December 6, 2010

To: Friends of Environmental Defense Fund
From: Peter Accinno
CFO, Treasurer, VP Finance and Administration

Thank you for requesting a copy of our audited financial statements for the fiscal year ended September 30, 2010. A copy of these statements is attached.

Also attached immediately following this cover note is a copy of the Financial Commentary from our 2010 Annual Report. The commentary provides insight on our financial results for the year and should be read in conjunction with the audited statements.

The Financial Commentary is particularly important in a fiscal year such as 2010, when a significant portion of our work was supported by multi-year grants awarded in prior fiscal years. Under generally accepted accounting principles, not-for-profit organizations are required to report such funds as revenue in the fiscal year they were raised, even though the related expenditures will not be made until subsequent fiscal years.

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Sacramento, CA / San Francisco, CA / Washington, DC / Beijing, China / La Paz, Mexico

FINANCIAL COMMENTARY

OVERVIEW

Environmental Defense Fund completed fiscal year 2010 on a sound financial footing and with a level of operating expenses on par with that of recent years. This was made possible by prudent management and the generous support of our members, trustees, major donors, foundations and other contributors.

A significant portion of this year's work was supported by restricted multi-year grants awarded in prior years, including a $48.5 million foundation grant received near the end of fiscal 2009.

OPERATING SUPPORT AND REVENUE

Unrestricted operating support and revenue of $101.4 million was used for current operations during fiscal 2010. Of this amount, contributions and membership accounted for $51.4 million, or 51%. Foundation grants provided $42.0 million, or 41%. Government and other grants totaled $3.0 million; investment and other revenue contributed $2.6 million; and bequests and other planned giving reached $2.4 million, with these combined categories contributing 8% of the total.

EXPENSES

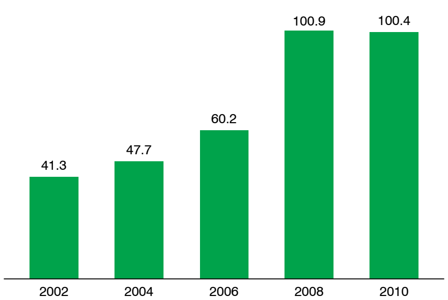
Total operating expenses for fiscal 2010 were $100.4 million. Program services expenditures accounted for 83%, or $83.5 million, with almost all devoted to our priority areas—climate, oceans, ecosystems and health. Of the total operating expenses, 7% was for development, 6% for management and administration, 3% for membership and 1% for the acquisition of new members.

NET ASSETS

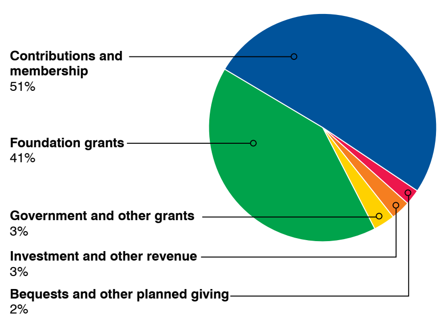
Total net assets at the end of fiscal 2010 were $140.4 million. The change from last year's amount of $172.4 million was driven by the use of funds raised in prior years and expended during fiscal 2010.

TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES

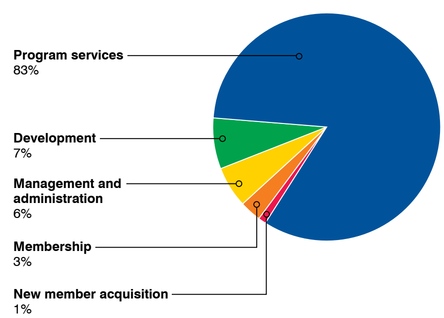
In millions of dollars



SOURCES OF UNRESTRICTED OPERATING SUPPORT AND REVENUE



EXPENSES



ENVIRONMENTAL DEFENSE FUND, INCORPORATED

CONSOLIDATED AND CONSOLIDATING FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

EisnerAmper LLP
750 Third Avenue
New York, NY 10017-2703
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of the Environmental Defense Fund, Incorporated (the "Organization") as of September 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. We have also audited the consolidating statements of financial position of the Organization as of September 30, 2010 and 2009, and the related consolidating statements of activities for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated and consolidating financial statements enumerated above present fairly, in all material respects, the financial position of the Environmental Defense Fund, Incorporated as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, New York
November 29, 2010

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statements of Financial Position

	September 30, 2010	September 30, 2009
ASSETS		
Cash and cash equivalents	**$ 7,539,201**	$ 6,493,187
Temporary investments for future periods	**12,896,208**	13,979,386
Prepaid expenses and other assets	**2,965,804**	2,714,835
Inventory	**126,586**	120,627
Pledges receivable	**77,892,505**	114,553,438
Property and equipment, net	**4,456,102**	5,200,854
California Fisheries loans	**357,965**	297,543
Donor-advised fund investments	**2,422,671**	1,346,083
Investments	**49,565,359**	47,358,777
	$ 158,222,401	$ 192,064,730
LIABILITIES		
Accounts payable and accrued expenses	**$ 6,337,602**	$ 6,785,137
Deferred revenue	**37,651**	326,417
Deferred rent payable	**176,583**	330,894
Annuities payable	**3,541,257**	3,411,381
Notes payable	**2,023,847**	2,583,444
California Fisheries grants payable	**3,814,754**	4,550,000
Other liabilities	**1,921,885**	1,681,591
	17,853,579	19,668,864
Commitment and contingency (Note L)		
NET ASSETS		
Unrestricted:		
Available for operations	**2,221,080**	2,423,676
Designated for long-term investment	**38,942,941**	37,548,235
Total unrestricted	**41,164,021**	39,971,911
Temporarily restricted	**95,468,303**	128,687,457
Permanently restricted	**3,736,498**	3,736,498
Total net assets	**140,368,822**	172,395,866
	$ 158,222,401	$ 192,064,730

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidating Statement of Financial Position
September 30, 2010
(with summarized financial information for 2009)

	EDF	EDAF	CFF	Eliminations	September 30, 2010	September 30, 2009
ASSETS						
Cash and cash equivalents	$ 4,692,041	$ 2,333,725	$ 513,435		$ 7,539,201	$ 6,493,187
Temporary investments for future periods	9,673,228		3,222,980		12,896,208	13,979,386
Prepaid expenses and other assets	2,881,776	84,028			2,965,804	2,714,835
Inventory	126,586				126,586	120,627
Pledges receivable	77,812,505	80,000			77,892,505	114,553,438
Property and equipment, net	4,456,102				4,456,102	5,200,854
California Fisheries loans			357,965		357,965	297,543
Donor-advised fund investments	2,422,671				2,422,671	1,346,083
Investments	49,565,359				49,565,359	47,358,777
Intercompany receivable	228,475	6,685,963		$ (6,914,438)	0	0
	$ 151,858,743	$ 9,183,716	$ 4,094,380	$ (6,914,438)	$ 158,222,401	$ 192,064,730
LIABILITIES						
Accounts payable and accrued expenses	$ 5,273,892	$ 1,043,509	$ 20,201		$ 6,337,602	$ 6,785,137
Deferred revenue	37,651				37,651	326,417
Deferred rent payable	176,583				176,583	330,894
Annuities payable	3,541,257				3,541,257	3,411,381
Notes payable	2,023,847				2,023,847	2,583,444
California Fisheries grants payable			3,814,754		3,814,754	4,550,000
Other liabilities	1,921,885				1,921,885	1,681,591
Intercompany payable	6,685,963		228,475	$ (6,914,438)	0	0
	19,661,078	1,043,509	4,063,430	(6,914,438)	17,853,579	19,668,864
NET ASSETS						
Unrestricted:						
Available for operations	2,127,792	74,838	18,450		2,221,080	2,423,676
Designated for long-term investment	38,942,941				38,942,941	37,548,235
Total unrestricted	41,070,733	74,838	18,450		41,164,021	39,971,911
Temporarily restricted	87,390,434	8,065,369	12,500		95,468,303	128,687,457
Permanently restricted	3,736,498				3,736,498	3,736,498
Total net assets	132,197,665	8,140,207	30,950		140,368,822	172,395,866
	$ 151,858,743	$ 9,183,716	$ 4,094,380	$ (6,914,438)	$ 158,222,401	$ 192,064,730

See notes to consolidated and consolidating financial statements

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidating Statement of Financial Position
September 30, 2009

	EDF	EDAF	CFF	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 3,918,565	$ 2,444,865	$ 129,757		$ 6,493,187
Temporary investments for future periods	9,697,073		4,282,313		13,979,386
Prepaid expenses and other assets	2,450,392	264,443			2,714,835
Inventory	120,627				120,627
Pledges receivable	112,803,438	1,750,000			114,553,438
Property and equipment, net	5,200,854				5,200,854
California Fisheries loans			297,543		297,543
Donor-advised fund investments	1,346,083				1,346,083
Investments	47,358,777				47,358,777
Intercompany receivable	16,292	6,404,630		$ (6,420,922)	0
	$ 182,912,101	$ 10,863,938	$ 4,709,613	$ (6,420,922)	$ 192,064,730
LIABILITIES					
Accounts payable and accrued expenses	$ 6,398,019	$ 357,217	$ 29,901		$ 6,785,137
Deferred revenue	326,417				326,417
Deferred rent payable	330,894				330,894
Annuities payable	3,411,381				3,411,381
Notes payable	2,583,444				2,583,444
California Fisheries grants payable			4,550,000		4,550,000
Other liabilities	1,681,591				1,681,591
Intercompany payable	6,404,630		16,292	$ (6,420,922)	0
	21,136,376	357,217	4,596,193	(6,420,922)	19,668,864
NET ASSETS					
Unrestricted:					
Available for operations	2,298,108	74,648	50,920		2,423,676
Designated for long-term investment	37,548,235				37,548,235
Total unrestricted	39,846,343	74,648	50,920		39,971,911
Temporarily restricted	118,192,884	10,432,073	62,500		128,687,457
Permanently restricted	3,736,498				3,736,498
Total net assets	161,775,725	10,506,721	113,420		172,395,866
	$ 182,912,101	$ 10,863,938	$ 4,709,613	$ (6,420,922)	$ 192,064,730

See notes to consolidated and consolidating financial statements

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statement of Activities
Year Ended September 30, 2010
(with summarized financial information for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Year Ended September 30, 2009
Operating support and revenue:					
Support:					
Membership and contributions	**$ 10,166,632**	**$ 1,130,719**		**$ 11,297,351**	$ 11,760,402
Major gifts	**3,816,072**	**23,620,341**		**27,436,413**	49,321,442
Foundations		**18,262,376**		**18,262,376**	76,783,935
Government and other grants	**34,185**	**2,722,601**		**2,756,786**	1,592,745
Bequests and other planned giving	**2,348,590**	**15,158**		**2,363,748**	5,713,943
Total support	**16,365,479**	**45,751,195**		**62,116,674**	145,172,467*
Revenue:					
Investment income allocated for operations	**1,735,144**	**30,129**		**1,765,273**	1,586,580
Fees, royalties and other income	**872,206**	**536**		**872,742**	1,275,661
Total revenue	**2,607,350**	**30,665**		**2,638,015**	2,862,241
Net assets released from restrictions	**82,450,211**	**(82,450,211)**		**0**	0
Total operating support and revenue	**101,423,040**	**(36,668,351)**		**64,754,689**	148,034,708
Operating expenses:					
Program services:					
Scientific research, economic analysis, and policy development:					
Climate	**44,650,876**			**44,650,876**	43,809,784
Oceans	**16,848,491**			**16,848,491**	15,295,369
Ecosystems	**12,888,679**			**12,888,679**	13,885,771
Health	**4,888,388**			**4,888,388**	7,769,268
Education	**3,744,196**			**3,744,196**	4,500,024
Membership activities	**482,834**			**482,834**	663,362
Total program services	**83,503,464**			**83,503,464**	85,923,578
Supporting services:					
Management and general	**5,775,030**			**5,775,030**	6,714,804
New member acquisition	**898,424**			**898,424**	742,627
Fund-raising:					
Membership	**2,642,950**			**2,642,950**	2,710,239
Development	**7,531,957**			**7,531,957**	8,376,666
Total supporting services	**16,848,361**			**16,848,361**	18,544,336
Total operating expenses	**100,351,825**			**100,351,825**	104,467,914
Change in net assets from operations	**1,071,215**	**(36,668,351)**		**(35,597,136)**	43,566,794
Change in net assets from non-operating activities:					
Other expenses, net of contributions and other income	**(521,802)**	**(22,352)**		**(544,154)**	(190,453)
Investment results, net of allocation to operations	**642,697**	**3,471,549**		**4,114,246**	(2,193,842)
Change in net assets	**1,192,110**	**(33,219,154)**		**(32,027,044)**	41,182,499
Net assets - beginning of year	**39,971,911**	**128,687,457**	**$ 3,736,498**	**172,395,866**	131,213,367
Net assets - end of year	**$ 41,164,021**	**$ 95,468,303**	**$ 3,736,498**	**$140,368,822**	$ 172,395,866

***** Fiscal year 2009 support includes several multi-year grants, one of which is for $48,500,000.

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statement of Activities
Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue:				
Support:				
Membership and contributions	$ 10,399,276	$ 1,361,126		$ 11,760,402
Major gifts	3,872,201	45,449,241		49,321,442
Foundations		76,783,935		76,783,935
Government and other grants	55,523	1,537,222		1,592,745
Bequests and other planned giving	4,124,174	1,589,769		5,713,943
Total support	18,451,174	126,721,293		145,172,467
Revenue:				
Investment income allocated for operations	1,556,952	29,628		1,586,580
Fees, royalties and other income	1,275,053	608		1,275,661
Total revenue	2,832,005	30,236		2,862,241
Net assets released from restrictions	86,202,644	(86,202,644)		0
Total operating support and revenue	107,485,823	40,548,885		148,034,708
Operating expenses:				
Program services:				
Scientific research, economic analysis, and policy development:				
Climate	43,809,784			43,809,784
Oceans	15,295,369			15,295,369
Ecosystems	13,885,771			13,885,771
Health	7,769,268			7,769,268
Education	4,500,024			4,500,024
Membership activities	663,362			663,362
Total program services	85,923,578			85,923,578
Supporting services:				
Management and general	6,714,804			6,714,804
New member acquisition	742,627			742,627
Fund-raising:				
Membership	2,710,239			2,710,239
Development	8,376,666			8,376,666
Total supporting services	18,544,336			18,544,336
Total operating expenses	104,467,914			104,467,914
Change in net assets from operations	3,017,909	40,548,885		43,566,794*
Change in net assets from non-operating activities:				
Other expenses, net of contributions and other income	(128,307)	(62,146)		(190,453)
Investment results, net of allocation to operations	(1,134,627)	(1,059,215)		(2,193,842)
Change in net assets	1,754,975	39,427,524		41,182,499
Net assets - beginning of year	38,216,936	89,259,933	$ 3,736,498	131,213,367
Net assets - end of year	$ 39,971,911	$ 128,687,457	$ 3,736,498	$ 172,395,866

***** The change in net assets from operations of $43,566,794 includes substantial foundation grants, shown in the temporarily restricted column above, received in fiscal-year 2009, but intended to fund operations in future years.

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidating Statement of Activities
Year Ended September 30, 2010
(with summarized financial information for 2009)

	EDF	EDAF	CFF	Eliminations	Year Ended September 30, 2010	Year Ended September 30, 2009
Operating support and revenue:						
Support:						
Membership and contributions	$ 10,166,632	$ 1,130,719			$ 11,297,351	$ 11,760,402
Major gifts	22,081,195	5,355,218			27,436,413	49,321,442
Foundations	15,112,376	3,600,000	$ 50,000	$ (500,000)	18,262,376	76,783,935
Government and other grants	2,756,786				2,756,786	1,592,745
Bequests and other planned giving	2,363,748				2,363,748	5,713,943
Total support	52,480,737	10,085,937	50,000	(500,000)	62,116,674	145,172,467
Revenue:						
Investment income allocated for operations	1,765,273				1,765,273	1,586,580
Fees, royalties and other income	693,483	536	178,723		872,742	1,275,661
Total revenue	2,458,756	536	178,723		2,638,015	2,862,241
Total operating support and revenue	54,939,493	10,086,473	228,723	(500,000)	64,754,689	148,034,708
Operating expenses:						
Salaries and wages	30,791,170	859,478	111,065		31,761,713	33,627,753
Benefits and other employment costs	7,904,664	256,870	29,262		8,190,796	9,753,407
Professional and consulting fees	15,269,670	4,668,232	109,024		20,046,926	21,701,774
Travel	4,237,908	22,997	11,147		4,272,052	3,919,363
Printing	562,322	25,085	334		587,741	425,740
Postage and delivery	183,516	28,227			211,743	241,106
Occupancy	4,419,832	55,365	13,184		4,488,381	4,513,353
Telecommunications	901,721	17,022	2,016		920,759	1,016,353
Data management	677,570	94,969			772,539	852,601
Office supplies and equipment	1,300,745	32,360	550		1,333,655	689,912
Meetings and events	1,456,293	93,101	269		1,549,663	885,852
Subscriptions and dues	536,644	2,844	150		539,638	486,519
Advertising and promotions	4,103,848	3,625,855			7,729,703	8,455,462
Grants to others	9,061,178	2,258,000		(500,000)	10,819,178	9,516,249
Direct marketing	4,410,485	324,433			4,734,918	5,980,684
Other	870,913	88,339	34,192		993,444	782,839
	86,688,479	12,453,177	311,193	(500,000)	98,952,849	102,848,967
Depreciation and amortization	1,398,976				1,398,976	1,618,947
Total operating expenses	88,087,455	12,453,177	311,193	(500,000)	100,351,825	104,467,914
Change in net assets from operations	(33,147,962)	(2,366,704)	(82,470)	0	(35,597,136)	43,566,794
Change in net assets from non-operating activities:						
Other expenses, net of contributions and other income	(544,154)				(544,154)	(190,453)
Investment results, net of allocation to operations	4,114,056	190			4,114,246	(2,193,842)
Change in net assets	(29,578,060)	(2,366,514)	(82,470)		(32,027,044)	41,182,499
Net assets - beginning of year	161,775,725	10,506,721	113,420		172,395,866	131,213,367
Net assets - end of year	$ 132,197,665	$ 8,140,207	$ 30,950	$ 0	$ 140,368,822	$ 172,395,866

See notes to consolidated and consolidating financial statements

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidating Statement of Activities
Year Ended September 30, 2009

	EDF	EDAF	CFF	Eliminations	Total
Operating support and revenue:					
Support:					
Membership and contributions	$ 10,399,276	$ 1,361,126			$ 11,760,402
Major gifts	34,793,116	14,528,326			49,321,442
Foundations	73,783,935	3,650,000	$ 105,545	$ (755,545)	76,783,935
Government and other grants	1,440,383	75	152,287		1,592,745
Bequests	5,699,540	14,403			5,713,943
Total support	126,116,250	19,553,930	257,832	(755,545)	145,172,467
Revenue:					
Investment income allocated for operations	1,586,580				1,586,580
Fees, royalties and other income	1,163,670	608	111,383		1,275,661
Total revenue	2,750,250	608	111,383		2,862,241
Total operating support and revenue	128,866,500	19,554,538	369,215	(755,545)	148,034,708
Operating expenses:					
Salaries and wages	32,718,162	761,034	148,557		33,627,753
Benefits and other employment costs	9,472,543	240,622	40,242		9,753,407
Professional fees	15,505,036	6,098,523	98,215		21,701,774
Travel	3,877,742	28,253	13,368		3,919,363
Printing	421,956	3,784			425,740
Postage and delivery	206,422	34,637	47		241,106
Occupancy	4,479,332	20,701	13,320		4,513,353
Telecommunications	998,808	15,635	1,910		1,016,353
Data management	814,636	37,965			852,601
Office supplies and equipment	681,122	7,206	1,584		689,912
Meetings and events	859,261	26,591			885,852
Subscriptions and dues	452,886	33,483	150		486,519
Advertising and promotions	4,490,095	3,964,937	430		8,455,462
Grants to others	10,226,544	45,250		(755,545)	9,516,249
Direct marketing	5,184,396	796,288			5,980,684
Other	614,656	101,502	66,681		782,839
	91,003,597	12,216,411	384,504	(755,545)	102,848,967
Depreciation and amortization	1,618,947				1,618,947
Total operating expenses	92,622,544	12,216,411	384,504	(755,545)	104,467,914
Change in net assets from operations	36,243,956	7,338,127	(15,289)	0	43,566,794
Change in net assets from non-operating activities:					
Other expenses, net of contributions and other income	(196,029)	5,576			(190,453)
Investment results, net of allocation to operations	(2,193,842)				(2,193,842)
Change in net assets	33,854,085	7,343,703	(15,289)		41,182,499
Net assets - beginning of year	127,921,640	3,163,018	128,709		131,213,367
Net assets - end of year	$ 161,775,725	$ 10,506,721	$ 113,420	$ 0	$ 172,395,866

See notes to consolidated and consolidating financial statements

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statement of Functional Expenses
Year Ended September 30, 2010
(with summarized financial information for 2009)

	Climate	Oceans	Ecosystems	Health	Education	Membership Activities	Total Program Services	Management and General	New Member Acquisition	Fund-raising		Total Supporting Services	Total Program and Supporting Services	
										Membership	Development		2010	2009
Salaries and wages	$ 12,093,223	$ 5,335,127	$ 4,925,709	$ 1,681,552	$ 970,901	$ 138,806	$ 25,145,318	$ 1,582,698		$ 700,910	$ 4,332,787	$ 6,616,395	$ 31,761,713	$ 33,627,753
Benefits and other employment costs	3,123,178	1,403,894	1,169,193	421,525	249,962	33,920	6,401,672	419,147		183,864	1,186,113	1,789,124	8,190,796	9,753,407
Professional and consulting fees	9,184,950	5,835,811	3,412,598	882,984	128,143	31,491	19,475,977	252,550	$ 96	114,502	203,801	570,949	20,046,926	21,701,774
Travel	1,805,594	1,035,205	574,131	192,569	95,252	2,798	3,705,549	124,932		51,369	390,202	566,503	4,272,052	3,919,363
Printing	157,280	96,423	76,690	25,966	160,411	1,122	517,892	148		332	69,369	69,849	587,741	425,740
Postage and delivery	46,164	30,509	23,820	10,180	44,345	2,253	157,271	18,931	1,037	5,940	28,564	54,472	211,743	241,106
Occupancy	375,434	391,737	356,189	355,953	352,620		1,831,933	1,944,660		355,343	356,445	2,656,448	4,488,381	4,513,353
Telecommunications	204,431	131,142	100,145	33,921	38,632	26,250	534,521	192,264	4	81,067	112,903	386,238	920,759	1,016,353
Data management	186,729	65,688	85,726	20,749	58,892	43,966	461,750	152,387	20,366	76,241	61,795	310,789	772,539	852,601
Office supplies and equipment	100,520	61,821	584,051	35,631	38,302	1,051	821,376	268,820		112,069	131,390	512,279	1,333,655	689,912
Meetings and events	363,542	594,103	158,382	87,041	67,220	370	1,270,658	40,824		19,837	218,344	279,005	1,549,663	885,852
Subscriptions and dues	260,343	73,903	72,511	22,574	24,375	3,733	457,439	23,326	1,459	6,822	50,592	82,199	539,638	486,519
Advertising and promotions	6,790,146	147,678	122,120	602,860	39,881	5,000	7,707,685	6,309	192	13,014	2,503	22,018	7,729,703	8,455,462
Grants to others	8,300,462	1,382,958	714,260	372,671	3,553		10,773,904	39,021		2,516	3,737	45,274	10,819,178	9,516,249
Direct marketing	1,445,399	6,409	232,229	8,746	1,333,322	184,511	3,210,616	11,161	872,661	590,738	49,742	1,524,302	4,734,918	5,980,684
Other	124,314	177,842	198,268	59,256	60,144	7,563	627,387	148,363	2,609	107,330	107,755	366,057	993,444	782,839
	44,561,709	16,770,250	12,806,022	4,814,178	3,665,955	482,834	83,100,948	5,225,541	898,424	2,421,894	7,306,042	15,851,901	98,952,849	102,848,967
Depreciation and amortization	89,167	78,241	82,657	74,210	78,241		402,516	549,489		221,056	225,915	996,460	1,398,976	1,618,947
	$ 44,650,876	$ 16,848,491	$ 12,888,679	$ 4,888,388	$ 3,744,196	$ 482,834	$ 83,503,464	$ 5,775,030	$ 898,424	$ 2,642,950	$ 7,531,957	$ 16,848,361	$ 100,351,825	$ 104,467,914

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statement of Functional Expenses
Year Ended September 30, 2009

	Climate	Oceans	Ecosystems	Health	Education	Membership Activities	Total Program Services	Management and General	New Member Acquisition	Fund-raising		Total Supporting Services	Total
										Membership	Development		
Salaries and wages	$ 10,879,700	$ 5,483,597	$ 5,683,568	$ 2,747,401	$ 1,044,933	$ 214,830	$ 26,054,029	$ 2,067,340		$ 818,401	$ 4,687,983	$ 7,573,724	$ 33,627,753
Benefits and other employment costs	2,966,254	1,641,873	1,551,633	803,134	296,253	54,383	7,313,530	647,405		274,467	1,518,005	2,439,877	9,753,407
Professional and consulting fees	11,977,676	4,081,545	3,051,419	1,345,498	207,530	18,794	20,682,462	409,505	$ 627	189,870	419,310	1,019,312	21,701,774
Travel	1,368,548	1,095,230	435,149	451,143	70,413	3,779	3,424,262	109,859	36	48,218	336,988	495,101	3,919,363
Printing	127,330	56,232	62,988	28,674	102,683	1,783	379,690	2,867		1,646	41,537	46,050	425,740
Postage and delivery	50,307	38,031	28,626	13,281	49,488	3,539	183,272	24,324	638	7,539	25,333	57,834	241,106
Occupancy	417,274	395,955	353,494	364,673	350,242		1,881,638	1,930,894		350,378	350,443	2,631,715	4,513,353
Telecommunications	180,517	123,367	119,514	57,470	46,174	40,397	567,439	216,578		93,974	138,362	448,914	1,016,353
Data management	234,054	90,160	92,711	20,121	63,085	7,585	507,716	160,781	27,207	82,840	74,057	344,885	852,601
Office supplies and equipment	72,560	62,097	64,533	40,955	47,240	2,046	289,431	234,634		74,073	91,774	400,481	689,912
Meetings and events	190,875	315,493	104,458	70,669	31,267	990	713,752	17,115		10,894	144,091	172,100	885,852
Subscriptions and dues	208,787	73,047	71,634	38,702	25,536	1,011	418,717	18,654	804	4,939	43,405	67,802	486,519
Advertising and promotions	8,006,467	140,455	110,138	127,754	48,710		8,433,524	644		20,167	1,127	21,938	8,455,462
Grants to others	4,674,199	1,514,577	1,700,540	1,553,571	1,959		9,444,846	26,574		22,022	22,807	71,403	9,516,249
Direct marketing	2,301,676	3,230	334,304	2,712	1,954,848	308,334	4,905,104	8,771	710,370	297,385	59,054	1,075,580	5,980,684
Other	53,224	92,701	26,039	20,022	71,884	5,891	269,761	201,402	2,945	152,136	156,595	513,078	782,839
	43,709,448	15,207,590	13,790,748	7,685,780	4,412,245	663,362	85,469,173	6,077,347	742,627	2,448,949	8,110,871	17,379,794	102,848,967
Depreciation and amortization	100,336	87,779	95,023	83,488	87,779		454,405	637,457		261,290	265,795	1,164,542	1,618,947
	$ 43,809,784	$ 15,295,369	$ 13,885,771	$ 7,769,268	$ 4,500,024	$ 663,362	$ 85,923,578	$ 6,714,804	$ 742,627	$ 2,710,239	$ 8,376,666	$18,544,336	$ 104,467,914

ENVIRONMENTAL DEFENSE FUND, INCORPORATED

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2010	**2009**
Cash flows from operating activities:		
Change in net assets	**$ (32,027,044)**	$ 41,182,499
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donated securities	**(1,891,825)**	(1,302,546)
Net realized and unrealized (gains) losses on investments	**(5,136,662)**	1,225,293
Depreciation and amortization	**1,398,976**	1,618,947
Changes in:		
Prepaid expenses and other assets	**(201,272)**	(779,861)
Inventory	**(5,959)**	208,508
Pledges receivable, net	**36,660,933**	(32,045,194)
Donor-advised fund investments	**13,545**	(1,573,048)
California Fisheries loans	**(60,422)**	(297,543)
Accounts payable and accrued expenses	**(447,535)**	101,980
Deferred revenue	**(288,766)**	116,930
Deferred rent payable	**(154,311)**	(126,382)
Annuities payable	**129,876**	628,957
California Fisheries grants payable	**(735,246)**	
Other liabilities	**240,294**	286,805
Net cash (used in) provided by operating activities	**(2,505,418)**	9,245,345
Cash flows from investing activities:		
Purchases of property and equipment	**(654,224)**	(689,348)
Proceeds from sales of investments	**32,618,199**	17,892,781
Purchases of investments	**(28,351,293)**	(22,836,503)
Other investing activities, net	**126,710**	153,871
Net cash provided by (used in) investing activities	**3,739,392**	(5,479,199)
Cash flows from financing activities:		
Net contributions and payments subject to split-interest agreements	**387,044**	(89,015)
Repayments of notes	**(575,004)**	(575,004)
Net cash used in financing activities	**(187,960)**	(664,019)
Net increase in cash and cash equivalents	**1,046,014**	3,102,127
Cash and cash equivalents at beginning of year	**6,493,187**	3,391,060
Cash and cash equivalents at end of year	**$ 7,539,201**	$ 6,493,187
Supplementary disclosure of cash flow information:		
Interest paid	**$ 153,123**	$ 182,684

See notes to consolidated and consolidating financial statements

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, Environmental Defense Action Fund and California Fisheries Fund, Inc. (together, the "Organization"), as of and for the fiscal years ended September 30, 2010 and 2009.

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.

Environmental Defense Action Fund ("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]).

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 Environmental Defense Fund de Mexico, A.C. ("EDF Mexico"), a controlled foreign subsidiary the operations of which are located in La Paz, Mexico. EDF Mexico is consolidated as part of the Organization (see Note K[3]).

In fiscal-year 2010, the Action Fund established the Environmental Defense Action Fund Political Action Committee (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. Maintaining the Action Fund's reputation for objective, bipartisan advocacy, the EDAF PAC was established to support equal numbers of and raise comparable total amounts for Republicans and Democrats through the 2010 elections. The EDAF PAC's assets and liabilities were immaterial at September 30, 2010, and are included, but not shown separately, in the accompanying consolidated and consolidating financial statements (see Note K[4]).

The five organizations 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] Financial reporting:

(a) 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.

(b) 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 statements of functional expenses.

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

(c) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 significant 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.

(d) Net assets:

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 as follows:

Available for operations

Funds that are undesignated and for general purposes and are used for the ongoing activity and working capital needs of the Organization.

Designated for long-term investment

Funds set aside by the Board of Trustees to provide for growth over time and to support prudent fiscal management of the Organization's resources.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources restricted by donors, the release of which results from either the satisfaction of the restricted purposes specified by the donors or from the passage of time.

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

[2] Financial reporting: (continued)

(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.

(e) Cash and cash equivalents and temporary investments for future year activities:

The cash and cash equivalents reported in the accompanying consolidated and consolidating financial statements consist primarily of highly liquid investments that have been purchased with original maturities of three months or less. The short-term investments are included in temporary investments for future periods.

(f) Measure of operations:

The Organization 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 amount equal to 5% of the average value of endowment assets, restricted, and unrestricted assets designated for long-term investment at the end of the prior four fiscal quarters.

The Organization 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; and
- investment results net of amounts made available for operating purposes.

[3] Inventory:

Inventory, which consists of promotional materials and donor premiums, is stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis.

[4] 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.

[5] Fair-value measurement:

In fiscal-year 2009, the Organization adopted Accounting Standards Codification (the "ASC") 820-10-05 relating to fair-value measurement. Accordingly, the Organization reports a fair-value measurement of all applicable financial assets and liabilities including investments, contributions, inventory, other receivables, deferred revenue and short-term and long-term notes payable.

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

[6] 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, equity 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 bases 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.

[7] Valuation allowances:

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

[8] Pledges receivable:

Pledges receivable are reported at their net realizable values.

[9] 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 and consolidating statements of financial position. The fair value of interest-rate swap agreements is the estimated amount that a company 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 and 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.

[10] 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.

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 annuities payable immediately become part of the general assets and liabilities of the Organization, subject to the Organization's 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

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

[10] Split-interest agreements: (continued)

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 the measure of operations unless specified otherwise by the donor.

[11] Accrued vacation:

Employees accrue vacation based on tenure and salary band, 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, 2010 and 2009, accrued vacation obligations were approximately $1,797,000 and $1,527,000, respectively.

[12] 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.

[13] 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.

[14] 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.

[15] Endowment funds:

The Organization reports all applicable disclosure to its funds treated as endowment, both donor-restricted and board designated.

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

[16] Subsequent events:

The Organization considers the accounting treatment, and the related disclosures in the current fiscal-year's 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.

[17] Income taxes:

In fiscal-year 2010, the Organization adopted the provisions of ASC 740-10-05 relating to accounting for uncertainty in income taxes. ASC 740-10-05 has not had, and is not expected to have, a material impact on the Organization's financial statements.

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,	
	2010	**2009**
In one year or less	**$ 33,377,843**	$ 52,648,371
Between one and two years	**22,105,763**	23,057,444
Between two and three years	**12,417,293**	18,517,018
Between three and four years	**11,112,500**	12,195,884
Four years and thereafter	**450,000**	11,166,667
Gross pledges receivable	**79,463,399**	117,585,384
Less: present value discount (calculated at rates ranging from 0.3% to 2.3%) and allowance for uncollectible pledges	**(1,570,894)**	(3,031,946)
Net pledges receivable	**$ 77,892,505**	$ 114,553,438

While the Organization has an excellent record of collecting pledges receivable, management has provided a valuation allowance of $1,085,399 and $946,968 for uncollectible pledges as of September 30, 2010 and 2009, respectively.

NOTE C - PROPERTY AND EQUIPMENT

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

	September 30, 2010	September 30, 2009
Furniture and equipment	**$ 3,406,014**	$ 3,367,820
Computer equipment	**3,237,629**	3,050,911
Leasehold improvements	**11,381,983**	11,306,985
Building	**393,319**	393,319
Software development	**692,163**	589,424
	19,111,108	18,708,459
Less accumulated depreciation and amortization	**(14,962,356)**	(13,563,380)
	4,148,752	5,145,079
Construction-in-progress	**307,350**	55,775
	$ 4,456,102	$ 5,200,854

Depreciation and amortization expenses were $1,398,976 and $1,618,947 for fiscal-years 2010 and 2009, respectively.

NOTE D - INVESTMENTS

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

	September 30, 2010		September 30, 2009	
	Cost	Fair Value	Cost	Fair Value
Alternative investments	**$ 12,325,840**	**$ 14,383,742**	$ 11,262,801	$ 12,470,645
Mutual funds and exchange-traded funds	**26,682,925**	**27,495,681**	20,185,273	20,333,882
Money-market accounts	**1,450,629**	**1,450,629**	8,187,167	8,187,168
Other investments - subject to split-interest agreements	**5,572,733**	**6,235,307**	5,864,802	6,367,082
	$ 46,032,127	**$ 49,565,359**	$ 45,500,043	$ 47,358,777

As portrayed above, concentrations of the Organization's investments in excess of 10% of the fair values of its portfolio included approximately (i) 55% invested in mutual funds and exchange-traded funds and (ii) 29% invested in alternative investments, and (iii) 13% in split-interest agreements.

NOTE D - INVESTMENTS (CONTINUED)

The following schedule summarizes investment return by net-asset classification:

	September 30,					
	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Dividends and interest	**$ 161,504**	**$ 582,603**	**$ 744,107**	$ 181,046	$ 505,802	$ 686,848
Realized and unrealized gains (losses), net	**2,216,337**	**2,920,325**	**5,136,662**	241,279	(1,466,572)	(1,225,293)
Expenses and credits		**(1,250)**	**(1,250)**		(68,817)	(68,817)
Net return on investments	**2,377,841**	**3,501,678**	**5,879,519**	422,325	(1,029,587)	(607,262)
Investment return allocated for operations	**(1,735,144)**	**(30,129)**	**(1,765,273)**	(1,556,952)	(29,628)	(1,586,580)
Investment return less than (in excess of) amounts allocated for operations	**$ 642,697**	**$ 3,471,549**	**$ 4,114,246**	$ (1,134,627)	$ (1,059,215)	$ (2,193,842)

ASC 820-10-05 also establishes a three-level valuation hierarchy for 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 inputs create the following fair-value hierarchy:

Level 1 Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date. The types of investments and other assets included in Level 1 are exchange-traded equity and debt securities, short-term money-market funds, and actively traded obligations issued by the U.S. government and government agencies.

Level 2 Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets or liabilities 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 other U.S. government and agency securities and corporate equity and debt securities that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3 Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. Level 3 assets include securities in privately held companies, secured notes, private corporate bonds, and limited partnerships, the underlying investments of which could not be independently valued, or cannot be immediately redeemed at or near the fiscal year-end.

Most investments classified in Level 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Organization's interest therein, its classification in Level 3 is based on the Organization's ability to redeem its interest at or near September 30, 2010. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair-value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

NOTE D - INVESTMENTS (CONTINUED)

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

	September 30, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Temporary investments for future periods	**$ 12,896,208**			**$ 12,896,208**
Investments:				
Alternative investments			**$ 14,383,742**	**14,383,742**
Mutual funds and exchange-traded funds	**27,495,681**			**27,495,681**
Money-market accounts	**1,450,629**			**1,450,629**
Other investments - subject to split-interest agreements	**1,208,645**	**$ 5,026,662**		**6,235,307**
Total investments	**43,051,163**	**5,026,662**	**14,383,742**	**62,461,567**
Donor-advised fund investments	**29,291**		**2,393,380**	**2,422,671**
Total	**$ 43,080,454**	**$ 5,026,662**	**$ 16,777,122**	**$ 64,884,238**

	September 30, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Temporary investments for future periods	$ 13,979,386			$ 13,979,386
Investments:				
Alternative investments			$ 12,470,645	12,470,645
Mutual funds and exchange-traded funds	20,333,882			20,333,882
Money-market accounts	8,187,168			8,187,168
Other investments - subject to split-interest agreements	1,750,348	$ 4,616,734		6,367,082
Total investments	44,250,784	4,616,734	12,470,645	61,338,163
Donor-advised fund investments	40,603		1,305,480	1,346,083
Total	$ 44,291,387	$ 4,616,734	$ 13,776,125	$ 62,684,246

NOTE D - INVESTMENTS (CONTINUED)

	September 30, 2010 Fair-Value Measurements Using Level 3 Inputs		
	Alternative Investments	**Donor Advised Fund Assets**	**Total**
Balance - October 1, 2009	**$ 12,470,645**	**$ 1,305,480**	**$ 13,776,125**
Current year contributions	**1,063,039**	**1,000**	**1,064,039**
Net investment gains	**850,058**	**1,086,900**	**1,936,958**
Balance - September 30, 2010	**$ 14,383,742**	**$ 2,393,380**	**$ 16,777,122**

	September 30, 2009 Fair-Value Measurements Using Level 3 Inputs		
	Alternative Investments	**Donor Advised Fund Assets**	**Total**
Balance - October 1, 2008	$ 12,792,987		$ 12,792,987
Current year contributions	80,000	$ 1,566,576	1,646,576
Net investment losses	(402,342)	(261,096)	(663,438)
Balance - September 30, 2009	$ 12,470,645	$ 1,305,480	$ 13,776,125

The following table lists investments in private assets by major category:

	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Private Equity Funds	$ 82,848		Quarterly	90 days
Venture Capital Funds	179,346	$ 810,000	N/A	N/A
Fund of Funds	3,869,079		Quarterly	90 days
Fund of Funds	4,048,573		Quarterly	95 days
Fund of Funds	6,203,896		Annually	90 days
Private Equity	2,393,380		N/A	N/A
	$ 16,777,122			

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.

NOTE E - DONOR-ADVISED FUND INVESTMENTS (CONTINUED)

Aggregate contributions to the DAF were $15,158 and $1,575,000 during fiscal-years 2010 and 2009, respectively. Contributions in fiscal-year 2009 were primarily attributable to a donation of an interest in a limited partnership from two donors. Due to the restricted nature of this contribution, future grants will not be made from this contribution until such time as the limited partnership interest becomes marketable and can be liquidated. Aggregate grants made from the DAF were $28,000 and $2,662 during fiscal-years 2010 and 2009, respectively, of which $662 was made to the Organization in fiscal year 2009. The aggregate value of investment assets held in the DAF was $2,422,671 and $1,346,083 at September 30, 2010 and 2009, respectively.

NOTE F - NOTES PAYABLE AND INTEREST-RATE-SWAPS

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

	September 30, 2010	September 30, 2009
Promissory note from donor, payable on demand	**$ 100,000**	$ 100,000
Promissory note terminating 2012, at LIBOR + 1.5%	**356,250**	581,250
Promissory note terminating 2013, at LIBOR + 1.5%	**516,657**	716,661
Promissory note terminating 2018, at LIBOR + 1.5%	**1,137,500**	1,287,500
	2,110,407	2,685,411
Fair-value adjustment	**(86,560)**	(101,967)
	$ 2,023,847	$ 2,583,444

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 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 entered into three separate loan agreements with a major bank. Two of the loans represented net new borrowings to fund capital costs of office renovations in California and New York, while the third loan refinanced existing indebtedness on a Washington, D.C. renovation loan.

The first loan is a 4-year promissory note for the purpose of funding the renovations of its Washington D.C. office. The original principal balance of $900,000 is to be repaid in 48 equal monthly installments of $18,750, plus interest at one-month LIBOR plus 1.5%, beginning in fiscal-year 2008 and terminating in fiscal-year 2012.

The second loan is a 5-year promissory note for the purpose of funding the renovations of its New York office. The original principal balance of $1,000,000 is to be repaid in 60 equal monthly installments of $16,667, plus interest at one-month LIBOR plus 1.5%, beginning in fiscal-year 2008 and terminating in fiscal-year 2013.

The third loan is a 10-year promissory note for the purpose of funding the renovations of its California office. The original principal balance of $1,500,000 is to be repaid in 120 equal monthly installments of $12,500, plus interest at one-month LIBOR plus 1.5%, beginning in fiscal-year 2008 and terminating in fiscal-year 2018.

At September 30, 2010, the Organization has an unsecured line of credit of $6,000,000 for ongoing operational requirements. There was no outstanding balance at either September 30, 2010 or 2009. Subsequent to September 30, 2010, the line of credit was increased to $7,500,000.

At September 30, 2010, the Organization is in compliance with all debt covenants.

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

Interest-Rate-Swap Agreement and Fair Value of Financial Instruments

In fiscal-year 2008, the Organization entered into an interest-rate-swap agreement, having an initial notional value of $3,352,083 and a notional value of $2,010,407 and $2,585,411 at September 30, 2010 and 2009, respectively, to protect against the interest-rate fluctuations on the bank promissory notes. 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 of 5.49%. The estimated fair value of swap was ($86,560) and ($101,967) at September 30, 2010 and 2009, respectively, which represents the cost that the Organization would have to pay to terminate the swap agreement, which is reported in other liabilities in the accompanying consolidated and consolidating statements of financial position.

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

Pre-swap annual contractual maturities of notes payable outstanding at September 30, 2010, excluding the $100,000 note payable on demand, are as follows:

Year Ending September 30,	Amount
2011	$ 575,004
2012	481,254
2013	266,649
2014	150,000
2015	150,000
2016 and thereafter	387,500
Total	$ 2,010,407

Interest expense on debt borrowings, as well as swap agreement was $150,054 and $180,991 in fiscal-years 2010 and 2009, respectively.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets were available for the following purposes and periods:

	September 30, 2010	September 30, 2009
Restricted by purpose:		
Climate	**$ 18,701,516**	$ 41,180,154
Oceans	**21,505,830**	30,544,316
Ecosystems	**16,402,367**	20,162,672
Health	**3,601,210**	2,922,588
Education	**6,241,074**	5,649,794
	66,451,997	100,459,524
Restricted by time	**29,016,306**	28,227,933
	$ 95,468,303	$ 128,687,457

NOTE G - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

During each fiscal year, net assets released from restrictions consisted of the following:

	Year Ended September 30,	
	2010	**2009**
Restricted by purpose:		
Climate	**$ 46,508,463**	$ 46,426,252
Oceans	**16,991,885**	16,666,621
Ecosystems	**14,439,889**	12,950,552
Health	**1,864,708**	7,842,446
Education	**1,133,686**	960,586
	80,938,631	84,846,457
Time restrictions satisfied	**1,511,580**	1,356,187
	$ 82,450,211	$ 86,202,644

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 2010 and 2009, respectively, was approximately $1,593,000 and $1,528,000.

In fiscal-year 2004, the Organization established a 457(b) deferred compensation plan for certain key employees, which is funded by both the Organization and the employees. As such, the investment allocations are directed by the employees, although the investments remain as assets of the Organization until the employees retire. At September 30, 2010 and 2009, respectively, the asset value of this plan was approximately $1,227,700 and $956,000.

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 2010 and 2009, respectively, was $91,890 and $41,448, with a like amount recorded as a liability in each fiscal year. During fiscal-year 2010, no amounts were funded, and no payments were made out of the plan. During fiscal-year 2009, the Organization funded $100,000 to the plan and made payments of $42,100. The Organization has fully funded the plan for awards-to-date. At September 30, 2010 and 2009, respectively, the asset value of the plan was approximately $454,100 and $419,800. 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 2010 and 2009, 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,	
	2010	**2009**
Climate	**$ 1,308,890**	$ 2,364,220
Ecosystems	**204,319**	277,947
Education	**2,363,958**	2,358,254
Membership activities	**835,175**	665,205
New member acquisition	**424,293**	742,466
Membership - fund-raising	**660,563**	585,308
Health	**44,241**	
Oceans	**292,778**	
	$ 6,134,217	$ 6,993,400

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 generally accepted accounting principles 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 various bank accounts, the amounts of which may at times 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 $10,086,473 and $19,554,538 in fiscal-years 2010 and 2009, respectively, which included grants from EDF of $450,000 and $650,000, respectively, representing a portion of the grassroots lobbying and the direct lobbying allowances permitted EDF as a 501(c)(3) organization.

The Action Fund recorded expenses of $12,453,177 and $12,216,411 in fiscal years 2010 and 2009, 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 $6,685,963 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.

NOTE K - WHOLLY CONTROLLED ENTITY TRANSACTIONS (CONTINUED)

[2] California Fisheries Fund, Inc.:

California Fisheries recorded revenue and support of $228,724 and $369,215 in fiscal-years 2010 and 2009, respectively. Grants of $5,000,000 were awarded in fiscal-year 2008, consisting of grants to EDF in support of California Fisheries mission. Consequently, EDF managed the grants as pass-through grants to California Fisheries. The proceeds from the grants were, in turn, provided to California Fisheries 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 loan capital for use in making loans intended to improve and reform the conservation and financial performance of marine fisheries primarily in California. Loan principal of $735,246 was returned to a funder during fiscal-year 2010, resulting in a Loan Fund balance of $3,814,754 as of September 30, 2010.

In fiscal-years 2010 and 2009, respectively, EDF awarded grants of $50,000 and $105,545 to California Fisheries to cover administrative costs.

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

Environmental Defense Fund de Mexico, A.C. commenced operations in August 2009. Expenditures of $533,492 and $10,944 for fiscal-years 2010 and 2009, respectively, are included in the accompanying consolidated and consolidating statements of activities.

[4] Environmental Defense Action Fund Political Action Committee:

The EDAF PAC commenced operations in December 2009. Revenues of $48,000 and expenditures of $11,257 for fiscal-year 2010 are included in the accompanying consolidated and consolidating financial statements.

NOTE L - COMMITMENT AND CONTINGENCY

[1] Operating leases:

The Organization leases premises at twelve locations under operating leases that expire on various dates through March 31, 2018.

The following is a schedule by years of future minimum rental payments that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2010:

Year Ending September 30,	Amount
2011	$ 4,208,196
2012	3,474,617
2013	3,023,784
2014	1,400,014
2015	1,299,381
Thereafter	2,709,906
	$ 16,115,898

Rent expense included in operations for fiscal-years 2010 and 2009 was $4,110,281 and $4,112,402, respectively. Certain leases provide for additional rental payments to cover increases in real estate taxes and expenses as yet undetermined.

NOTE L - COMMITMENT AND CONTINGENCY (CONTINUED)

[2] Governmental audits:

Government-funded activities are subject to audit by the applicable granting agencies. At September 30, 2010 and 2009, 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.

NOTE M - ENDOWMENT

[1] The endowment:

The Organization's endowment consists of nineteen individual funds established for a variety of purposes and consisting entirely of donor-restricted funds of $3,736,498 at September 30, 2010.

[2] Interpretation of relevant law:

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") became law in September 2010. The Board of Trustees will adhere to NYPMIFA's new requirements relating to the Organization's spending rate and permanent endowment funds.

[3] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA may require the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2010 and 2009.

[4] 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 and assuming a moderate level of investment risk.

[5] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization employs a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives, within prudent risk constraints.

[6] Spending policy and related objectives:

The Organization has a policy of annually appropriating 5% of its endowment fund's average fair value over the preceding four quarters. 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 or for a specified term, as well as to provide additional real growth through new gifts and investment return.