

Financial commentary

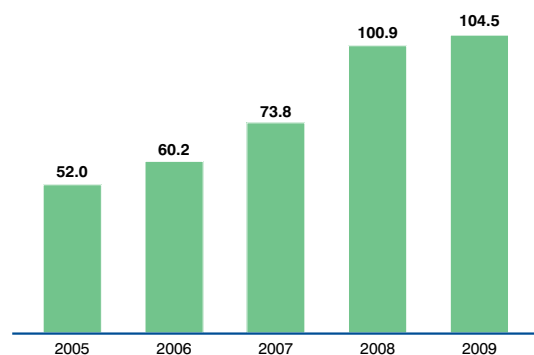
Overview

Environmental Defense Fund continued to maintain a strong financial position in the fiscal year ended September 30, 2009, thanks to prudent management of expenses and to the generous support of our members, trustees, major donors, foundations and other contributors. Total program and supporting services expenses for fiscal 2009 were \$104.5 million, a modest 4% increase over the previous year.

The tough economy required staff reductions and pruning of expenditures in fiscal 2009. In making these decisions, we were guided by the priorities and criteria established in EDF's new Strategic Plan, the product of a yearlong collaboration between staff and trustees. The resulting sharper focus puts EDF on a path to achieve the Strategic Plan's very ambitious five-year objectives.

TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES

In millions of dollars

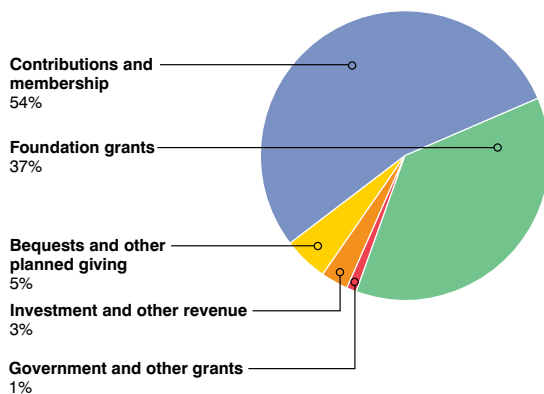


Operating support and revenue

Unrestricted operating support and revenue of \$107.5 million was used to pay for current operations during fiscal 2009. Of this amount, contributions and membership accounted for \$57.9 million, or 54%. Foundation grants provided \$39.4 million, or 37%. Bequests and other planned giving reached \$5.7 million, or 5%. Investment and other revenue contributed 3% and government and other grants accounted for the remaining 1%.

Restricted operating support and revenue of \$40.5 million in fiscal 2009 predominantly represents contributions from multiyear gifts and pledges for use in future years. These gifts play an increasingly important role in enabling us to expand and sustain our work.

SOURCES OF UNRESTRICTED OPERATING SUPPORT AND REVENUE



Expenses

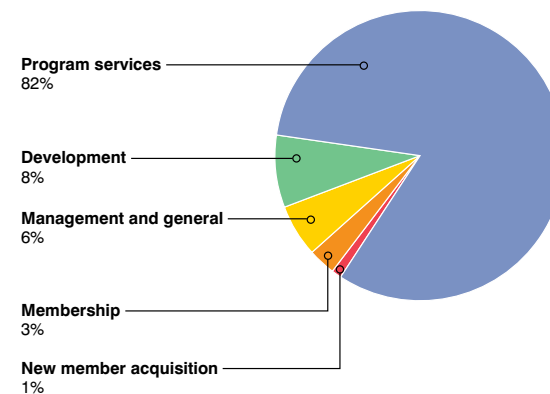
Program services expenditures of \$85.9 million accounted for 82% of total operating expenses in fiscal 2009, with almost all devoted to our priority areas—climate, oceans, ecosystems and health. Of total operating expenses, 6% was for management and administration, 11% went toward the fundraising needed to generate current income and support for future years, and 1% was spent on the acquisition of new members.

Net assets

Thanks mainly to gifts designated for future years, total net assets grew \$41.2 million to \$172.4 million during fiscal 2009.

The Statement of Activities on the facing page represents the consolidated activities of Environmental Defense Fund, Incorporated, Environmental Defense Action Fund and California Fisheries Fund, Inc. Copies of the complete audited financial statements are available upon request or at edf.org/audit.

EXPENSES



Statement of activities

Year ended September 30	Unrestricted	Restricted	Total 2009	Total 2008
OPERATING SUPPORT AND REVENUE				
Support:				
Contributions	\$3,872,201	\$45,449,241	\$49,321,442	\$56,423,219
Membership	10,399,276	1,361,126	11,760,402	12,725,210
Foundation grants	-	76,783,935	76,783,935	56,045,966
Bequests and other planned giving	4,124,174	1,589,769	5,713,943	3,613,443
Government and other grants	55,523	1,537,222	1,592,745	3,421,306
Total support	18,451,174	126,721,293	145,172,467	132,229,144
Revenue:				
Investment income allocated for operations	1,556,952	29,628	1,586,580	1,772,456
Fees, royalties and other income	1,275,053	608	1,275,661	927,441
Total revenue	2,832,005	30,236	2,862,241	2,699,897
Net assets released from restrictions	86,202,644	(86,202,644)	-	-
Total support and revenue	107,485,823	40,548,885	148,034,708	134,929,041
EXPENSES				
Program services:				
Climate	43,809,784	-	43,809,784	41,550,351
Oceans	15,295,369	-	15,295,369	12,689,958
Ecosystems	13,885,771	-	13,885,771	14,900,955
Health	7,769,268	-	7,769,268	8,088,066
Education	4,500,024	-	4,500,024	4,815,378
Membership activities	663,362	-	663,362	546,026
Total program services	85,923,578	-	85,923,578	82,590,734
Supporting services:				
Management and general	6,714,804	-	6,714,804	6,810,239
New member acquisition	742,627	-	742,627	649,996
Fundraising:				
Membership	2,710,239	-	2,710,239	2,597,017
Development	8,376,666	-	8,376,666	8,214,864
Total supporting services	18,544,336	-	18,544,336	18,272,116
Total operating expenses	104,467,914	-	104,467,914	100,862,850
Change in net assets from operations	3,017,909	40,548,885	43,566,794	34,066,191
Change in net assets from non-operating activities:				
Transfer to California Fisheries Fund	-	-	-	(4,550,000)
Other expenses, net of contributions and other income	(128,307)	(62,146)	(190,453)	(1,082,698)
Investment results, net of allocation to operations	(1,134,627)	(1,059,215)	(2,193,842)	(7,890,982)
Change in net assets	1,754,975	39,427,524	41,182,499	20,542,511
Net assets, beginning of year	38,216,936	92,996,431	131,213,367	110,670,856
Net assets, end of year	\$39,971,911	\$132,423,955	\$172,395,866	\$131,213,367