EISNERAMPER
ACCOUNTANTS & ADVISORS

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

CONSOLIDATED AND CONSOLIDATING FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated and consolidating financial statements of the Environmental Defense Fund, Incorporated (the "Organization"), which comprise the consolidated and consolidating statements of financial position as of September 30, 2014 and 2013, and the related consolidated and consolidating statements of activities, consolidated statements of functional expenses, and consolidated and consolidating statements of cash flows for the years then ended, and the related notes to the consolidated and consolidating financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these consolidated and consolidating 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and consolidating 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the 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 the organization'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 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 and consolidating financial statements referred to above present fairly, in all material respects, the financial position of the Environmental Defense Fund, Incorporated as of September 30, 2014 and 2013, 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.

EisnerAmper LLP

New York, New York
December 10, 2014

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statements of Financial Position

	September 30, 2014	September 30, 2013
ASSETS		
Cash and cash equivalents	**$ 4,451,435**	$ 3,705,221
Temporary investments for future periods	**22,677,914**	15,119,498
Prepaid expenses and other assets	**4,343,461**	3,694,085
Pledges receivable, net	**138,469,343**	129,777,583
Property and equipment, net	**4,866,931**	4,963,273
California Fisheries loans, net	**1,376,096**	721,411
Donor-advised fund investments	**241,475**	660,207
Investments	**59,115,651**	54,353,555
	$ 235,542,306	$ 212,994,833
LIABILITIES		
Accounts payable and accrued expenses	**$ 8,520,755**	$ 6,400,791
Deferred revenue and rent payable	**2,390,427**	1,274,933
Annuities payable	**4,453,000**	4,440,011
Notes payable	**2,216,267**	2,596,819
California Fisheries grants payable	**3,479,461**	3,613,960
Other liabilities	**2,955,197**	2,536,521
	24,015,107	20,863,035
NET ASSETS		
Unrestricted:		
Available for operations	**3,357,604**	3,348,339
Designated for long-term investment	**44,000,863**	41,122,013
Total unrestricted	**47,358,467**	44,470,352
Temporarily restricted	**160,432,234**	143,924,948
Permanently restricted	**3,736,498**	3,736,498
Total net assets	**211,527,199**	192,131,798
	$ 235,542,306	$ 212,994,833

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidating Statement of Financial Position
September 30, 2014
(with summarized financial information for 2013)

	EDF	EDAF	CFF	Eliminations	September 30, 2014	September 30, 2013
ASSETS						
Cash and cash equivalents	$ 2,949,591	$ 1,244,697	$ 257,147		$ 4,451,435	$ 3,705,221
Temporary investments for future periods	15,339,315	5,200,918	2,137,681		22,677,914	15,119,498
Prepaid expenses and other assets	4,329,375	14,086			4,343,461	3,694,085
Pledges receivable, net	137,814,343	655,000			138,469,343	129,777,583
Property and equipment, net	4,866,931				4,866,931	4,963,273
California Fisheries loans, net			1,376,096		1,376,096	721,411
Donor-advised fund investments	241,475				241,475	660,207
Investments	59,115,651				59,115,651	54,353,555
Intercompany receivable	190,339	522,298		$ (712,637)	0	0
	$ 224,847,020	$ 7,636,999	$ 3,770,924	$ (712,637)	$ 235,542,306	$ 212,994,833
LIABILITIES						
Accounts payable and accrued expenses	$ 8,359,726	$ 155,029	$ 6,000		$ 8,520,755	$ 6,400,791
Deferred revenue and rent payable	2,390,427				2,390,427	1,274,933
Annuities payable	4,453,000				4,453,000	4,440,011
Notes payable	2,216,267				2,216,267	2,596,819
California Fisheries grants payable			3,479,461		3,479,461	3,613,960
Other liabilities	2,955,197				2,955,197	2,536,521
Intercompany payable	522,298		190,339	$ (712,637)	0	0
	20,896,915	155,029	3,675,800	(712,637)	24,015,107	20,863,035
NET ASSETS						
Unrestricted:						
Available for operations	2,877,430	385,050	95,124		3,357,604	3,348,339
Designated for long-term investment	44,000,863				44,000,863	41,122,013
Total unrestricted	46,878,293	385,050	95,124		47,358,467	44,470,352
Temporarily restricted	153,335,314	7,096,920			160,432,234	143,924,948
Permanently restricted	3,736,498				3,736,498	3,736,498
Total net assets	203,950,105	7,481,970	95,124		211,527,199	192,131,798
	$ 224,847,020	$ 7,636,999	$ 3,770,924	$ (712,637)	$ 235,542,306	$ 212,994,833

See notes to consolidated and consolidating financial statements

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidating Statement of Financial Position
September 30, 2013

	EDF	EDAF	CFF	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 2,986,738	$ 450,432	$ 268,051		$ 3,705,221
Temporary investments for future periods	12,381,508		2,737,990		15,119,498
Prepaid expenses and other assets	3,680,843	13,242			3,694,085
Pledges receivable, net	129,662,583	115,000			129,777,583
Property and equipment, net	4,963,273				4,963,273
California Fisheries loans, net			721,411		721,411
Donor-advised fund investments	660,207				660,207
Investments	54,353,555				54,353,555
Intercompany receivable	62,500	5,133,491		$ (5,195,991)	0
	$ 208,751,207	$ 5,712,165	$ 3,727,452	$ (5,195,991)	$ 212,994,833
LIABILITIES					
Accounts payable and accrued expenses	$ 6,068,093	$ 313,199	$ 19,499		$ 6,400,791
Deferred revenue rent payable	1,274,933				1,274,933
Annuities payable	4,440,011				4,440,011
Notes payable	2,596,819				2,596,819
California Fisheries grants payable			3,613,960		3,613,960
Other liabilities	2,536,521				2,536,521
Intercompany payable	5,133,491		62,500	$ (5,195,991)	0
	22,049,868	313,199	3,695,959	(5,195,991)	20,863,035
NET ASSETS					
Unrestricted:					
Available for operations	3,071,246	245,600	31,493		3,348,339
Designated for long-term investment	41,122,013				41,122,013
Total unrestricted	44,193,259	245,600	31,493		44,470,352
Temporarily restricted	138,771,582	5,153,366			143,924,948
Permanently restricted	3,736,498				3,736,498
Total net assets	186,701,339	5,398,966	31,493		192,131,798
	$ 208,751,207	$ 5,712,165	$ 3,727,452	$ (5,195,991)	$ 212,994,833

See notes to consolidated and consolidating financial statements

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statement of Activities
Year Ended September 30, 2014
(with summarized financial information for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Year Ended September 30, 2013
Operating support and revenue:					
Support:					
Contributions and membership	$ 19,509,552	$ 61,894,005		$ 81,403,557	$ 53,251,365
Foundations and other institutional giving	2,593,625	58,380,468		60,974,093	90,118,102
Government grants and other giving	75,664	3,281,057		3,356,721	3,934,539
Bequests and other planned giving	3,360,690			3,360,690	3,226,392
Total support	25,539,531	123,555,530		149,095,061	150,530,398
Revenue:					
Investment income allocated for operations	2,232,321	245,216		2,477,537	2,283,394
Fees, royalties and other income	670,794			670,794	736,037
Total revenue	2,903,115	245,216		3,148,331	3,019,431
Net assets released from restrictions	108,553,162	(108,553,162)		0	0
Total operating support and revenue	136,995,808	15,247,584		152,243,392	153,549,829
Operating expenses:					
Program services:					
Scientific research, economic analysis, and policy development:					
Climate and Energy	60,419,668			60,419,668	47,094,107
Oceans	21,190,430			21,190,430	21,070,263
Ecosystems	18,941,562			18,941,562	18,981,854
Health	5,937,427			5,937,427	7,266,384
Education	5,381,835			5,381,835	4,880,117
Membership activities	1,061,942			1,061,942	1,935,892
Total program services	112,932,864			112,932,864	101,228,617
Supporting services:					
Management and general	8,296,709			8,296,709	7,419,937
New member acquisition	509,583			509,583	375,856
Fund-raising:					
Membership	2,466,492			2,466,492	2,670,468
Development	9,791,106			9,791,106	8,802,754
Total supporting services	21,063,890			21,063,890	19,269,015
Total operating expenses	133,996,754			133,996,754	120,497,632
Change in net assets from operations	2,999,054	15,247,584		18,246,638	33,052,197
Change in net assets from non-operating activities:					
Other income (expenses), net of contributions and other income	(64,563)	13,368		(51,195)	92,501
Investment results, net of allocation to operations	(46,376)	1,246,334		1,199,958	2,402,593
Change in net assets	2,888,115	16,507,286		19,395,401	35,547,291
Net assets - beginning of year	44,470,352	143,924,948	$ 3,736,498	192,131,798	156,584,507
Net assets - end of year	$ 47,358,467	$ 160,432,234	$ 3,736,498	$ 211,527,199	$ 192,131,798

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statement of Activities
Year Ended September 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue:				
Support:				
Contributions and membership	$ 13,600,433	$ 39,650,932		$ 53,251,365
Foundations and other institutional giving	241,150	89,876,952		90,118,102
Government grants and other giving	1,293,446	2,641,093		3,934,539
Bequests and other planned giving	3,051,424	174,968		3,226,392
Total support	18,186,453	132,343,945		150,530,398
Revenue:				
Investment income allocated for operations	2,035,900	247,494		2,283,394
Fees, royalties and other income	736,037	0		736,037
Total revenue	2,771,937	247,494		3,019,431
Net assets released from restrictions	99,820,590	(99,820,590)		0
Total operating support and revenue	120,778,980	32,770,849		153,549,829
Operating expenses:				
Program services:				
Scientific research, economic analysis, and policy development:				
Climate and energy	47,094,107			47,094,107
Oceans	21,070,263			21,070,263
Ecosystems	18,981,854			18,981,854
Health	7,266,384			7,266,384
Education	4,880,117			4,880,117
Membership activities	1,935,892			1,935,892
Total program services	101,228,617			101,228,617
Supporting services:				
Management and general	7,419,937			7,419,937
New member acquisition	375,856			375,856
Fund-raising:				
Membership	2,670,468			2,670,468
Development	8,802,754			8,802,754
Total supporting services	19,269,015			19,269,015
Total operating expenses	120,497,632			120,497,632
Change in net assets from operations	281,348	32,770,849		33,052,197
Change in net assets from non-operating activities:				
Other income, net of contributions and other income	70,892	21,609		92,501
Investment results, net of allocation to operations	1,798,348	604,245		2,402,593
Change in net assets	2,150,588	33,396,703		35,547,291
Net assets - beginning of year	42,319,764	110,528,245	$ 3,736,498	156,584,507
Net assets - end of year	$ 44,470,352	$ 143,924,948	$ 3,736,498	$ 192,131,798

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidating Statement of Activities
Year Ended September 30, 2014
(with summarized financial information for 2013)

	EDF	EDAF	CFF	Eliminations	Total	Year Ended September 30, 2013
Operating support and revenue:						
Support:						
Contributions and membership	$ 75,759,746	$ 5,643,811			$ 81,403,557	$ 53,251,365
Foundations and other institutional giving	57,474,093	4,198,000	$ 70,000	$ (768,000)	60,974,093	90,118,102
Government grants and other giving	3,356,721				3,356,721	3,934,539
Bequests and other planned giving	3,360,690				3,360,690	3,226,392
Total support	139,951,250	9,841,811	70,000	(768,000)	149,095,061	150,530,398
Revenue:						
Investment income allocated for operations	2,477,537				2,477,537	2,283,394
Fees, royalties and other income	434,279	1,283	235,232		670,794	736,037
Total revenue	2,911,816	1,283	235,232		3,148,331	3,019,431
Total operating support and revenue	142,863,066	9,843,094	305,232	(768,000)	152,243,392	153,549,829
Operating expenses:						
Compensation	57,937,153	918,556	166,377		59,022,086	53,849,545
Professional and consulting fees	23,267,158	1,913,324	36,951		25,217,433	24,478,626
Travel	5,632,758	35,487	2,013		5,670,258	5,331,983
Printing	445,732	2			445,734	636,912
Postage and delivery	264,738	1,594	37		266,369	187,569
Occupancy	7,159,356	93,344	8,127		7,260,827	6,285,060
Telecommunications	1,214,847	14,214	1,084		1,230,145	1,138,004
Data management	857,076	86,798			943,874	622,414
Supplies and equipment	993,096	16,093	346		1,009,535	823,725
Meetings and events	2,948,560	119,483			3,068,043	2,860,333
Subscriptions and dues	859,726	30,282			890,008	840,427
Advertising and promotions	2,925,624	1,943,433			4,869,057	3,487,863
Grants to others	15,345,959	2,289,912		(768,000)	16,867,871	13,028,612
Direct marketing	5,071,348	253,777			5,325,125	4,804,025
Other	607,184	43,791	26,666		677,641	662,126
	125,530,315	7,760,090	241,601	(768,000)	132,764,006	119,037,224
Depreciation and amortization	1,232,748				1,232,748	1,460,408
Total operating expenses	126,763,063	7,760,090	241,601	(768,000)	133,996,754	120,497,632
Change in net assets from operations	16,100,003	2,083,004	63,631	0	18,246,638	33,052,197
Change in net assets from non-operating activities:						
Other expenses, net of contributions and other income	(51,195)				(51,195)	92,501
Investment results, net of allocation to operations	1,199,958				1,199,958	2,402,593
Change in net assets	17,248,766	2,083,004	63,631		19,395,401	35,547,291
Net assets - beginning of year	186,701,339	5,398,966	31,493		192,131,798	156,584,507
Net assets - end of year	$ 203,950,105	$ 7,481,970	$ 95,124	$ 0	$ 211,527,199	$ 192,131,798

See notes to consolidated and consolidating financial statements

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidating Statement of Activities
Year Ended September 30, 2013

	EDF	EDAF	CFF	Eliminations	Total
Operating support and revenue:					
Support:					
Contributions and membership	$ 47,677,324	$ 5,574,041			$ 53,251,365
Foundations and other institutional giving	90,108,102	960,000	$ 200,000	$ (1,150,000)	90,118,102
Government grants and other giving	3,934,389	150			3,934,539
Bequests and other planned giving	3,225,392	1,000			3,226,392
Total support	144,945,207	6,535,191	200,000	(1,150,000)	150,530,398
Revenue:					
Investment income allocated for operations	2,283,394				2,283,394
Fees, royalties and other income	640,315		95,722		736,037
Total revenue	2,923,709		95,722		3,019,431
Total operating support and revenue	147,868,916	6,535,191	295,722	(1,150,000)	153,549,829
Operating expenses:					
Compensation	52,675,613	1,032,135	141,797		53,849,545
Professional and consulting fees	22,060,904	2,363,505	54,217		24,478,626
Travel	5,304,388	23,206	4,389		5,331,983
Printing	603,399	33,292	221		636,912
Postage and delivery	184,568	2,977	24		187,569
Occupancy	6,204,879	76,334	3,847		6,285,060
Telecommunications	1,114,970	22,159	875		1,138,004
Data management	507,597	114,817			622,414
Supplies and equipment	800,650	20,974	2,101		823,725
Meetings and events	2,765,389	94,703	241		2,860,333
Subscriptions and dues	821,305	19,080	42		840,427
Advertising and promotions	2,735,038	752,825			3,487,863
Grants to others	13,482,633	695,979		(1,150,000)	13,028,612
Direct marketing	4,194,223	609,802			4,804,025
Other	616,007	38,832	7,287		662,126
	114,071,563	5,900,620	215,041	(1,150,000)	119,037,224
Depreciation and amortization	1,460,408				1,460,408
Total operating expenses	115,531,971	5,900,620	215,041	(1,150,000)	120,497,632
Change in net assets from operations	32,336,945	634,571	80,681		33,052,197
Change in net assets from non-operating activities:					
Other expenses, net of contributions and other income	92,501				92,501
Investment results, net of allocation to operations	2,402,657	(64)			2,402,593
Change in net assets	34,832,103	634,507	80,681		35,547,291
Net assets - beginning of year	151,869,236	4,764,459	(49,188)		156,584,507
Net assets - end of year	$ 186,701,339	$ 5,398,966	$ 31,493	$ 0	$ 192,131,798

See notes to consolidated and consolidating financial statements

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statements of Cash Flows

	Year Ended September 30, 2014	2013
Cash flows from operating activities:		
Change in net assets	**$ 19,395,401**	$ 35,547,291
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated securities	**(3,071,254)**	(3,158,493)
Proceeds from donated securities	**3,071,254**	3,158,493
Net realized and unrealized gains on investments	**(2,890,854)**	(3,631,202)
Depreciation and amortization	**1,232,747**	1,460,408
Changes in:		
Prepaid expenses and other assets	**(649,376)**	304,150
Pledges receivable	**(8,691,760)**	(36,837,257)
Donor-advised fund investments	**418,732**	(141,626)
California Fisheries loans	**(654,685)**	(20,690)
Accounts payable and accrued expenses	**2,119,967**	(5,544)
Deferred revenue and rent payable	**1,115,294**	343,857
Annuities payable	**12,989**	(225,088)
California Fisheries grants payable	**(134,500)**	(50,000)
Other liabilities	**418,676**	380,880
Net cash provided by (used in) operating activities	**11,692,631**	(2,874,821)
Cash flows from investing activities:		
Purchases of property and equipment	**(1,136,406)**	(1,624,896)
Proceeds from sales of investments	**41,352,607**	32,541,030
Purchases of investments	**(50,716,647)**	(27,077,268)
Other investing activities, net		94,261
Net cash (used in) provided by investing activities	**(10,500,446)**	3,933,127
Cash flows from financing activities:		
Net contributions and payments subject to split-interest agreements	**(65,419)**	154,468
Repayment of notes	**(380,552)**	(476,649)
Net cash used in financing activities	**(445,971)**	(322,181)
Net increase in cash and cash equivalents	**746,214**	736,125
Cash and cash equivalents at beginning of year	**3,705,221**	2,969,096
Cash and cash equivalents at end of year	**$ 4,451,435**	$ 3,705,221
Supplementary disclosure of cash flow information:		
Interest paid	**$ 126,040**	$ 153,510

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The accompanying consolidated and consolidating financial statements present the financial position, changes in net assets, and cash flows of Environmental Defense Fund, Incorporated ("EDF") and its wholly-controlled entities, the Environmental Defense Action Fund ("EDAF"), the California Fisheries Fund, Inc. ("CFF"), Environmental Defense Fund de Mexico, A.C., ("EDF Mexico") and the Environmental Defense Action Fund Political Action Committee ("EDAF PAC") (together, the "Organization"), as of and for the fiscal years ended September 30, 2014 and 2013.

EDF was originally organized as the Environmental Defense Fund, Incorporated, under the laws of New York State in 1967. It changed its legal name to Environmental Defense, Incorporated in May 1999, and then back to Environmental Defense Fund, Incorporated in 2008. 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, and from state and local taxes under comparable laws. It is dedicated to protecting the environmental rights of all people, including the right to clean air, clean water, healthy food and flourishing ecosystems. EDF 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 Environmental Defense Action Fund (the "Action Fund") was incorporated in Delaware in July 2002 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 U.S. Internal Revenue Code. It receives support from individuals and other contributors (see Note K[1]).

The California Fisheries Fund, Inc. ("California Fisheries") was incorporated in California in August 2007 to promote the public good and to improve and reform the conservation and financial performance of California's marine fisheries through the provision of education, training, and financial services, including, without limitation, grants, loans, and technical tools to ensure improved scientific information, enhanced stewardship of fish stocks and habitats, better fishery jobs, improved profitability, and revitalized coastal communities. California Fisheries operates exclusively for charitable and educational purposes and is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. California Fisheries receives support from government entities, individuals and foundations (see Note K[2]).

In fiscal-year 2009, EDF established the Environmental Defense Fund de Mexico, A.C. ("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 financial statements (see Note K[3]).

In fiscal-year 2010, the Action Fund established the Environmental Defense Action Fund Political Action Committee ("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 equal numbers of, and raise comparable total amounts for, Republicans and Democrats. Since EDAF PAC is not a separate legal entity, its assets and liabilities, which were immaterial at September 30, 2014 and 2013, are included in these financial statements as part of the Action Fund (see Note K[4]).

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

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Basis of accounting:

The accompanying consolidated and consolidating financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

[3] Functional allocation of expenses:

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

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

[4] Use of estimates:

The preparation of the consolidated and consolidating 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, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. The Organization makes reasonable estimates regarding the value of split-interest agreements, pledges receivable and the useful lives of property and equipment. Actual results could differ from those estimates.

[5] Net assets:

The Organization's net assets and its revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

(i) Unrestricted:

Unrestricted net assets represent those resources for which there are no donor restrictions as to their use and which have been categorized by the Organization for general purposes to be used for the ongoing activity and working capital needs of the Organization.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of New York Prudent Management Institution Fund Act ("NYPMIFA") and the use of which has been restricted by donors to specific purposes, the release of which results from either the satisfaction of the restricted purposes specified by the donors or from the passage of time, or, by appropriations by the Board of Trustees.

(iii) Permanently restricted:

Permanently restricted net assets represent those resources restricted by donors from use by the Organization except to generate additional income, which may or may not be directed to specific use by the donor. Under the terms of NYPMIFA, those earnings will initially be classified as temporarily restricted in the accompanying consolidated and consolidating statements of activities, pending appropriation by the Board of Trustees.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Temporary investments for future-year activities:

The cash equivalents reported in the accompanying consolidated and consolidating financial statements as temporary investments consist primarily of highly liquid investments.

[7] Measure of operations:

The Organization includes in its measure of operations:

(i) all revenues and expenses that are an integral part of its programs and supporting activities;

(ii) net assets released from restrictions to support operating expenditures; and

(iii) an annual amount appropriated for expenditure from donor-restricted endowment assets and assets designated for long-term investment.

The Organization excludes from its measure of operations:

(i) contributions from and changes in the value of split-interest agreements, until the death of the donor, unless specified otherwise; and

(ii) investment results net of amounts made available for operating purposes.

[8] Cash and cash equivalents:

For financial reporting purposes, the Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

[9] Property, equipment and depreciation:

Property and equipment are recorded at their original costs and are depreciated over their estimated useful lives, which range from 3 to 10 years, using the straight-line method. Leasehold improvements are amortized using the straight-line method over the terms of the underlying leases, which may be less than the estimated useful lives of the improvements. The Organization capitalizes items of property and equipment that have a cost of $5,000 or more and useful lives of three years or more.

[10] Fair-value measurement:

As further described in Note D, the Organization 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.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Investments:

The investments in the accompanying consolidated and consolidating financial statements consist of marketable debt and equity securities, money-market accounts, and certain limited partnerships/alternative investments. Debt, and equity securities and money-market investments are reported at their fair values, which are based upon quoted market prices. The investments in investment partnership funds are carried at their original cost basis and are adjusted annually to fair values based upon the valuation of the underlying assets, as provided by the investment managers. Management routinely reviews and evaluates the values provided by the investment managers and believes the carrying amounts of these investments to be reasonable estimates of fair value. However, estimated fair values may differ significantly from the values that would have been reported had a ready market for these investments existed.

Net investment income is recorded as unrestricted unless specifically restricted by the donors. Unrealized appreciation or depreciation of investments is included in the accompanying consolidated and consolidating statements of activities.

It is the Organization's policy to sell donated equity securities upon receipt.

Investment expenses include the services of bank trustees, investment managers and custodians. The balance of investment management fees charged by the Organization's various investment managers in each fiscal year do not include those fees that are embedded in various other investment accounts and transactions.

[12] Donor-advised fund investments:

Donor-advised funds are identified by reference to contributions of a donor or donors. They are owned and controlled by the Organization for which the donors give advice with respect to the fund's distribution to various charities. The contributions by the donors remain invested until distributed.

[13] Valuation allowances:

Valuation allowances are offset against the asset categories to which they apply.

[14] Derivative instruments and fair value of financial instruments:

Interest-rate hedges may be used to manage the interest rate risk associated with the Organization's debt obligations, at the discretion of management. All derivative instruments are recognized as either assets or liabilities at fair value in the accompanying consolidated statements of financial position. The fair value of interest-rate swap agreements is the estimated amount that an entity would receive or pay to terminate any swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The Organization reports the fair value of interest-rate swaps in either other assets or other liabilities, as appropriate, in the accompanying consolidated and consolidating statements of financial position. The corresponding changes in the fair value of these swaps are reported as unrealized gains or losses in the accompanying consolidated and consolidating statements of activities.

[15] Split-interest agreements:

A portion of the Organization's investments result 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.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[15] Split-interest agreements: (continued)

Charitable gift annuities are unrestricted irrevocable gifts under which the Organization 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 the Organization, subject to the Organization maintaining an actuarial reserve in accordance with New York State law. Charitable remainder unitrust gifts are time-restricted contributions not available to the Organization 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 the Organization.

The Organization values deferred gifts of cash at their face values and investments at their fair values. Organization liabilities are calculated on the basis of industry-standard actuarial data. Published IRS 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 of a split-interest agreement at the time of the donor's death is reported in unrestricted operations unless specified otherwise by the donor.

[16] Accrued vacation:

Employees accrue vacation based on tenure and salary levels, which results in up to five weeks of vacation per year. Employees are allowed to accumulate up to 1½ times their yearly allotment, at which time accumulation ceases until vacation time is taken. Unused vacation balances carry over to future years.

The Organization's obligation for accrued vacation is included as a liability in the accompanying consolidated and consolidating statements of financial position and represents the cost of unused employee vacation time payable in the event of employee terminations. At September 30, 2014 and 2013, accrued vacation obligations were approximately $3,035,000 and $2,815,000, respectively.

[17] Deferred rent payable:

The difference between rent expense incurred by the Organization on an accrual basis and the rent 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 and consolidating statements of financial position.

[18] Contributions:

Contributions and grants, including unconditional promises to give to the Organization (pledges), are recognized as revenue in the period received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions are considered to be available for unrestricted use unless specifically restricted by the donors.

[19] Bequests:

Under a policy established by its Board of Trustees, at the recommendation of its Finance Committee, the Organization designates an amount up to 90% of total unrestricted bequests received for long-term investment, subject to its annual operating requirements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[20] Income taxes:

The Organization is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," relating to accounting and reporting for uncertainty in income taxes. For the Organization, these provisions could be applicable to the incurrence of unrelated business income tax attributable to certain of the Organization's investments. However, due to the Organization's general tax-exempt status, ASC Topic 740-10-05 has not had, and is not expected to have, a material impact on the Organization's consolidated and consolidating financial statements.

The annual compliance and tax filings of the Organization for 2011, 2012, and 2013 are subject to examination by the Internal Revenue Service, as well as by other various state and local authorities, generally for three years after they are submitted.

[21] Endowment funds:

The Organization is subject to the provisions of the FASB's ASC Topic 958, "Not-for-Profit Entities," which provides guidance on the net asset classification of donor-restricted and board-designated endowment funds for a not-for-profit organization. ASC Topic 958 also requires additional disclosures about endowments for all not-for-profit organizations (see Note M).

[22] Subsequent events:

The Organization considers the accounting treatment, and the related disclosures in the current fiscal year's consolidated and consolidating financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

[23] Reclassification:

Certain information in the prior fiscal-year's financial statements has been reclassified to conform to the current fiscal-year's presentation.

NOTE B - PLEDGES RECEIVABLE

Unconditional amounts promised to the Organization, 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:

	September 30,	
	2014	**2013**
In one year or less	**$ 59,779,732**	$ 53,966,329
Between one and two years	**36,769,760**	26,474,357
Between two and three years	**24,170,441**	18,550,000
Between three and four years	**18,500,000**	16,050,734
Four years and thereafter	**1,000,000**	16,149,086
Gross pledges receivable	**140,219,933**	131,190,506
Less present value discount (Calculated at rates ranging from 0.1% to 2.01%) and allowance for uncollectible pledges	**(1,750,590)**	(1,412,923)
Net pledges receivable	**$ 138,469,343**	$ 129,777,583

NOTE B - PLEDGES RECEIVABLE (CONTINUED)

While the Organization has an excellent record of collecting pledges receivable, management has provided a valuation allowance of $400,000 and $149,086 for uncollectible pledges as of September 30, 2014 and 2013, respectively.

In fiscal-year 2013, the Organization recorded a multi-year foundation pledge receivable from a long-time donor with a history of paying timely and in full. The Foundation pledges receivable from this donor now accounts for forty-nine percent of the Organization's outstanding pledge balance. Based on historical collections experience, management's knowledge of and relationship with the donor and the age of the pledge, the receivable has been recorded at net realizable value consistent with the Organization's accounting policy for recording pledges receivable.

NOTE C - PROPERTY AND EQUIPMENT

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

	September 30,	
	2014	**2013**
Furniture and equipment	**$ 4,775,694**	$ 4,501,185
Computer equipment	**3,076,497**	2,655,283
Leasehold improvements	**6,871,183**	6,675,674
Building	**393,319**	393,319
Software development	**1,478,269**	1,233,095
	16,594,962	15,458,556
Less accumulated depreciation and amortization	**(11,728,031)**	(10,495,283)
	$ 4,866,931	$ 4,963,273

Depreciation and amortization expense was $1,232,748 and $1,460,408 for fiscal-years 2014 and 2013, respectively.

NOTE D - INVESTMENTS

At each fiscal year-end, the costs and fair values of investments were as follows:

	September 30,			
	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Alternative investments	**$ 747,153**	**$ 970,066**	$ 7,644,051	$ 12,119,285
Equity and debt securities, mutual and exchange traded funds	**47,982,308**	**49,350,286**	26,571,634	30,589,039
Money-market accounts	**759,306**	**759,306**	3,931,525	3,931,525
Other investments - subject to split-interest agreements	**6,757,824**	**8,035,993**	6,793,979	7,713,706
	$ 56,246,591	**$ 59,115,651**	$ 44,941,189	$ 54,353,555

As portrayed above, concentrations of the Organization's investments in excess of 10% of the fair values of its portfolio included approximately (i) 83% invested in mutual and exchange-traded funds, (ii) 14% invested in assets subject to split-interest agreements.

The following tables summarize investment return by net-asset classification:

	September 30,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Dividends and interest	**$ 657,226**	**$ 130,969**	**$ 788,195**	$ 912,568	$ 142,217	$ 1,054,785
Realized and unrealized gains	**1,528,719**	**1,360,581**	**2,889,300**	2,921,680	709,522	3,631,202
Net return on investments	**2,185,945**	**1,491,550**	**3,677,495**	3,834,248	851,739	4,685,987
Investment return allocated for operations	**(2,232,321)**	**(245,216)**	**(2,477,537)**	(2,035,900)	(247,494)	(2,283,394)
Investment results, net of allocation to operations	**$ (46,376)**	**$ 1,246,334**	**$ 1,199,958**	$ 1,798,348	$ 604,245	$ 2,402,593

The FASB's ASC Topic 820 "Fair Value Measurements and Disclosures," 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 those investments, or similar investments, at the reporting date.

Level 2 Valuations are based on (i) quoted prices those investments, or similar investments, in active markets, or (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 balance sheet date and for which a model was derived for valuation.

NOTE D - INVESTMENTS (CONTINUED)

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, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

The availability of 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 2014 and 2013, there were transfers among Levels 1, 2, and 3.

The following tables summarize the fair values of the Organization's assets at each fiscal year-end, in accordance with the ASC Topic 820-10-05 valuation levels:

	September 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Temporary investments for future periods	**$ 22,677,914**			**$ 22,677,914**
Investments:				
Alternative investments			**$ 970,066**	**970,066**
Equity and debt securities, mutual and exchange traded funds	**49,350,287**			**49,350,287**
Money-market accounts	**759,306**			**759,306**
Other investments - subject to split-interest agreements	**8,035,992**			**8,035,992**
Total investments	**80,823,499**		**970,066**	**81,793,565**
Donor-advised fund investments	**241,475**			**241,475**
Total	**$ 81,064,974**		**$ 970,066**	**$ 82,035,040**

	September 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Temporary investments for future periods	$ 15,119,498			$ 15,119,498
Investments:				
Alternative investments			$ 12,119,285	12,119,285
Mutual and exchange-traded funds	30,589,039			30,589,039
Money-market accounts	3,931,525			3,931,525
Other investments - (including) split-interest agreements	608,857	$ 7,104,849		7,713,706
Total investments	50,248,919	7,104,849	12,119,285	69,473,053
Donor-advised fund investments	522,953		137,254	660,207
Total	$ 50,771,872	$ 7,104,849	$ 12,256,539	$ 70,133,260

NOTE D - INVESTMENTS (CONTINUED)

The following tables summarize the changes in fair value of the Organization's Level 3 investments at each fiscal-year end:

	September 30, 2014		
	Alternative investments	**Donor-Advised Fund Assets**	**Total**
Balance - October 1, 2013:	**$ 12,119,285**	**$ 137,254**	**$ 12,256,539**
Current-year contributions	**120,000**		**120,000**
Current-year distributions	**(128,893)**		**(128,893)**
Net investment gains (losses)	**922,994**		**922,994**
Sales	**(12,063,320)**	**(137,254)**	**(12,200,574)**
Balance - September 30, 2014	**$ 970,066**	**$ 0**	**$ 970,066**

	September 30, 2013		
	Alternative investments	**Donor-Advised Fund Assets**	**Total**
Balance - October 1, 2012:	$ 14,437,481	$ 383,642	$ 14,821,123
Current-year contributions	110,000		110,000
Current-year distributions	(3,044,304)	(2,000)	(3,046,304)
Net investment gains (losses)	616,108	(244,388)	371,720
Balance - September 30, 2013	$ 12,119,285	$ 137,254	$ 12,256,539

The FASB provides accounting guidance on measuring the fair value of certain investments such as funds-of-funds and hedge funds, to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value ("NAV"). Under the practical expedient, entities are permitted to use NAV without adjustment for certain investments that qualify under the guidance. The Organization's investments in funds fitting this description, classified within Level 3 of the fair-value hierarchy, are carried at fair value based on NAV. Investments in these types of funds are subject to withdrawal restrictions and for these Level 3 investments the Organization does not have the ability to withdraw at reported NAV at the fiscal year-end, or within a reasonable period of time.

The Organization's investments in limited partnerships are valued based on the valuation policies and procedures of the general partner. Each general partner performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective, and is therefore responsible for ensuring that the investments are valued according to the policies and procedures adopted by the partnership. The Organization places reliance upon those procedures and records these investments at fair value as determined by the general partner.

The following table lists investments in private investment companies by major category:

	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Private Equity Funds	$ 16,664		Quarterly	90 days
Venture Capital Funds	953,402	$ 140,000	N/A	N/A
	$ 970,066			

See Note F for fair-value measurement disclosures relating to the Organization's debt and interest-rate swaps.

NOTE E - DONOR-ADVISED FUND INVESTMENTS

In fiscal-year 2008, the Organization established a donor-advised fund ("DAF") administered by a third party and created for the purpose of managing charitable donations on behalf of individual donors. The donors have the privilege of providing advice with respect to the fund's distributions to various charities. The investments of the DAF remain as assets of the Organization until the charitable donations are made out of the fund.

There were no contributions into the DAF in 2014, and contributions of $173,969 were made in 2013. The current balance in the DAF is attributable to the donation of an interest in a now publicly traded stock by two donors in fiscal-year 2009. Aggregate charitable donations made from the DAF were $583,000 and $42,000 during fiscal-years 2014 and 2013, respectively. No funds were contributed to the Organization in 2014 and $11,000 were contributed to the Organization in fiscal-year 2013. The aggregate value of investment assets held in the DAF was $241,475 and $660,207 at September 30, 2014 and 2013, respectively.

NOTE F - NOTES PAYABLE AND INTEREST-RATE SWAPS

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

	September 30, 2014	September 30, 2013
Promissory note from donor, payable on demand	**$ 100,000**	$ 100,000
Promissory note terminating 2018, at LIBOR + 1.5%	**537,500**	687,500
Promissory note terminating 2019, at 4.21%	**1,610,000**	1,820,000
	2,247,500	2,607,500
Fair-value adjustment	**(31,233)**	(10,681)
	$ 2,216,267	$ 2,596,819

Notes Payable and Line of Credit:

In fiscal-year 1998, a donor provided a $100,000 interest-free loan for the Organization's operations that remains outstanding and is due on demand. The imputed interest on this loan is not material to the accompanying consolidated and consolidating financial statements.

In fiscal-year 2008, the Organization borrowed $1,500,000 from a bank, secured by a 10-year promissory note, the proceeds from which were used for funding the renovations of the California office. The loan is being repaid in monthly principal installments of $12,500, with interest at the one-month LIBOR, plus 1.5%. Then, in fiscal-year 2012, the Organization secured an additional 10-year bank loan of $2,100,000, which is being repaid in monthly principal installments of $17,500, plus interest at 4.21%. At September 30, 2014, the Organization was in compliance with all debt covenants for these loans.

NOTE F - NOTES PAYABLE AND INTEREST-RATE SWAPS (CONTINUED)

<u>Notes Payable and Line of Credit</u>: (continued)

The Organization has also entered into an interest-rate swap agreement, having an initial notional value of $3,352,083 and a notional value of $537,500 and $687,500 at September 30, 2014 and 2013, respectively, to protect against the interest rate fluctuations on the fiscal-year 2008 bank note. The notional value of the swap declines monthly to coincide with the declining balance on the promissory notes as installment principal payments are made, and matures in 2018. Based on the swap agreement, the Organization pays interest at 5.49% and receives interest at a rate of one-month LIBOR plus 1.5% on the notional value of the swap. These terms effectively convert the interest rate on the promissory notes from a variable rate to a fixed rate.

The estimated fair value of the interest-rate swap agreement was ($31,233) and ($10,681) at September 30, 2014 and 2013, respectively, which represents the cost that the Organization would have to pay to terminate the interest-rate swap agreement.

The fair values of the promissory notes reflect an adjustment for the gain corresponding to the hedging relationship with the interest-rate swap agreement. The Organization included the gain on the hedged promissory notes in the same line item as the offsetting loss on the related interest-rate swap.

Pre-swap annual contractual maturities of notes payable outstanding at September 30, 2014, excluding the $100,000 note payable on demand, are as follows:

Year Ending September 30,	Amount
2015	$ 360,000
2016	360,000
2017	360,000
2018	297,500
2019	770,000
Total	$ 2,147,500

Interest expense on debt borrowings, as well as on interest-rate swap agreements, was $126,040 and $151,548 in fiscal-years 2014 and 2013, respectively.

At September 30, 2014, the Organization has an unsecured line of credit of $7,500,000 for ongoing operational requirements. There was no outstanding balance at either September 30, 2014 or 2013 under this line of credit.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

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

	September 30, 2014	September 30, 2013
Restricted by purpose:		
Climate and Energy	**$ 66,245,629**	$ 35,163,827
Oceans	**36,665,913**	22,914,611
Ecosystems	**17,438,897**	29,400,586
Health	**4,889,886**	9,944,529
Education	**3,522,437**	9,019,980
	128,762,762	106,443,533
Restricted by time	**31,669,472**	37,481,415
	$ 160,432,234	$ 143,924,948

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

	Year Ended September 30, 2014	Year Ended September 30, 2013
Climate and Energy	**$ 60,161,631**	$ 51,646,696
Oceans	**21,192,084**	21,003,242
Ecosystems	**22,836,656**	21,184,437
Health	**3,673,820**	5,015,443
Education	**355,273**	473,189
	108,219,464	99,323,007
Time restrictions satisfied	**333,698**	497,583
	$ 108,553,162	$ 99,820,590

NOTE H - EMPLOYEE RETIREMENT PLANS

The Organization maintains a 403(b) tax-deferred retirement plan, which is funded by contributions from both the Organization and its employees. The Organization'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 2014 and 2013, respectively, was approximately $2,304,054 and $2,120,210.

In fiscal-year 2004, the Organization established a 457(b) deferred-compensation plan for certain key employees that is funded by both the Organization and the employees. As such, the investment allocations are directed by the employees, but the investments remain as assets of the Organization until the employees retire. At September 30, 2014 and 2013, respectively, the asset value of this plan was approximately $2,543,000 and $2,176,000.

NOTE H - EMPLOYEE RETIREMENT PLANS (CONTINUED)

In fiscal-year 2007, the Organization established a 457(f) deferred-compensation plan for certain key employees. Awards under this plan are discretionary and are payable at future dates according to the terms of the plan. Benefits vest over a period ranging from 1 to 10 years and are amortized as compensation and benefits expense. The expense of the plan for fiscal-years 2014 and 2013, respectively, was $16,734 and $25,831, with a like amount recorded as a liability. During fiscal-year 2014, the Organization made no contributions or payments to the plan and made payments of approximately $232,000 out of the plan in 2013. The Organization has fully funded the plan for awards to date. At September 30, 2014 and 2013, the asset value of the plan was approximately $184,000 and $171,000, respectively. The investment allocations of the plans are directed by the employees, but the investments remain as assets of the Organization until payment.

The fair value of plan assets and the present value of employee retirement plan liabilities are reported as other assets and other liabilities, respectively, in the accompanying consolidated and consolidating statements of financial position.

NOTE I - JOINT COSTS

For fiscal-years 2014 and 2013, the Organization has allocated joint costs (for informational materials and activities that include fund-raising appeals) among program and supporting services as follows:

	Year Ended September 30,	
	2014	**2013**
Climate and Energy	**$ 3,104,888**	$ 2,763,342
Oceans	**3,991**	2,520
Ecosystems	**61,983**	47,513
Health	**9,482**	49,719
Education	**1,466,762**	1,335,233
Membership activities	**836,627**	677,158
New member acquisition	**764,375**	613,314
Membership - fund-raising	**996,212**	836,566
	$ 7,244,320	$ 6,325,365

The portion of cost allocated to membership activities consists of that component of membership mailings that contain information about the Organization 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 the Organization. Membership fund-raising is that component of joint costs associated with asking the Organization's current members for contributions. Additional fund-raising activities that included program information were not eligible for allocation under accounting principles generally accepted in the United States of America and were treated exclusively as membership fund-raising or new member acquisition expense.

NOTE J - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash and cash equivalents in both interest-bearing and noninterest-bearing accounts which, at times, may exceed federally insured limits. The Organization's investments are placed with high-credit-quality financial institutions. The Organization has not experienced any losses in such accounts, and management believes the Organization is not subject to a risk of loss beyond that related to market changes.

NOTE K - WHOLLY-CONTROLLED ENTITY TRANSACTIONS

[1] Environmental Defense Action Fund:

The Action Fund reported support and revenue of $9,843,094 and $6,535,191 in fiscal-years 2014 and 2013, respectively, which included grants of $698,000 and $950,000, respectively, from EDF, representing a portion of the grass-roots lobbying and the direct lobbying allowances permitted EDF as a 501(c)(3) organization.

The Action Fund recorded expenses of $7,760,090 and $5,900,620 in fiscal-years 2014 and 2013, 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 EDF. Changes to the Action Fund's net assets are included in unrestricted and temporarily restricted net assets in the accompanying consolidated and consolidating financial statements.

The Action Fund includes among its assets an intercompany receivable in the amount of $522,298 and $5,133,491 in fiscal-years 2014 and 2013, respectively, due from EDF. This amount is invested by EDF on behalf of the Action Fund and interest accrues to the benefit of the Action Fund. The amount of the intercompany receivable is payable on demand.

[2] California Fisheries Fund, Inc.:

Grants of $5,000,000 were awarded in fiscal-year 2008 to EDF in support of California Fisheries' mission. Originally, EDF managed the grants as pass-through grants to California Fisheries, which were used to fund its operations and to establish a revolving loan fund ("Loan Fund"). The Loan Fund was established with an initial amount of $4,550,000 to provide for loans intended to improve and reform the conservation and financial performance of California's marine fisheries. Loan principal of $735,246 was returned to funders during fiscal-year 2010, resulting in a Loan Fund balance of $3,814,754 as of September 30, 2010. An additional $150,794 was utilized for programs in fiscal-year 2011, resulting in a Loan Fund balance of $3,663,960 at both September 30, 2012 and 2011 and $50,000 was utilized for programs in fiscal-year 2013 resulting in a Loan Fund balance of $3,613,960 at September 30, 2013 which includes an estimated valuation allowance of $127,308. An additional $134,999 was utilized for programs in fiscal-year 2014, resulting in a Loan Fund balance of $3,479,461 which includes an estimated valuation allowance of $152,900 at September 30, 2014.

California Fisheries recorded revenue and support of $305,232 and $295,722 in fiscal-years 2014 and 2013, respectively. In addition, in fiscal-years 2014 and 2013, EDF awarded grants of $70,000 and $200,000, respectively, to California Fisheries to cover administrative costs.

[3] Environmental Defense Fund de Mexico, A.C.:

EDF Mexico commenced operations in August 2009. Expenditures of $1,858,684 and $1,590,528 for fiscal-years 2014 and 2013, respectively, are included as part of EDF in the accompanying consolidated and consolidating financial statements.

[4] Environmental Defense Action Fund Political Action Committee:

EDAF PAC commenced operations in December 2009. Revenues of $8,250 and $50,000 and expenditures of $52,381 and $22,036 for fiscal-years 2014 and 2013, respectively, are included as part of the Action Fund in the accompanying consolidated and consolidating financial statements.

NOTE L - COMMITMENTS AND CONTINGENCY

[1] Operating leases:

The Organization leases premises at 16 locations under operating leases that expire on various dates through September 2023.

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 of September 30, 2014:

Year Ending September 30,	Amount
2015	$ 6,477,549
2016	6,363,948
2017	5,996,171
2018	5,271,605
2019	4,776,787
Thereafter	19,145,455
	$ 48,031,515

Rent expense included in operations for fiscal-years 2014 and 2013 was $6,337,607 and $5,246,703, respectively. Certain leases provide for additional rental payments to cover increases in real estate taxes and expenses as yet undetermined.

[2] Governmental audits:

Government-funded activities are subject to audit by the applicable granting agencies. At September 30, 2014 and 2013, 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.

[3] Litigation:

The Organization is from time to time subject to legal actions in the normal course of business. In the opinion of the Organization's management, as of September 30, 2014, the eventual resolution of these matters will not materially affect the financial position, cash flows, or change in net assets of the Organization.

NOTE M - ENDOWMENT

[1] The endowment:

The Organization's permanent endowment consists of nineteen individual 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.

[2] Interpretation of relevant law:

As discussed in Note A[2](d), NYPMIFA is applicable to the Organization's donor-restricted endowment funds.

NOTE M - ENDOWMENT (CONTINUED)

[2] Interpretation of relevant law: (continued)

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, the Organization has no responsibility to restore such decrease in value.

[3] Return objectives and risk parameters:

The Organization 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.

[4] Strategies employed for achieving objectives:

Assets comprising the endowment are invested in a single, diversified fund, such as an S&P 500 index fund, to achieve its long-term return objectives within prudent risk constraints.

[5] Spending policy and how the investment objectives relate to spending policy:

The Organization 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 twenty quarters immediately preceding the fiscal-year in which the appropriation for expenditure is approved. In establishing this policy, the Organization's management has considered the long-term expected return on its endowment. This is consistent with the Organization'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.

[6] Endowment net-asset composition by type of fund:

	September 30, 2014		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		**$ 3,736,498**	**$ 3,736,498**
Accumulated earnings not yet appropriated for expenditure	**$ 3,755,740**		**3,755,740**
Total funds	**$ 3,755,740**	**$ 3,736,498**	**$ 7,492,238**

	September 30, 2013		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 3,736,498	$ 3,736,498
Accumulated earnings not yet appropriated for expenditure	$ 2,665,346		2,665,346
Total funds	$ 2,665,346	$ 3,736,498	$ 6,401,844

NOTE M - ENDOWMENT (CONTINUED)

[7] Changes in endowment net assets for the fiscal year:

	September 30, 2014		
	Temporarily Restricted	**Permanently Restricted**	**Total**
Net assets, beginning of year	**$ 2,665,346**	**$ 3,736,498**	**$ 6,401,844**
Investment returns	**1,335,610**		**1,335,610**
Current-year appropriation for expenditure	**(245,216)**		**(245,216)**
Net assets, end of year	**$ 3,755,740**	**$ 3,736,498**	**$ 7,492,238**

	September 30, 2013		
	Temporarily Restricted	**Permanently Restricted**	**Total**
Net assets, beginning of year	$ 1,854,278	$ 3,736,498	$ 5,590,776
Investment returns	1,058,562		1,058,562
Current-year appropriation for expenditure	(247,494)		(247,494)
Net assets, end of year	$ 2,665,346	$ 3,736,498	$ 6,401,844

NOTE N - PROGRAM AND SUPPORTING SERVICES EXPENSES

Generally accepted accounting principles require the Organization's expenses to be reported on a functional basis. Accordingly, during each fiscal year, total expenses were allocated among program and supporting services as follows:

	Year Ended September 30,	
	2014	**2013**
Programs	**$ 112,932,863**	**$ 101,228,617**
General and administrative	**8,806,292**	**7,795,793**
Fund-raising	**12,257,599**	**11,473,222**
	$ 133,996,754	**$ 120,497,632**