</u>		<u>\$ 16,762</u>		

The Plan had previously committed to investing \$1,000,000 with a private equity fund. As of June 30, 2015, NRDC has invested \$984,210 of such amounts and had a remaining commitment to invest an additional \$15,790.

Tax-Deferred Annuity 403(b) Plan

In addition to the defined benefit pension plan, NRDC has a group tax-deferred annuity 403(b) plan covering substantially all employees. NRDC made employer contributions under a “Graduated Service Schedule” to its 403(b) Plan. The funds are held for each employee in an individual account maintained by an investment firm. Plan costs aggregated \$3,889,970 and \$3,643,424 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, NRDC’s obligations under the 457(b) plan totaled \$2,348,623 and \$2,133,338, respectively, and are reported separately as obligations under deferred compensation plan on the accompanying consolidated balance sheets. The funds are held for each employee in an individual account maintained by an investment firm.

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
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As of June 30, 2015 and 2014, NRDC's investments pertaining to its deferred compensation plan consists of the following investments, all of which are categorized as Level 1 within the fair value hierarchy.

	<u>2015</u>	<u>2014</u>
Fixed income mutual funds	\$ 851,908	\$ 702,149
Equity mutual funds	1,052,482	1,044,832
Blended mutual funds	<u>444,233</u>	<u>386,357</u>
	<u>\$ 2,348,623</u>	<u>\$ 2,133,338</u>

9. DEBT OBLIGATIONS

Mortgage Loan Payable

NRDC has a mortgage loan which bears interest at a fixed rate of 8.29% per annum, and had an outstanding balance of \$128,643 as of June 30, 2014. The mortgage loan is collateralized by a building in Santa Monica, California. In fiscal 2015, this loan was paid in full.

Bank Revolving Credit Loan

NRDC has a 10-year unsecured term loan due July 2018. At June 30, 2015 and 2014, borrowings bore interest at a rate of 0.53% and 0.50%, respectively, which is calculated using the 1-month London Interbank Offered Rate ("LIBOR") plus an applicable margin of 0.19%. At June 30, 2015 and 2014, NRDC had a balance of \$8,304,343 and \$8,668,037, respectively, due under the term loan.

Bonds Payable

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

Bonds payable consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</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>\$ 10,923,786</u>	<u>\$ 11,204,197</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, 2015.

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

<u>Year ending June 30:</u>	<u>Amount</u>
2016	\$ 290,000
2017	305,000
2018	315,000
2019	330,000
2020	340,000
Thereafter	9,343,786
	<u>\$ 10,923,786</u>

Interest expense totaling \$751,766 and \$837,491 for the years ended June 30, 2015 and 2014, respectively, has been allocated to program and supporting services on the accompanying consolidated statements of activities. NRDC incurred \$360,472 of bond issuance costs in 2008 which have been capitalized and are being amortized over 30 years and are included in prepaid expenses and other assets on the accompanying consolidated balance sheets. At June 30, 2015 and 2014, \$270,531 and \$282,546, respectively, remains unamortized.

Interest-Rate Swap Agreements

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

<u>2015</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, 2015</u>
Bank of America, N.A.	01/17/08	01/24/08	03/01/2038	\$ 11,010,000	3.639%	\$ (1,933,583)
Bank of America, N.A.	04/14/08	04/30/08	04/30/2018	\$ 8,304,343	4.025%	(662,067)
						<u>\$ (2,595,650)</u>

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

<u>Fair Value</u>						
<u>Fair Value at June 30, 2015</u>	<u>Fair Value at June 30, 2014</u>	<u>Consolidated Balance Sheet Location</u>	<u>Gain (Loss) on Interest-Rate Swap Agreements</u>		<u>Consolidated Statement of Activities Location</u>	<u>Level within Fair Value Hierarchy</u>
			<u>June 30, 2015</u>	<u>June 30, 2014</u>		
\$ (2,595,650)	\$ (2,334,806)	Interest-Rate Swap agreements (Liabilities)	\$ (260,844)	\$ 114,166	Change in value of interest-rate swap agreements (non-operating activities)	Level II

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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, 2015, 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>
2016	\$ 3,302,935
2017	3,322,694
2018	3,406,682
2019	3,373,216
2020	3,147,120
Thereafter	<u>19,775,264</u>
	<u>\$ 36,327,911</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, 2015 and 2014 totaled \$3,534,968 and \$3,183,552, respectively.

NRDC has rented a portion of its available office space in New York to an unrelated party. Pursuant to the terms of the executed lease agreement, monthly rentals, including a charge for utilities, approximate \$66,700 and extend through May 31, 2018.

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

11. NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Specific environmental programs	\$ 53,414,772	\$ 50,221,386
NRDC Action Fund, Inc.	3,065,425	1,222,543
Awaiting appropriation for program activities	8,729,435	9,255,351
Restricted only as to the passage of time	<u>1,241,051</u>	<u>1,391,660</u>
	<u>\$ 66,450,683</u>	<u>\$ 62,090,940</u>

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Net assets of \$60,831,008 and \$53,461,862 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, 2015 and 2014, respectively. The details of the net assets released from restrictions are as follows:

	<u>2015</u>	<u>2014</u>
Memberships and individual contributions - programs	\$ 31,993,423	\$ 24,587,575
Foundations	24,382,494	25,179,760
NRDC Action Fund, Inc.	2,089,608	1,501,810
NRDC Limited	631,578	272,810
Investment return appropriated for program services	1,711,438	1,236,099
Events	-	33,435
Other	22,467	650,373
	<u>\$ 60,831,008</u>	<u>\$ 53,461,862</u>

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 and 2014 consist of endowment funds, the investment return from which is restricted for specific purposes and is recorded as part of temporarily restricted net assets until appropriated for expenditure by NRDC's Board of Trustees.

12. IN-KIND CONTRIBUTIONS

During fiscal 2015 and 2014, NRDC received donated legal, consulting, and other services and goods at fair value as follows:

	<u>2015</u>	<u>2014</u>
Legal services	\$ 4,428,138	\$ 2,241,047
Consulting services	17,961	7,500
Goods and other services	577,879	540,682
	<u>\$ 5,023,978</u>	<u>\$ 2,789,229</u>

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

13. JOINT COSTS

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

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

During the years ended June 30, 2015 and 2014, NRDC allocated joint costs for such informational materials and activities as follows:

	<u>2015</u>	<u>2014</u>
Revive our oceans	\$ 3,104,002	\$ 4,474,867
Wildlife and wildlands	2,438,358	1,038,538
Membership services	50,470	71,171
Fundraising	<u>3,288,463</u>	<u>3,272,168</u>
	<u>\$ 8,881,293</u>	<u>\$ 8,856,744</u>

14. NRDC ACTION FUND, INC.

Included in the accompanying consolidated balance sheets at June 30, 2015 and 2014 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to the NRDC Action Fund, Inc.:

	<u>2015</u>	<u>2014</u>
Balance Sheets as of June 30:		
Assets	\$ 3,149,461	\$ 1,588,298
Liabilities	<u>(84,036)</u>	<u>(365,755)</u>
Net assets-temporarily restricted	<u>\$ 3,065,425</u>	<u>\$ 1,222,543</u>
Statements of Activities for years ended June 30:		
Revenues - contributions	\$ 3,899,436	\$ 1,553,303
Revenues - in-kind donations	<u>33,054</u>	<u>43,746</u>
Total revenue	<u>3,932,490</u>	<u>1,597,049</u>
Expenses:		
Program services:		
Environmental advocacy	771,747	710,991
Climate	895,132	272,888
Health	631	-
Ballot initiatives	10,231	-
Political Action Committee	43,156	15,600
Lands and wildlife	15,810	-
Online activism	<u>140,882</u>	<u>325,177</u>
Total program services	<u>1,877,589</u>	<u>1,324,656</u>
Supporting services:		
Management and general	182,580	135,227
Fundraising	<u>29,439</u>	<u>41,927</u>
Total supporting services	<u>212,019</u>	<u>177,154</u>
Total expenses	<u>2,089,608</u>	<u>1,501,810</u>
Change in net assets	1,842,882	95,239
Net assets, beginning of year	<u>1,222,543</u>	<u>1,127,304</u>
Net assets, end of year	<u>\$ 3,065,425</u>	<u>\$ 1,222,543</u>

SUPPLEMENTARY SCHEDULES

NATURAL RESOURCES DEFENSE COUNCIL, INC.
Supplemental Schedule – Unconsolidated Schedule of Activities
(excluding NRDC Action Fund, Inc. and NRDC Limited)
For the year ended June 30, 2015

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total			
REVENUES						
Memberships and individual contributions	\$ 58,966,044	\$ 7,380,426	\$ 66,346,470	\$ 31,094,544	\$ -	\$ 97,441,014
Foundation grants	572,670	50,000	622,670	28,926,282	-	29,548,952
Government grants	874,317	-	874,317	-	-	874,317
Bequests	-	6,513,517	6,513,517	-	-	6,513,517
In-kind contributions	4,971,985	-	4,971,985	-	-	4,971,985
Awarded attorneys fees	693,111	-	693,111	-	-	693,111
Investment return appropriated for operations	-	3,829,141	3,829,141	1,282,383	-	5,111,524
Investment return from operating reserves	818,197	-	818,197	-	-	818,197
Other revenue	1,023,050	-	1,023,050	-	-	1,023,050
Net assets released from restrictions	63,649,610	(5,539,787)	58,109,823	(58,109,823)	-	-
Total revenues	<u>131,568,984</u>	<u>12,233,297</u>	<u>143,802,281</u>	<u>3,193,386</u>	<u>-</u>	<u>146,995,667</u>
EXPENSES						
Program services:						
Clean energy future	50,853,498	-	50,853,498	-	-	50,853,498
Revive our oceans	9,737,769	-	9,737,769	-	-	9,737,769
Protect our health	10,546,684	-	10,546,684	-	-	10,546,684
Wildlife and wildlands	15,517,958	-	15,517,958	-	-	15,517,958
Safe and sufficient water	7,283,759	-	7,283,759	-	-	7,283,759
Sustainable communities	11,596,215	-	11,596,215	-	-	11,596,215
Membership services	3,347,670	-	3,347,670	-	-	3,347,670
Total program services	<u>108,883,553</u>	<u>-</u>	<u>108,883,553</u>	<u>-</u>	<u>-</u>	<u>108,883,553</u>
Supporting services:						
Management and general	9,682,797	-	9,682,797	-	-	9,682,797
Fundraising	6,956,918	-	6,956,918	-	-	6,956,918
Member recruitment	5,027,572	-	5,027,572	-	-	5,027,572
Total supporting services	<u>21,667,287</u>	<u>-</u>	<u>21,667,287</u>	<u>-</u>	<u>-</u>	<u>21,667,287</u>
Total expenses	<u>130,550,840</u>	<u>-</u>	<u>130,550,840</u>	<u>-</u>	<u>-</u>	<u>130,550,840</u>
Changes in net assets, before non-operating activities	1,018,144	12,233,297	13,251,441	3,193,386	-	16,444,827
NON-OPERATING ACTIVITIES						
Investment return, net of amounts used in operations	76,268	(957,809)	(881,541)	(525,916)	-	(1,407,457)
Change in value of interest-rate swap agreements	-	(260,844)	(260,844)	-	-	(260,844)
Pension related activity other than net periodic pension expense	-	(2,662,892)	(2,662,892)	-	-	(2,662,892)
Change in value of split-interest agreements	3,500	(355,181)	(351,681)	(150,609)	-	(502,290)
Changes in net assets	<u>1,097,912</u>	<u>7,996,571</u>	<u>9,094,483</u>	<u>2,516,861</u>	<u>-</u>	<u>11,611,344</u>
Net assets, beginning of year	<u>14,712,350</u>	<u>136,485,219</u>	<u>151,197,569</u>	<u>60,868,396</u>	<u>20,005,906</u>	<u>232,071,871</u>
Net assets, end of year	<u>\$ 15,810,262</u>	<u>\$ 144,481,790</u>	<u>\$ 160,292,052</u>	<u>\$ 63,385,257</u>	<u>\$ 20,005,906</u>	<u>\$ 243,683,215</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, 2015

	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	\$ 23,342,780	\$ 3,804,676	\$ 6,129,427	\$ 7,904,188	\$ 4,280,575	\$ 5,739,287	\$ 835,687	\$ 52,036,620	\$ 5,891,713	\$ 5,068,379	\$ 339,449	\$ 11,299,541	\$ 63,336,161
Rent and utilities	2,012,747	324,192	522,281	673,507	364,743	499,007	70,963	4,467,440	497,732	430,550	28,825	957,107	5,424,547
Depreciation and amortization	861,503	140,418	226,216	291,717	157,982	211,818	30,840	1,920,494	217,423	187,040	12,527	416,990	2,337,484
Professional consulting and counsel	15,185,959	1,550,655	2,209,569	2,360,134	1,093,219	3,235,109	411,884	26,046,529	1,079,975	319,527	482,202	1,881,704	27,928,233
Special mailings and postage	116,882	1,185,567	30,721	790,247	23,265	28,111	596,162	2,770,955	1,707	28,179	1,325,974	1,355,860	4,126,815
Printing and copying	388,646	1,496,336	94,282	1,566,505	80,827	94,306	729,222	4,450,124	6,699	105,397	2,014,594	2,126,690	6,576,814
Membership lists and maintenance	252,011	404,954	64,454	280,597	45,012	60,351	546,685	1,654,064	3,074	97,144	316,542	416,760	2,070,824
Travel	1,454,995	211,412	329,633	458,508	199,015	463,526	4,070	3,121,159	322,954	151,235	526	474,715	3,595,874
Public affairs and advertising	3,352,607	152,809	99,545	164,058	422,416	86,228	4,830	4,282,493	29,840	22,029	88,141	140,010	4,422,503
Conferences and meetings	298,473	30,949	106,029	65,804	50,917	135,320	1,951	689,443	124,000	67,127	478	191,605	881,048
Contributions to others	1,495,959	131,601	252,162	316,947	192,089	551,901	46	2,940,705	23,373	11,790	19	35,182	2,975,887
Other	2,090,936	304,200	482,365	645,746	373,699	491,251	115,330	4,503,527	1,484,307	468,521	418,295	2,371,123	6,874,650
Total expenses of NRDC (on a standalone basis)	50,853,498	9,737,769	10,546,684	15,517,958	7,283,759	11,596,215	3,347,670	108,883,553	9,682,797	6,956,918	5,027,572	21,667,287	130,550,840
NRDC Action Fund, Inc. - depreciation								-	4,907	-	-	4,907	4,907
NRDC Action Fund, Inc. - other expenses	1,861,148	-	631	15,810	-	-	-	1,877,589	177,673	29,439	-	207,112	2,084,701
Total Action Fund	1,861,148	-	631	15,810	-	-	-	1,877,589	182,580	29,439	-	212,019	2,089,608
NRDC Limited	640,139	-	-	-	-	-	-	640,139	-	-	-	-	640,139
	<u>\$ 53,354,785</u>	<u>\$ 9,737,769</u>	<u>\$ 10,547,315</u>	<u>\$ 15,533,768</u>	<u>\$ 7,283,759</u>	<u>\$ 11,596,215</u>	<u>\$ 3,347,670</u>	<u>\$ 111,401,281</u>	<u>\$ 9,865,377</u>	<u>\$ 6,986,357</u>	<u>\$ 5,027,572</u>	<u>\$ 21,879,306</u>	<u>\$ 133,280,587</u>

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