

Environmental Defense Fund, Incorporated

**Consolidated Financial Statements
and Supplementary Information**
Years Ended September 30, 2021 and 2020

Environmental Defense Fund, Incorporated

Consolidated Financial Statements and Supplementary Information
Years Ended September 30, 2021 and 2020

Environmental Defense Fund, Incorporated

Contents

Independent Auditor's Report	3-5
Consolidated Financial Statements	
Consolidated Statements of Financial Position as of September 30, 2021 and 2020	6
Consolidated Statement of Activities for the Year Ended September 30, 2021	7
Consolidated Statement of Activities for the Year Ended September 30, 2020	8
Consolidated Statement of Functional Expenses for the Year Ended September 30, 2021	9
Consolidated Statement of Functional Expenses for the Year Ended September 30, 2020	10
Consolidated Statements of Cash Flows for the Years Ended September 30, 2021 and 2020	11
Notes to Consolidated Financial Statements	12-31
Supplementary Information	
Consolidating Schedule of Financial Position as of September 30, 2021	33
Consolidating Schedule of Financial Position as of September 30, 2020	34
Consolidating Schedule of Activities for the Year Ended September 30, 2021	35
Consolidating Schedule of Activities for the Year Ended September 30, 2020	36



Independent Auditor's Report

The Board of Trustees
Environmental Defense Fund, Incorporated
New York, New York

Opinion

We have audited the consolidated financial statements of the Environmental Defense Fund, Incorporated and its subsidiaries (EDF), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EDF as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of EDF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EDF's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EDF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EDF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and consolidating schedules of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such 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 audit of the consolidated financial statements and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and to other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BDO USA, LLP

January 28, 2022

Environmental Defense Fund, Incorporated

Consolidated Statements of Financial Position

<i>September 30,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 24,045,508	\$ 28,722,117
Temporary investments, at fair value	1,082,778	2,580,855
Prepaid expenses and other assets	12,479,081	10,121,545
Pledges receivable, net	83,580,354	67,080,479
Investments, at fair value	229,201,770	120,207,973
Property and equipment, net	64,944,403	44,826,017
Total Assets	\$ 415,333,894	\$ 273,538,986
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 12,886,358	\$ 23,087,184
Deferred revenue and rent payable	3,226,085	3,611,072
Annuities payable	5,941,073	6,448,990
Notes payable	8,646,896	9,887,146
Pension liability	6,051,183	4,872,993
Other liabilities	8,640,769	5,207,696
Total Liabilities	45,392,364	53,115,081
Commitments and Contingencies		
Net Assets		
Without donor restrictions:		
Undesignated	34,509,589	10,717,663
Board designated	68,594,798	63,949,817
Total Without Donor Restrictions	103,104,387	74,667,480
With donor restrictions	266,837,143	145,756,425
Total Net Assets	369,941,530	220,423,905
Total Liabilities and Net Assets	\$ 415,333,894	\$ 273,538,986

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Activities

Year ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support:			
Contributions and membership	\$ 106,782,259	\$ 212,774,264	\$ 319,556,523
Foundations and other institutional giving	83,256	38,801,899	38,885,155
Government grants and other giving	-	4,500,430	4,500,430
Bequests and other planned giving	8,494,423	24,804	8,519,227
Net assets released from restrictions	138,786,995	(138,786,995)	-
Total Support	254,146,933	117,314,402	371,461,335
Revenue:			
Investment income allocated for operations	3,000,000	651,687	3,651,687
Fees, royalties, and other income	3,692,487	1,268,658	4,961,145
Total Revenue	6,692,487	1,920,345	8,612,832
Total Operating Support and Revenue	260,839,420	119,234,747	380,074,167
Operating Expenses			
Program services:			
Scientific research, economic analysis, and policy development:			
Climate and energy	106,378,614	-	106,378,614
Oceans	19,723,114	-	19,723,114
Ecosystems	20,596,213	-	20,596,213
Health	9,559,581	-	9,559,581
Education	31,097,392	-	31,097,392
Total Program Services	187,354,914	-	187,354,914
Supporting services:			
Management and general	6,305,125	-	6,305,125
Fundraising and development	36,969,173	-	36,969,173
Total Supporting Services	43,274,298	-	43,274,298
Total Operating Expenses	230,629,212	-	230,629,212
Change in Net Assets from Operations	30,210,208	119,234,747	149,444,955
Change in Net Assets from Non-Operating Activities			
Other expenses and other income, net	67,629	(412,395)	(344,766)
Investment income, net of allocation to operations	(1,840,930)	2,258,366	417,436
Change in Net Assets	28,436,907	121,080,718	149,517,625
Net Assets, beginning of year	74,667,480	145,756,425	220,423,905
Net Assets, end of year	\$ 103,104,387	\$ 266,837,143	\$ 369,941,530

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Activities

Year ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support:			
Contributions and membership	\$ 73,989,839	\$ 86,200,178	\$ 160,190,017
Foundations and other institutional giving	1,571,896	36,419,826	37,991,722
Government grants and other giving	1,000	4,585,321	4,586,321
Bequests and other planned giving	13,141,887	225,628	13,367,515
Net assets released from restrictions	138,151,954	(138,151,954)	-
Total Support	226,856,576	(10,721,001)	216,135,575
Revenue:			
Investment income allocated for operations	-	652,179	652,179
Fees, royalties, and other income	4,575,973	-	4,575,973
Total Revenue	4,575,973	652,179	5,228,152
Total Operating Support and Revenue (Expenses)	231,432,549	(10,068,822)	221,363,727
Operating Expenses			
Program services:			
Scientific research, economic analysis, and policy development:			
Climate and energy	98,360,218	-	98,360,218
Oceans	19,054,976	-	19,054,976
Ecosystems	21,285,876	-	21,285,876
Health	8,669,898	-	8,669,898
Education	24,639,093	-	24,639,093
Total Program Services	172,010,061	-	172,010,061
Supporting services:			
Management and general	6,869,817	-	6,869,817
Fundraising and development	37,420,249	-	37,420,249
Total Supporting Services	44,290,066	-	44,290,066
Total Operating Expenses	216,300,127	-	216,300,127
Change in Net Assets from Operations	15,132,422	(10,068,822)	5,063,600
Change in Net Assets from Non-Operating Activities			
Other expenses and other income, net	(925,678)	(245,376)	(1,171,054)
Investment income, net of allocation to operations	1,434,584	328,786	1,763,370
Change in Net Assets	15,641,328	(9,985,412)	5,655,916
Net Assets, beginning of year	59,026,152	155,741,837	214,767,989
Net Assets, end of year	\$ 74,667,480	\$ 145,756,425	\$ 220,423,905

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Functional Expenses

Year ended September 30, 2021

	Climate and Energy	Oceans	Ecosystems	Health	Education	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 30,177,912	\$ 7,983,422	\$ 7,077,474	\$ 3,651,996	\$ 13,694,756	\$ 1,666,403	\$ 17,692,508	\$ 81,944,471
Benefits and other employee costs	8,410,794	2,359,843	2,043,376	986,702	3,799,394	708,245	5,043,777	23,352,131
Total Personnel Expense	38,588,706	10,343,265	9,120,850	4,638,698	17,494,150	2,374,648	22,736,285	105,296,602
Professional and consulting fees	24,686,047	6,089,802	6,148,520	1,803,106	5,225,890	852,830	4,424,629	49,230,824
Grants and other contributions	20,542,011	999,425	1,911,440	1,827,199	3,630,479	3,152	11,861	28,925,567
Occupancy	3,087,252	823,429	785,804	334,907	1,493,354	1,783,409	3,619,020	11,927,175
Advertising and promotions	9,435,793	199,032	215,078	323,707	948,264	57,458	727,951	11,907,283
Printing	5,469,410	325,859	1,629,612	258,860	571,461	51,824	693,408	9,000,434
Other	2,157,673	554,987	391,462	185,629	830,790	560,969	3,081,162	7,762,672
Subscriptions and dues	1,808,389	236,332	243,767	123,440	590,305	282,561	986,542	4,271,336
Depreciation and amortization	603,333	150,983	149,680	64,035	312,699	338,274	688,315	2,307,319
Total	\$106,378,614	\$ 19,723,114	\$ 20,596,213	\$ 9,559,581	\$ 31,097,392	\$ 6,305,125	\$ 36,969,173	\$230,629,212

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Functional Expenses

Year ended September 30, 2020

	Climate and Energy	Oceans	Ecosystems	Health	Education	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 30,111,550	\$ 8,292,279	\$ 7,408,787	\$ 3,230,308	\$ 11,324,503	\$ 2,519,085	\$ 18,724,112	\$ 81,610,624
Benefits and other employee costs	8,981,255	2,579,081	2,190,294	928,990	3,365,799	607,786	4,067,364	22,720,569
Total Personnel Expense	39,092,805	10,871,360	9,599,081	4,159,298	14,690,302	3,126,871	22,791,476	104,331,193
Professional and consulting fees	21,147,914	3,819,983	4,453,255	1,407,827	3,820,977	893,164	5,000,505	40,543,625
Grants and other contributions	19,859,568	977,448	2,153,024	1,326,352	2,238,565	1,110	9,316	26,565,383
Occupancy	3,201,661	834,378	816,352	347,857	1,549,157	1,849,813	3,753,770	12,352,988
Advertising and promotions	6,080,956	239,098	550,283	360,367	197,218	15,861	332,929	7,776,712
Printing	3,280,921	420,331	2,307,322	270,345	355,441	58,241	987,990	7,680,591
Other	3,517,313	1,389,082	913,060	470,407	1,166,142	424,506	3,263,546	11,144,056
Subscriptions and dues	1,575,499	351,850	343,420	263,229	307,878	161,141	590,616	3,593,633
Depreciation and amortization	603,581	151,446	150,079	64,216	313,413	339,110	690,101	2,311,946
Total	\$ 98,360,218	\$ 19,054,976	\$ 21,285,876	\$ 8,669,898	\$ 24,639,093	\$ 6,869,817	\$ 37,420,249	\$216,300,127

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statements of Cash Flows

<i>Year ended September 30,</i>	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 149,517,625	\$ 5,655,916
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	(137,649,438)	(36,330,768)
Proceeds from donated securities	33,665,590	8,198,246
Net realized and unrealized gains on investments	(1,781,273)	(1,102,580)
Depreciation and amortization	2,307,319	2,311,946
Change in present value of pledges receivable	93,508	(1,791,091)
Bad debt	1,086,215	533,968
Changes in:		
Prepaid expenses and other assets	(2,357,536)	(2,716,765)
Pledges receivable	(17,679,598)	45,008,057
Accounts payable and accrued expenses	(10,200,826)	(1,674,515)
Deferred rent and revenue payable	(384,987)	472,767
Annuities payable	(507,917)	1,570,296
Pension liability	1,178,190	685,784
Other liabilities	3,433,073	1,264,472
Net Cash Provided by Operating Activities	20,719,945	22,085,733
Cash Flows from Investing Activities		
Purchases of property and equipment	(22,425,705)	(24,088,993)
Proceeds from sales of investments	126,141,000	66,122,295
Purchases of investments	(127,871,599)	(69,038,029)
Net Cash Used in Investing Activities	(24,156,304)	(27,004,727)
Cash Flows from Financing Activities		
Repayment of notes payable	(1,240,250)	(1,140,250)
Net Cash Used in Financing Activities	(1,240,250)	(1,140,250)
Net Decrease in Cash and Cash Equivalents	(4,676,609)	(6,059,244)
Cash and Cash Equivalents, beginning of year	28,722,117	34,781,361
Cash and Cash Equivalents, end of year	\$ 24,045,508	\$ 28,722,117
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 127,614	\$ 251,260

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

The accompanying Environmental Defense Fund, Incorporated consolidated financial statements are comprised of the entity Environmental Defense Fund, Incorporated (EDFI) and its wholly controlled entities, the Environmental Defense Action Fund (the Action Fund); the MethaneSat, LLC (MethaneSAT); SATMgmt, LLC (SATMgmt); Environmental Defense Fund de Mexico, A.C. (EDF Mexico); the Environmental Defense Action Fund Political Action Committee (EDAF PAC); the Environmental Defense Fund Europe (EDFE); Stichting Environmental Defense Fund Europe (EDF Netherlands); Environmental Defense Fund Beijing Representative Office (EDF Beijing); Environmental Defense Fund Hong Kong (EDF Hong Kong); Environmental Defense Fund Indonesia (EDF Indonesia); Environmental Defense Fund Philippines (EDF Philippines); and Environmental Defense Fund Japan Foundation (EDF Japan) (together, EDF) as of and for the fiscal years ended September 30, 2021 and 2020.

EDFE and EDF Netherlands together are referred to as EDF Europe.

EDFI was originally organized as the Environmental Defense Fund, Incorporated, under the laws of New York State. It is classified as a public charity and is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and from state and local taxes under comparable laws. It is dedicated to protecting the environmental rights of all people, including the rights to clean air, clean water, healthy food, and flourishing ecosystems. EDFI employs scientists, economists, attorneys, and other professionals in an effort both to educate the public and to create practical solutions to environmental problems that win lasting political, economic and social support because they are nonpartisan and fair. It receives support from its membership and other contributors, as well as through foundation and government grants.

The Action Fund was incorporated in Delaware to educate the public about sound environmental policy and to advocate for effective laws to protect the environmental rights of all people. It has been classified as exempt from federal income taxes under Section 501(c)(4) of the Code. It receives support from individuals and other contributors.

EDFI established EDF Mexico, a controlled foreign subsidiary, the operations of which are located in La Paz, Mexico. The expenditures of EDF Mexico are included in these consolidated financial statements.

The Action Fund established the EDAF PAC to facilitate political contributions by the Action Fund's members, officers, and designated staff to help support candidate committees and other political committees that merit the support of the Action Fund and its members. Maintaining the Action Fund's reputation for objective, bipartisan advocacy, EDAF PAC was established to support candidates who promote environmental progress and protection, regardless of their political party affiliation. Since EDAF PAC is not a separate legal entity, its assets and liabilities are included in these consolidated financial statements as part of the Action Fund.

EDFE was established in the UK as a company limited by guarantee, with EDFI as the company's sole member. EDFE is a registered charity under the UK Charities Act. As a registered charity, EDFE is exempt from income tax so long as its funds are used for charitable purposes. The work of EDFE focuses on restoring oceans and promoting sustainable fishing, as well as reducing emissions of climate pollutants through the wider use of clean energy and increased energy efficiency.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

EDF Netherlands, an incorporated entity, is participating in the Climate and Clean Air Coalition (CCAC), which is a part of the United Nations Environment Program. In this role, EDFI is leading a series of international methane studies characterizing methane emissions from oil and gas operations. The work is funded by the European Commission, EDFI itself and Oil and Gas Climate Initiative (OGCI) member companies. Staff in the field are leading the day-to-day work.

EDF Beijing was issued a certificate, in accordance with the Law of the People's Republic of China on Administration of Activities of Overseas Nongovernmental Organizations in the Mainland of China. This registration allows EDF Beijing to work throughout China on pollution control, environmental health, ecological conservation, and climate change.

MethaneSAT is registered in New York State as a limited liability company. It is wholly owned and controlled by EDFI and is disregarded as an entity separate from EDFI for federal income tax purposes. MethaneSAT is critical to advancing EDFI's global methane strategy. MethaneSAT will, for the first time, systematically quantify methane emissions worldwide, starting with oil and gas-producing regions, and provide a global picture of emissions. MethaneSAT has negotiated contracts with vendors to build, launch, and commission a satellite. Following launch, expected in 2023, MethaneSAT will be able to track changes in both the rate and location of emissions over time. This capability is what will allow MethaneSAT to play a leading role in holding countries and companies accountable to reduction commitments they make, whether through regulations or changes in corporate practices. Certain data will be made public so that companies, investors, governments, and interested citizens will have a clear understanding of the extent of emissions across geographies and facilities, and thus the climatic impacts.

SATMgmt is registered in New York State as a limited liability company. It is wholly owned and controlled by EDFI and is disregarded as an entity separate from EDFI for federal income tax purposes. SATMgmt manages the operations of MethaneSAT.

EDFI is officially registered in Hong Kong. EDFI intends to engage in the preservation of the natural systems, to provide practical and lasting solutions to environmental problems, involving areas that span the biosphere, such as climate, oceans, ecosystems, and health.

EDF Indonesia is registered to operate in Indonesia. Our experts work closely with the Ministry of Maritime Affairs and Fisheries, as well as local and international Non-Governmental Organizations (NGOs) and Universities to support and facilitate cooperation on the management of sustainable fisheries throughout Indonesia.

EDFI was granted license to transact in the Philippines, where EDF Philippines will train government officials to use innovative, low-cost analytical tools to improve the science of fisheries management. Recently, government officials have invited EDF Philippines to partner with them to implement sustainable management in one of several regional fishery management areas that were established by a new government policy.

EDF Japan will further drive EDF's environmental mission in Japan and the surrounding region. EDF Japan reports to a Board of Trustees, who in turn report to a Board of Commissioners, both of which are substantially comprised of EDF executives.

The 13 entities that comprise EDF, as described above, have some common officers and directors, and they share staff and other resources under a cost-sharing agreement. All material intercompany transactions have been eliminated in consolidation.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

Basis of Accounting

The accompanying consolidated financial statements of EDF have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net asset defined below in the consolidated statements of financial position, and the amounts of change in each of those classes of net assets, are displayed in the consolidated statements of activities.

These classes are defined as follows:

Net Assets Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed restrictions and are, therefore, available for general purposes to be used for the ongoing activity and working capital needs of EDF. Certain net assets without donor restrictions are designated by the Board of Trustees for specified purposes. Revenues are reported as increases in net assets without donor restrictions, unless their use is limited by donor-imposed restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donors or by law. Expenses are reported as decreases in net assets without donor restrictions.

Net Assets with Donor Restrictions - This class consists of net assets with donor restrictions whose use is limited by donor-imposed time and or purpose restrictions. EDF reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net asset without donor restriction and reported in the statements of activities as net assets released from restriction.

Net assets with donor restrictions may include that the corpus of gifts, which must be maintained in perpetuity, but allow for the expenditure of net investment income and gains on investments earned on the corpus for either specified or unspecified purposes in accordance with the donor's stipulations. These funds are included with donor restrictions as permanently restricted.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis and by natural classification in the accompanying consolidated statements of activities.

Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management based on the benefits received by the programs and supporting services.

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of EDF. Those expenses include depreciation and

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

amortization, the finance department, human resources department, communications department, and information technology department. Depreciation is allocated based on square footage, the finance department is allocated based on estimates of time and effort, certain costs of the communications department are allocated based on estimates of time and effort, and the information technology department is allocated based on estimates of time and costs of specific technology utilized.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Measure of Operations

EDF includes in its measure of operations:

- All revenues and expenses that are an integral part of its programs and supporting activities.
- Net assets released from restrictions to support operating expenditures.
- An annual amount appropriated for expenditure from donor-restricted endowment assets and assets designated for long-term investment.

EDF excludes from its measure of operations:

- Contributions from and changes in the value of split-interest agreements, until the death of the donor, unless specified otherwise.
- Investment results net of amounts made available for operating purposes.

Cash and Cash Equivalents

For financial reporting purposes, EDF considers all highly liquid instruments purchased with an original maturity of three months or less, excluding cash held for investment purposes, to be cash and cash equivalents.

Cash Equivalents in Temporary Investments

The cash equivalents reported in the accompanying consolidated financial statements as temporary investments for future periods consist primarily of highly liquid investments with an original maturity of three months or less.

Property, Equipment, and Depreciation

Property and equipment are recorded at their original costs and are depreciated over their estimated useful lives, which range from three to ten years, using the straight-line method. Leasehold improvements are amortized using the straight-line method over the terms of the underlying leases, or the estimated useful lives of the improvements, whichever is shorter. EDF

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

capitalizes items of property and equipment that have a cost of \$5,000 or more and useful lives of three years or more.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2021 and 2020 and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near-term and necessitate a change in management's estimate of the recoverability of these assets.

Fair Value Measurements

EDF reports a fair value measurement of all applicable financial assets and liabilities, including investments, inventory, pledges receivable, deferred revenue, and short-term and long-term notes payable.

Investments

U.S. GAAP also establishes a three-level valuation hierarchy of fair value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of input create the following fair value hierarchy:

Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.

Level 2 - Valuations are based on (i) quoted prices - those investments, or similar investments, in active markets; (ii) quoted prices - those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments or similar investments that are redeemable at or near the statement of financial position date and for which a model was derived for valuation.

Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments; (ii) the investments cannot be independently valued; or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

Net investment income is recorded as without donor restrictions, unless specifically restricted by the donors. Unrealized appreciation or depreciation of investments is included in the accompanying consolidated statements of activities. Realized gains and losses are accounted for on the specific identification method.

EDF's policy to sell donated equity securities upon receipt.

Investment income is net of direct investment expenses, which include the services of bank trustees, investment managers, and custodians. The balance of investment management fees charged by EDF's investment managers in each fiscal year does not include those fees that are embedded in various other investment accounts and transactions.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

Valuation Allowances

The EDF evaluates the discount on its pledges receivable balance annually. Pledges are grouped based on the due date of each individual pledge payment, and the discount rate is determined by the risk-free rate at the time of the evaluation.

Split-Interest Agreements

A portion of EDFI's investments results from deferred-giving vehicles subject to split-interest agreements. Three different types of agreements are currently maintained: the charitable gift annuity, the charitable remainder unitrust, and the pooled income fund.

Charitable gift annuities are without donor restriction irrevocable gifts under which EDFI agrees in turn to pay a life annuity to the donor or to a designated beneficiary. The contributed funds and the attendant liabilities immediately become part of the general assets and liabilities of EDFI, subject to EDFI maintaining an actuarial reserve in accordance with New York State law. Charitable remainder unitrust gifts are time-restricted contributions not available to EDFI until after the death of the donor, who, while living, receives an annual payout from the trust, based on a fixed percentage of the market value of the invested funds on December 31 of each year. The pooled income fund is composed of donations that are combined in bond and equity mutual fund investments. Contributors receive a pro-rata share of the actual ordinary income of these funds until their deaths, at which point the investment asset share of the donors becomes available to EDFI.

EDFI values deferred gifts of cash at their face values and investments at their fair values. EDFI's liabilities are calculated on the basis of industry-standard actuarial data. Published Internal Revenue Service discount rates and actuarial tables are employed to determine the net present value of both contributions and liabilities pertaining to these deferred-giving arrangements.

The net asset value (NAV) of a split-interest agreement at the time of the donor's death is reported in without donor restrictions, unless specified otherwise by the donor.

Accrued Vacation

EDF's obligation for accrued vacation is included as a liability in the accompanying consolidated statements of financial position and represents the cost of unused employee vacation time payable in the event of employee terminations. At September 30, 2021 and 2020, accrued vacation obligations were \$2,648,930 and \$4,933,609, respectively, and is included in the accounts payable and accrued expenses in the consolidated statements of financial position.

Deferred Rent Payable

Rent expense is recorded on a straight-line basis over the term of the respective lease. The difference between rent expense incurred by EDF and the amounts paid in cash, as well as the unamortized portion of rent concessions and landlord contributions to leasehold improvement projects, is reported as deferred rent payable in the accompanying consolidated statements of financial position.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

Revenue Recognition

Contributions - Contributions and grants, including unconditional promises to give to EDF (pledges), are recognized as revenue in the period received. If pledges receivable are to be paid over a period greater than one year, they are recorded at the present value of their estimated future cash flows using the effective discount rate. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions are considered to be available for use, unless specifically restricted by the donors.

Bequests - Under a policy established by its Board of Trustees (the Board), at the recommendation of its Finance Committee, EDF designates an amount up to 90% of total without donor restriction bequests received for long-term investment, subject to its annual operating requirements. Unconditional bequests are reported as revenues when notification of the bequest is received, the amount is reasonably determinable, and the probate court declares the will valid.

Donated Goods and Services - Donated goods and services are recognized at their fair values at the dates of donation. Contributions of services are also recognized at fair value when they are received, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. These services, valued at \$0 and \$25,284 for fiscal years 2021 and 2020, respectively, were donated to EDF and are included in contributions and membership in the consolidated statements of activities.

Donated goods and services are reflected in the consolidated statements of activities as in-kind contributions, and therefore are recorded as both income and expense when they are received. A number of volunteers, including members of the Board, have made significant contributions of their time in furtherance of EDF's mission. The value of this contributed time does not meet the criteria for recognition as contributed services, in accordance with U.S. GAAP, and therefore is not reflected in the accompanying consolidated financial statements.

Accounting for Uncertainty in Income Taxes

In accordance with U.S. GAAP, the EDF must recognize a tax liability associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The EDF does not believe that it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits.

With Donor Restrictions-Permanently Restricted

New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). This law, which is a modified version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), made significant changes to the rules governing how New York not-for-profit organizations may manage, invest, and spend their endowment funds. The law was designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. It also expanded the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable, or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes, and certain trusts. The adoption of this law did not have a material effect on EDF's consolidated financial statements.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

Foreign Currency Translation

EDF has offices in a number of countries. Assets and liabilities for these foreign branch offices are translated at the rates of exchange at the balance sheet date, while income statement accounts are translated at the average exchange rates in effect during the period. The effect of such translation adjustments was to increase net assets by \$76,686 and \$101,360 for the years ended September 30, 2021 and 2020, respectively.

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

EDF adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (ASC 606), on October 1, 2020. EDF recognizes revenue when control of the promised goods or services is transferred to outside parties in an amount that reflects the consideration EDF expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with outside parties. EDF has identified fees, royalties, and other income as revenues subject to the adoption of ASC 606. These revenues are not significant to EDF's overall revenue. The adoption of ASC 606 did not have a material impact on the financial position, changes in net assets, cash flows, business processes, controls, or systems of EDF.

Membership payments are considered as non-exchange transactions and recorded as contributions from organizations and individuals. The publications that EDF provides to members or donors is considered de minimis as it is also available for distribution to non-member/non-donors.

Fair Value Measurement: Disclosure Framework - Changes to Disclosure Requirements for Fair Value Measurement

Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement: Disclosure Framework - Changes to Disclosure Requirements for Fair Value Measurement*, was issued as part of the FASB disclosure framework project to improve the effectiveness of disclosures about fair value measurements required under ASC 820. The ASU amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. EDF adopted this ASU in fiscal 2021, as required, and there was no significant impact on the consolidated financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Accounting for Leases

The FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. ASU 2020-05 deferred this standard until fiscal years beginning after December 15, 2021, and EDF is currently evaluating the impact of the pending adoption of ASU 2016-02.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statements of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. EDF is currently evaluating the impact of the adoption of ASU 2020-07.

Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 presentation.

Subsequent Events

EDF considers the accounting treatment, and the related disclosures in the current fiscal year's consolidated financial statements, which may be required as the result of all events or transactions through January 28, 2022, the date the consolidated financial statements were available for issuance. There were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.

2. Liquidity and Availability of Resources

The following table reflects the EDF's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or assets held for others. The Board has designated funds but these designations could be drawn upon if the Board approves the action for use and are therefore not removed from financial assets below.

<i>September 30,</i>	2021	2020
Cash and cash equivalents	\$ 24,045,508	\$ 28,722,117
Temporary investments, at fair value	1,082,778	2,580,855
Pledges receivable, net, current portion	44,700,448	50,823,620
Investments, at fair value	229,201,770	120,207,973
Total Financial Assets	299,030,504	202,334,565
Less: amounts unavailable for general expenditure within one year due to:		
Permanently restricted by corpus	7,644,175	7,530,035
Accumulated endowment earnings awaiting appropriation for expenditure	9,072,419	6,370,310
Specific donor program purposes	221,975,087	116,751,877
Restricted by time	28,145,462	15,104,203
Total Amounts Unavailable for General Expenditure Within One Year	266,837,143	145,756,425
Total Financial Assets Available to Management to Meet Needs for General Expenditures Within One Year	\$ 32,193,361	\$ 56,578,140

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

As part of the EDF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

EDF has evaluated its need for operating reserves and overall liquidity, and expects to adopt an enhanced financial reserves policy during the fiscal year ending September 30, 2022. This enhanced policy will clarify and codify EDF's reserves planning intentions, maintain sufficient liquidity to satisfy EDF's existing obligations, provide for daily operations, and position EDF to pursue future strategic initiatives. EDF is committed to achieving an appropriate balance between ensuring long-term fiscal stability and deploying the maximum amount of resources in the short-term to accomplish mission objectives.

3. Pledges Receivable, Net

Unconditional amounts promised to EDF, but not yet collected, have been recorded as pledges receivable. Pledges receivable are reported at net realizable value.

At each fiscal year-end, pledges receivable are estimated to be collected as follows:

<i>September 30,</i>	2021	2020
In one year or less	\$ 44,700,448	\$ 50,823,620
Between one and two years	25,330,098	7,863,299
Between two and three years	12,798,083	4,447,228
Between three and four years	1,308,165	4,407,428
Between four and five years	-	1,857
Gross Pledges Receivable	84,136,794	67,543,432
Less: present value discount (calculated at rates ranging from 0.09% to 0.53%) and allowance for uncollectible pledges	(556,440)	(462,953)
	\$ 83,580,354	\$ 67,080,479

While EDF has an excellent record of collecting pledges receivable, management has a valuation allowance of \$400,000 and \$400,022 for uncollectible pledges as of September 30, 2021 and 2020.

4. Property and Equipment, Net

At each fiscal year-end, property and equipment consisted of the following:

<i>September 30,</i>	2021	2020
Furniture and equipment	\$ 5,758,173	\$ 5,417,942
Computer equipment	5,371,547	5,010,340
Leasehold improvements	23,905,895	21,229,470
Building	393,319	393,319
Software development	1,799,933	1,797,353
Construction-in-progress	52,251,500	33,204,524
	89,480,367	67,052,948
Less: accumulated depreciation and amortization	(24,535,964)	(22,226,931)
	\$ 64,944,403	\$ 44,826,017

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

Depreciation and amortization expense was \$2,307,319 and \$2,311,946 for fiscal years 2021 and 2020, respectively.

Construction-in-progress consists primarily of satellite building costs incurred by MethaneSAT and computer equipment. The estimated cost to complete the construction-in-progress for the vehicle to deliver the satellite and the satellite by September 30, 2022 is estimated at \$27,822,000.

5. Investments, at Fair Value

The following tables summarize the investments at each fiscal year-end, in accordance with the fair value valuation levels:

September 30, 2021

	Level 1	Level 2	Total
Temporary investments for future periods - cash with broker	\$ 1,082,778	\$ -	\$ 1,082,778
Money market funds and cash with brokers	5,525,807	-	5,525,807
Equities	11,981,966	-	11,981,966
Fixed income	-	200,463,624	200,463,624
Other investments - subject to split-interest agreements	1,451,672	1,250,385	2,702,057
	<u>\$ 20,042,223</u>	<u>\$ 201,714,009</u>	221,756,232
Other investments - subject to split-interest agreements*			7,544,979
Funds valued at NAV or equivalent*			<u>983,337</u>
Total			\$ 230,284,548

September 30, 2020

	Level 1	Level 2	Total
Temporary investments for future periods - cash with broker	\$ 2,580,855	\$ -	\$ 2,580,855
Money market funds and cash with brokers	26,697,917	-	26,697,917
Equities	9,996,283	-	9,996,283
Mutual funds	4,804,194	-	4,804,194
Fixed income	-	68,317,213	68,317,213
Other investments - subject to split-interest agreements	1,323,494	1,166,539	2,490,033
	<u>\$ 45,402,743</u>	<u>\$ 69,483,752</u>	114,886,495
Other investments - subject to split-interest agreements*			7,084,983
Funds valued at NAV or equivalent*			<u>817,350</u>
Total			\$ 122,788,828

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts presented in the preceding tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

As portrayed above, concentrations of EDF's investments in excess of 10% of the fair values of its portfolio included approximately (i) 91% invested in equity and debt securities, mutual, and exchange-traded funds; and (ii) 9% invested in assets subject to split-interest agreements.

The following is a description of the valuation methodologies and inputs used for investments. There have been no changes in methodologies for the years ended September 30, 2021 and 2020.

Equity securities are valued based upon quoted market prices and are included in Level 1. Level 1 securities primarily include publicly traded equity securities.

Since many fixed-income securities do not trade on a daily basis, the methodology of the pricing vendor uses available information as applicable, such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. The pricing vendor considers available market observable inputs in determining the evaluation for a security. Thus, certain securities may not be priced using quoted prices, but rather determined from market observable information. These investments are included in Level 2 and are primarily comprised of corporate fixed income, and government, mortgage, and asset-backed securities.

EDF uses the NAV or its equivalent to determine the fair value of all investments that (i) do not have a readily determinable fair value and (ii) prepare their investees' financial statements consistent with the measurement principles of an investment company or an entity with the attributes of an investment company. Investments for which fair value is measured using NAV per share or its equivalent as a practical expedient have not been categorized within the fair value hierarchy, and certain related tables have been appropriately excluded from the consolidated financial statements.

Money market funds are valued based on the NAV of the shares held by EDF. NAV is based upon the fair value of the money market fund's underlying investments. EDF's investments in the money market funds can be redeemed immediately at the current NAV per share. There were no unfunded commitments as of September 30, 2021 and 2020.

For EDF's investments in mutual funds, EDF has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. These mutual funds are invested primarily in fixed-income and equity securities. While mutual funds are valued at the NAV of each share, they are actively traded on national securities exchanges.

EDF's investments are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near-term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

The available market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During fiscal years 2021 and 2020, there were no transfers between the fair value hierarchy levels.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

The following table summarizes investment return by net asset classification:

September 30,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 2,088,527	\$ 300,221	\$ 2,388,748	\$ 1,134,755	\$ 302,583	\$ 1,437,338
Realized and unrealized gains	(929,457)	2,609,832	1,680,375	299,829	678,382	978,211
Net Return on Investments	1,159,070	2,910,053	4,069,123	1,434,584	980,965	2,415,549
Investment return allocated for operations	(3,000,000)	(651,687)	(3,651,687)	-	(652,179)	(652,179)
Investment Results, net of allocation to operations	\$ (1,840,930)	\$ 2,258,366	\$ 417,436	\$ 1,434,584	\$ 328,786	\$ 1,763,370

The following tables provides a summary of the class, fair value redemption frequency and redemption notice period for those assets whose fair value is estimated using the NAV per share or its equivalent for which the fair value is not readily determinable:

September 30, 2021

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds valued at NAV or equivalent*	\$ 983,337	\$ -	**	**
Other investments - split-interest agreements*	7,544,979	-	***	***

September 30, 2020

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds valued at NAV or equivalent*	\$ 817,350	\$ -	**	**
Other investments - split-interest agreements*	7,084,983	-	***	***

* For the funds valued at NAV or equivalent, the investment objective is to invest in funds with underlying investments in technology companies primarily in the digital, greentech, and health care and biotechnology sectors. These investments are long-term and highly illiquid. The investment objective of the funds at NAV for the split-interest agreements is to approximate, as closely as practicable before expenses, the performance of the respective investment indexes over the long term.

** Redemptions are not permitted; as a result, there is no applicable notice period.

*** There are no restrictions on the redemption of these investments.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

6. Notes Payable

At each fiscal year-end, notes payable were as follows:

<i>September 30,</i>	2021	2020
Promissory note from donor, payable on demand	\$ -	\$ 100,000
Promissory note terminating 2029, at LIBOR + 1.25%	8,646,896	9,787,146
	\$ 8,646,896	\$ 9,887,146

EDFI

EDFI entered into a ten-year promissory note with an initial value of \$11,402,500, which is being repaid in monthly principal installments of \$95,021, with interest at one-month LIBOR, plus 1.25%, which was 1.35% and 1.41% at September 30, 2021 and 2020, respectively. As part of the new borrowing the existing promissory note entered into with an initial borrowing of \$7,500,000 was fully repaid.

EDFI is required to maintain certain financial covenants related to the borrowings and EDFI was in compliance with these covenants for the years ended September 30, 2021 and 2020.

Annual contractual maturities of notes payable outstanding at September 30, 2021 are as follows:

<i>Year ending September 30,</i>	
2022	\$ 1,140,250
2023	1,140,250
2024	1,140,250
2025	1,140,250
2026	1,140,250
Thereafter	2,945,646
Total	\$ 8,646,896

Interest expense on debt borrowings was \$127,614 and \$251,260 in fiscal years 2021 and 2020, respectively.

At September 30, 2021, EDFI had an unsecured line of credit of \$7,500,000 for ongoing operational requirements. There was no outstanding balance at September 30, 2021 for this line of credit.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

7. Net Assets with Donor Restrictions

At each fiscal year-end, donor-restricted net assets (including allocation of investment gains and losses) were categorized as follows:

<i>September 30,</i>	2021	2020
Specific donor program purposes	\$ 221,975,087	\$ 116,751,877
Time restricted	28,145,462	15,104,203
Permanently restricted endowments	7,644,175	7,530,035
Accumulated endowment earnings awaiting appropriation for expenditure	9,072,419	6,370,310
	\$ 266,837,143	\$ 145,756,425

During each fiscal year, net assets released from restrictions were for the following:

<i>Year ended September 30,</i>	2021	2020
Satisfaction of donor-specified purposes	\$ 135,709,474	\$ 131,505,422
Satisfaction of time restrictions met during the year	3,077,521	6,646,532
	\$ 138,786,995	\$ 138,151,954

8. Employee Retirement Plans

EDFI maintains a 403(b) tax-deferred retirement plan, which is funded by contributions from both EDF and its employees. The EDFI's contribution is based upon employees' years of service, ranges from 3% to 8% of eligible employees' salaries, and is recorded as an expense annually. The related expense for fiscal years 2021 and 2020, respectively, was approximately \$4,191,000 and \$3,954,000.

EDFI established a 457(b) deferred-compensation plan for certain key employees that is funded by both EDFI and the employees. As such, the investment allocations are directed by the employees, but the investments remain as assets of EDFI until the employees retire. At September 30, 2021 and 2020, respectively, the asset value of this plan was \$6,051,183 and \$4,872,993.

9. Joint Costs

For fiscal years 2021 and 2020, EDFI has allocated joint costs (for informational materials and activities that include fund-raising appeals) among program and supporting services, as follows:

<i>Year ended September 30,</i>	2021	2020
Climate and energy	\$ 3,419,063	\$ 1,730,407
Ecosystems	1,447,038	2,015,990
Membership	2,539,160	2,479,145
Health	165,537	151,551
Oceans	142,464	123,066
	\$ 7,713,262	\$ 6,500,159

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

The portion of cost allocated to membership activities consists of that component of membership mailings that contain information about EDFI and the types of actions an individual may take with regard to a specific issue. New member acquisition reflects the cost of materials and information that requests individuals to join EDFI. Membership fund-raising is that component of joint costs associated with asking EDFI's current members for contributions. Additional fund-raising activities that included program information were not eligible for allocation under U.S. GAAP were treated exclusively as membership fund-raising or new member acquisition expense.

10. Concentrations of Credit Risk

Cash, cash equivalents, and investments are exposed to various risks, such as interest rate, market, and credit risks. To manage such risks, EDF has a diversified investment portfolio in a variety of asset classes managed by independent investment managers under the terms of an Investment Policy Statement that is regularly reviewed by the Investment Committee. EDF's cash, cash equivalents, and investments are placed with high credit quality financial institutions. EDF's Investment Committee meets regularly to evaluate the investments, including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported on the accompanying consolidated financial statements can vary substantially from year to year. EDF maintains its cash in various bank deposit accounts that exceed federally insured limits; however, EDF does not anticipate nonperformance by these financial institutions.

11. Wholly Controlled Entity Transactions

The Action Fund

The Action Fund reported total support and revenue of \$19,597,818 and \$26,957,758 in fiscal years 2021 and 2020, respectively, which included grants of \$6,651,598 and \$8,724,879, respectively, from EDFI, representing a portion of the grass-roots lobbying and the direct lobbying allowances permitted by EDFI as a 501(c)(3) organization.

The Action Fund recorded operating expenses of \$20,571,776 and \$27,373,946 in fiscal years 2021 and 2020, respectively. Included in expenses were direct expenses related to grass-roots lobbying, direct lobbying, and fund-raising, as well as allocated expenses for management by EDFI. Changes to the Action Fund's net assets are included in the net assets without donor restrictions and without donor restrictions in the accompanying consolidated financial statements.

The Action Fund includes among its activity, intercompany payables of \$680,495 in fiscal year 2021, the amount is payable to EDFI on demand. There were intercompany receivables of \$569,175 outstanding as of September 30, 2020.

MethaneSAT

MethaneSAT reported support and revenue of \$54,356,999 and \$23,915,266 in fiscal years 2021 and 2020, respectively.

MethaneSAT recorded operating expenses of \$4,149,614 and \$2,968,276 in fiscal years 2021 and 2020, respectively. Included in the expenses were direct expenses related to reducing methane emissions in the environment by collecting and publishing methane emissions data.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

MethaneSAT includes among its activity intercompany receivables of \$29,764,227 and \$2,445,850 in the fiscal year 2021 and 2020, respectively, the amounts are payable on demand.

SatMgmt

SatMgmt commenced operations in January 2019 and recorded operating expenses of \$334,330 and \$322,422 in the fiscal years 2021 and 2020, respectively.

SatMgmt includes among its activity an intercompany payable of \$663,662 and \$386,702 in fiscal years 2021 and 2020, respectively; the amounts are payable on demand.

EDF Mexico

Revenues of \$5,782,440 and \$0 and expenditures of \$1,730,110 and \$1,594,194 for fiscal years 2021 and 2020, respectively, are included as part of EDFI in the accompanying consolidated financial statements.

EDAF PAC

Revenues of \$132,947 and \$18,694 and expenditures of \$164,472 and \$161,772 for fiscal years 2021 and 2020, respectively, are included as part of the Action Fund in the accompanying consolidated financial statements.

EDFE

Revenues of \$4,915,415 and \$5,743,064 and expenditures of \$5,566,581 and \$4,235,510 for fiscal years 2021 and 2020, respectively, are included as part of EDF Europe in the accompanying consolidated financial statements.

EDF Netherlands

EDF Netherlands commenced operations in April 2019. Revenues of \$365,492 and \$535,958 and expenditures of \$559,214 and \$537,699 for fiscal years 2021 and 2020, respectively, are included as part of EDF Europe in the accompanying consolidated financial statements.

EDF Beijing

Revenues of \$2,200,000 and \$13,318,215 for fiscal years 2021 and 2020 and expenditures of \$13,318,215 and \$10,311,663 for fiscal years 2021 and 2020, respectively, are included as part of EDFI in the accompanying consolidated financial statements.

EDF Indonesia

EDF Indonesia commenced operations in April 2019. Revenues of \$1,725,497 and \$284,154 and expenditures of \$582,032 and \$471,878 for fiscal years 2021 and 2020, respectively, are included as part of EDFI in the accompanying consolidated financial statements.

All related intercompany activities are eliminated upon consolidation.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

12. Commitments and Contingency

Operating Leases

EDFI leases premises at numerous locations under operating leases that expire on various dates through September 2030.

The following is a schedule by year of future minimum rental payments that have initial or remaining non-cancelable lease terms in excess of one year, as well as expected sublease income as of September 30, 2021:

Year ending September 30,	Lease Payments	Sublease Income
2022	\$ 10,174,272	\$ 413,229
2023	10,069,358	413,229
2024	5,174,769	413,229
2025	1,921,166	103,317
2026	1,318,007	-
Thereafter	3,434,706	-
	<hr/>	<hr/>
	\$ 32,092,278	\$ 1,343,004

Rent expense included in operations for fiscal years 2021 and 2020 was approximately \$10,468,000 and \$10,648,000, respectively. Certain leases provide for additional rental payments to cover increases in real estate taxes and expenses as yet undetermined.

Governmental Audits

Government-funded activities are subject to audit by the applicable granting agencies. At September 30, 2021 and 2020, there were no material obligations outstanding as a result of such audits, and management believes that no material obligations will result from any future audits of such activities.

Litigation

EDF is from time to time subject to legal actions in the normal course of business. In the opinion of EDF's management, as of September 30, 2021 and 2020, the eventual resolution of these matters will not materially affect the financial position, cash flows, or change in net assets of EDF.

13. With Donor Restriction - Permanently Restricted by Corpus

The Endowment

EDFI's permanent endowment consists of numerous funds, established for a variety of purposes and consisting entirely of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

Return Objectives and Risk Parameters

EDFI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with a focus on earning market returns or better while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

EDFI has a policy of annually appropriating for expenditure an amount of up to 5% of the average fair market value of the donor-restricted endowment, measured as of the last day of the calendar quarter for the 20 quarters immediately preceding the fiscal year in which the appropriation for expenditure is approved. In establishing this policy, EDFI's management has considered the long-term expected return on its endowment. This is consistent with EDFI's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Endowment Net-Asset Composition

<i>September 30</i>	2021	2020
Donor-restricted endowment funds	\$ 7,644,175	\$ 7,530,035
Accumulated earnings not yet appropriated for expenditure	9,072,419	6,370,310
Total Funds	\$ 16,716,594	\$ 13,900,345

Changes in Endowment Net Assets by Fiscal Year

<i>Year ended September 30,</i>	2021	2020
Net Assets , beginning of year	\$ 13,900,345	\$ 14,102,145
Current-year additions	114,140	102,960
Investment returns	3,358,640	347,419
Current-year appropriation for expenditure	(656,531)	(652,179)
Net Assets , end of year	\$ 16,716,594	\$ 13,900,345

Interpretation of Relevant Law

NYPMIFA is applicable to EDFI's donor-restricted endowment funds. Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. Under the terms of NYPMIFA, EDFI has no responsibility to restore such decrease in value. There were no such deficiencies in either fiscal year 2021 or 2020.

14. Conditional Grants

EDF has grant agreements with several donors that consist of providing conditional funding in future years, amounting to approximately \$7,646,000 and \$16,680,000 at September 30, 2021 and 2020, respectively. A corresponding receivable has not been recorded on the consolidated statements of

Environmental Defense Fund, Incorporated

Notes to Consolidated Financial Statements

financial position, as the conditional grants are contingent upon incurring qualifying expenditures and fulfilling milestones. Conditional promises to give are recognized when the conditions on which they depend upon are substantially met. Until that point, any amounts that are received are recorded as refundable advances.

15. Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on EDF's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its consolidated financial condition, liquidity, operations, suppliers, industry, and workforce.

Supplementary Information

Environmental Defense Fund, Incorporated

Consolidating Schedule of Financial Position

Year ended September 30, 2021

	EDFI	EDAF	EDF Europe	MethaneSAT	SATMgmt	Eliminations	Total
Assets							
Cash and cash equivalents	\$ 13,243,430	\$ 2,944,926	\$ 1,702,548	\$ 6,113,571	\$ 41,033	\$ -	\$ 24,045,508
Temporary investments, at fair value	-	1,082,778	-	-	-	-	1,082,778
Prepaid expenses and other assets	11,424,922	566,128	152,762	335,269	-	-	12,479,081
Pledges receivable, net	82,184,653	1,250,000	101,570	44,131	-	-	83,580,354
Investments, at fair value	229,201,770	-	-	-	-	-	229,201,770
Property and equipment, net	14,668,318	-	79,752	50,196,333	-	-	64,944,403
Intercompany receivables	-	-	-	29,764,227	-	(29,764,227)	-
Total Assets	\$ 350,723,093	\$ 5,843,832	\$ 2,036,632	\$ 86,453,531	\$ 41,033	\$ (29,764,227)	\$ 415,333,894
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	\$ 11,469,942	\$ 362,311	\$ 579,015	\$ 416,144	\$ 58,946	\$ -	\$ 12,886,358
Deferred revenue and rent payable	3,157,972	-	68,113	-	-	-	3,226,085
Annuities payable	5,941,073	-	-	-	-	-	5,941,073
Notes payable	8,646,896	-	-	-	-	-	8,646,896
Pension liability	6,051,183	-	-	-	-	-	6,051,183
Other liabilities	7,989,026	174,000	477,743	-	-	-	8,640,769
Intercompany payables	28,361,729	680,495	58,341	-	663,662	(29,764,227)	-
Total Liabilities	71,617,821	1,216,806	1,183,212	416,144	722,608	(29,764,227)	45,392,364
Commitments and Contingencies							
Net Assets							
Without donor restrictions:							
Undesignated	31,529,563	2,213,457	766,569	681,575	(681,575)	-	34,509,589
Board designated	68,594,798	-	-	-	-	-	68,594,798
Total Without Donor Restrictions	100,124,361	2,213,457	766,569	681,575	(681,575)	-	103,104,387
With donor restrictions	178,980,911	2,413,569	86,851	85,355,812	-	-	266,837,143
Total Net Assets	279,105,272	4,627,026	853,420	86,037,387	(681,575)	-	369,941,530
Total Liabilities and Net Assets	\$ 350,723,093	\$ 5,843,832	\$ 2,036,632	\$ 86,453,531	\$ 41,033	\$ (29,764,227)	\$ 415,333,894

Environmental Defense Fund, Incorporated

Consolidating Schedule of Financial Position

Year ended September 30, 2020

	EDFI	EDAF	EDF Europe	MethaneSAT	SATMgmt	Eliminations	Total
Assets							
Cash and cash equivalents	\$ 22,192,692	\$ 2,819,714	\$ 156,496	\$ 3,477,629	\$ 75,586	\$ -	\$ 28,722,117
Temporary investments, at fair value	5,004	2,575,851	-	-	-	-	2,580,855
Prepaid expenses and other assets	9,735,593	268,549	115,883	1,520	-	-	10,121,545
Pledges receivable, net	64,713,836	1,317,750	798,893	250,000	-	-	67,080,479
Investments, at fair value	120,207,973	-	-	-	-	-	120,207,973
Property and equipment, net	14,797,752	-	72,937	29,955,328	-	-	44,826,017
Intercompany receivables	-	569,175	1,163,023	2,445,850	-	(4,178,048)	-
Total Assets	\$ 231,652,850	\$ 7,551,039	\$ 2,307,232	\$ 36,130,327	\$ 75,586	\$ (4,178,048)	\$ 273,538,986
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	\$ 20,091,909	\$ 1,895,829	\$ 762,992	\$ 300,325	\$ 36,129	\$ -	\$ 23,087,184
Deferred revenue and rent payable	3,526,625	-	84,447	-	-	-	3,611,072
Annuities payable	6,448,990	-	-	-	-	-	6,448,990
Notes payable	9,887,146	-	-	-	-	-	9,887,146
Pension liability	4,872,993	-	-	-	-	-	4,872,993
Other liabilities	5,121,555	55,000	31,141	-	-	-	5,207,696
Intercompany payables	3,791,346	-	-	-	386,702	(4,178,048)	-
Total Liabilities	53,740,564	1,950,829	878,580	300,325	422,831	(4,178,048)	53,115,081
Commitments and Contingencies							
Net Assets							
Without donor restrictions:							
Undesignated	8,753,397	1,474,906	489,360	347,245	(347,245)	-	10,717,663
Board designated	63,949,817	-	-	-	-	-	63,949,817
Total Without Donor Restrictions	72,703,214	1,474,906	489,360	347,245	(347,245)	-	74,667,480
With donor restrictions	105,209,072	4,125,304	939,292	35,482,757	-	-	145,756,425
Total Net Assets	177,912,286	5,600,210	1,428,652	35,830,002	(347,245)	-	220,423,905
Total Liabilities and Net Assets	\$ 231,652,850	\$ 7,551,039	\$ 2,307,232	\$ 36,130,327	\$ 75,586	\$ (4,178,048)	\$ 273,538,986

Environmental Defense Fund, Incorporated

Consolidating Schedule of Activities

Year ended September 30, 2021

	EDFI	EDAF	EDF Europe	MethaneSAT	SATMgmt	Eliminations	Total
Operating Support and Revenue							
Support:							
Contributions and membership	\$ 294,460,574	\$ 9,004,144	\$ 113,156	\$ 15,978,649	\$ -	\$ -	\$ 319,556,523
Foundations and other institutional giving	32,618,309	3,767,374	199,472	2,300,000	-	-	38,885,155
Government grants and other giving	4,500,430	-	-	-	-	-	4,500,430
Intercompany grants	28,201	6,651,598	4,454,864	35,000,000	-	(46,134,663)	-
Bequests and other planned giving	8,514,227	5,000	-	-	-	-	8,519,227
Total Support	340,121,741	19,428,116	4,767,492	53,278,649	-	(46,134,663)	371,461,335
Revenue:							
Investment income allocated for operations	3,651,687	-	-	-	-	-	3,651,687
Fees, royalties, and other income	3,565,170	169,702	147,923	1,078,350	-	-	4,961,145
Total Revenue	7,216,857	169,702	147,923	1,078,350	-	-	8,612,832
Total Operating Support and Revenue (Expenses)	347,338,598	19,597,818	4,915,415	54,356,999	-	(46,134,663)	380,074,167
Operating Expenses							
Salaries and wages	73,512,243	4,868,594	1,944,996	1,411,267	207,371	-	81,944,471
Benefits and other employee costs	20,576,412	1,402,529	901,984	412,814	58,392	-	23,352,131
Professional and consulting fees	38,898,331	7,252,433	1,114,765	1,898,499	66,796	-	49,230,824
Printing	8,717,256	280,272	2,906	-	-	-	9,000,434
Subscriptions and dues	3,937,338	312,139	20,460	1,399	-	-	4,271,336
Grants and other contributions	71,749,364	2,070,981	829,851	410,034	-	(46,134,663)	28,925,567
Advertising and promotions	7,682,456	4,212,431	12,201	195	-	-	11,907,283
Occupancy	11,452,932	-	474,243	-	-	-	11,927,175
Other	7,333,296	172,397	239,802	15,406	1,771	-	7,762,672
	243,859,628	20,571,776	5,541,208	4,149,614	334,330	(46,134,663)	228,321,893
Depreciation and amortization	2,281,946	-	25,373	-	-	-	2,307,319
Total Operating Expenses	246,141,574	20,571,776	5,566,581	4,149,614	334,330	(46,134,663)	230,629,212
Change in Net Assets from Operations	101,197,024	(973,958)	(651,166)	50,207,385	(334,330)	-	149,444,955
Change in Net Assets from Non-Operating Activities							
Other expenses and other income, net	(344,766)	-	-	-	-	-	(344,766)
Investment income (loss), net of allocation to operations	340,728	774	75,934	-	-	-	417,436
Change in Net Assets	101,192,986	(973,184)	(575,232)	50,207,385	(334,330)	-	149,517,625
Net Assets, beginning of year	177,912,286	5,600,210	1,428,652	35,830,002	(347,245)	-	220,423,905
Net Assets, end of year	\$ 279,105,272	\$ 4,627,026	\$ 853,420	\$ 86,037,387	\$ (681,575)	\$ -	\$ 369,941,530

Environmental Defense Fund, Incorporated

Consolidating Schedule of Activities

Year ended September 30, 2020

	EDFI	EDAF	EDF Europe	MethaneSAT	SATMgmt	Eliminations	Total
Operating Support and Revenue							
Support:							
Contributions and membership	\$ 123,325,414	\$ 14,765,340	\$ 183,997	\$ 21,915,266	\$ -	\$ -	\$ 160,190,017
Foundations and other institutional giving	29,749,246	3,453,275	2,789,201	2,000,000	-	-	37,991,722
Government grants and other giving	4,586,321	-	-	-	-	-	4,586,321
Intercompany grants	325,201	8,724,879	2,763,417	-	-	(11,813,497)	-
Bequests and other planned giving	13,355,419	12,096	-	-	-	-	13,367,515
Total Support	171,341,601	26,955,590	5,736,615	23,915,266	-	(11,813,497)	216,135,575
Revenue:							
Investment income allocated for operations	652,179	-	-	-	-	-	652,179
Fees, royalties, and other income	4,567,366	2,158	6,449	-	-	-	4,575,973
Total Revenue	5,219,545	2,158	6,449	-	-	-	5,228,152
Total Operating Support and Revenue (Expenses)	176,561,146	26,957,748	5,743,064	23,915,266	-	(11,813,497)	221,363,727
Operating Expenses							
Salaries and wages	74,318,131	4,966,320	1,440,952	686,262	198,959	-	81,610,624
Professional and consulting fees	29,684,600	7,433,669	1,816,194	1,543,038	66,124	-	40,543,625
Grants and other contributions	29,746,976	7,373,310	852,837	405,757	-	(11,813,497)	26,565,383
Benefits and other employee costs	20,565,438	1,426,675	473,301	197,819	57,336	-	22,720,569
Occupancy	12,178,795	-	174,193	-	-	-	12,352,988
Advertising and promotions	2,801,376	4,975,214	122	-	-	-	7,776,712
Printing	7,310,375	368,181	2,027	8	-	-	7,680,591
Subscriptions and dues	3,111,803	466,859	14,946	25	-	-	3,593,633
Other	10,544,059	363,718	100,909	135,367	3	-	11,144,056
	190,261,553	27,373,946	4,875,481	2,968,276	322,422	(11,813,497)	213,988,181
Depreciation and amortization	2,291,940	-	20,006	-	-	-	2,311,946
Total Operating Expenses	192,553,493	27,373,946	4,895,487	2,968,276	322,422	(11,813,497)	216,300,127
Change in Net Assets from Operations	(15,992,347)	(416,198)	847,577	20,946,990	(322,422)	-	5,063,600
Change in Net Assets from Non-Operating Activities							
Other expenses and other income, net	(1,171,054)	-	-	-	-	-	(1,171,054)
Investment income (loss), net of allocation to operations	1,776,501	(196)	(12,935)	-	-	-	1,763,370
Change in Net Assets	(15,386,900)	(416,394)	834,642	20,946,990	(322,422)	-	5,655,916
Net Assets, beginning of year	193,299,186	6,016,604	594,010	14,883,012	(24,823)	-	214,767,989
Net Assets, end of year	\$ 177,912,286	\$ 5,600,210	\$ 1,428,652	\$ 35,830,002	\$ (347,245)	\$ -	\$ 220,423,905