

FINANCIAL COMMENTARY

Environmental Defense Fund continued to maintain a strong financial position in the fiscal year ended September 30, 2008, thanks to the generosity and support of our more than 500,000 members, trustees, major donors, foundations and other contributors. Total program and supporting services expenditures for fiscal 2008 reached \$100.9 million, a 37% increase over the previous year.

OPERATING SUPPORT AND REVENUE

A record level of operating support and revenue was contributed during fiscal 2008 for use in that and future years. Contributions and membership revenue increased to \$69.1 million, representing 51% of the total. Foundation grants totaled \$56.0 million, or 41%

of the total. Bequests of \$3.6 million accounted for 3% of the total, government and other grants provided 3% and investment income and other revenue accounted for the remaining 2%, for a total of \$134.9 million in operating support and revenue for 2008 and future years.

Multiyear gifts and pledges play an important role in enabling us to expand and sustain our work. Our fundraising efforts for fiscal 2008 increased the amount available for future years by \$27.9 million.

EXPENSES

Program services expenditures of \$82.6 million accounted for 82% of total operating expenses in fiscal 2008, with almost all devoted to our priority areas—climate, oceans, ecosystems

and health. Of the total, 7% was for management and administration, 10% went toward the fundraising needed to generate current income and support for future years, and 1% was spent on the acquisition of new members.

NON-OPERATING ACTIVITIES

We began a new initiative for funding conservation loans through the California Fisheries Fund. Overall investment performance during fiscal 2008 was negative.

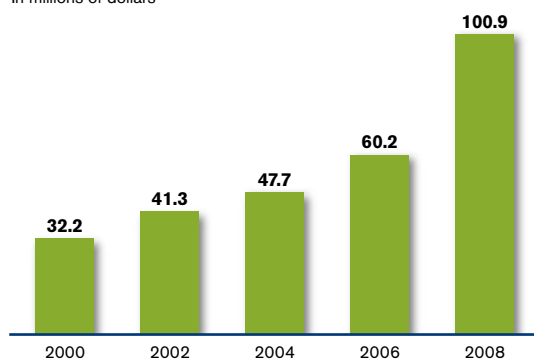
NET ASSETS

Thanks mainly to gifts designated for future periods, total net assets grew \$20.5 million to \$131.2 million during the fiscal year.

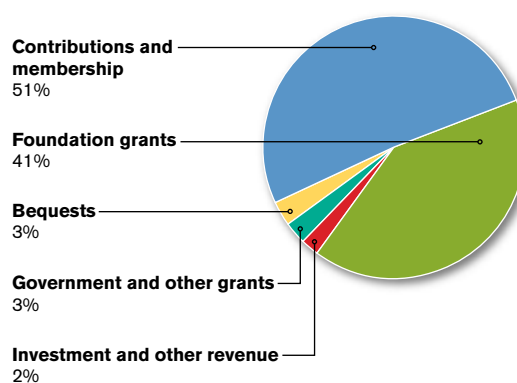
This statement represents the consolidated activities of Environmental Defense Fund, Incorporated, Environmental Defense Action Fund and the California Fisheries Fund, Inc. Copies of the complete, audited financial statements from which this information is summarized are available upon request.

TOTAL PROGRAM AND SUPPORTING SERVICES EXPENDITURES

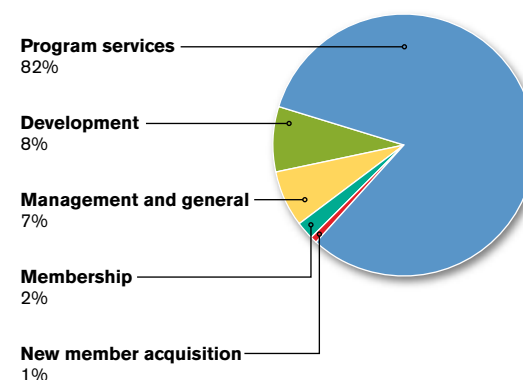
In millions of dollars



SOURCES OF OPERATING SUPPORT AND REVENUE



EXPENSES



STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30	UNRESTRICTED	RESTRICTED	TOTAL 2008	TOTAL 2007
OPERATING SUPPORT AND REVENUE				
Support:				
Contributions	\$4,194,993	\$52,228,226	\$56,423,219	\$52,896,482
Membership	10,000,115	2,725,095	12,725,210	12,275,640
Foundation grants	28,310	56,017,656	56,045,966	19,847,892
Bequests	3,527,751	85,692	3,613,443	5,344,726
Government and other grants	85,276	3,336,030	3,421,306	1,252,257
Total support	17,836,445	114,392,699	132,229,144	91,616,997
Revenue:				
Investment income allocated for operations	1,733,805	38,651	1,772,456	1,710,237
Fees, royalties and other income	927,304	137	927,441	893,976
Total revenue	2,661,109	38,788	2,699,897	2,604,213
Net assets released from restrictions	86,577,986	(86,577,986)	-	-
Total support and revenue	107,075,540	27,853,501	134,929,041	94,221,210
EXPENSES				
Program services:				
Climate	41,550,351	-	41,550,351	25,693,716
Oceans	12,689,958	-	12,689,958	8,711,223
Ecosystems	14,900,955	-	14,900,955	13,375,149
Health	8,088,066	-	8,088,066	5,967,088
Education	4,815,378	-	4,815,378	4,611,599
Membership activities	546,026	-	546,026	920,798
Total program services	82,590,734	-	82,590,734	59,279,573
Supporting services:				
Management and general	6,810,239	-	6,810,239	4,552,301
New member acquisition	649,996	-	649,996	772,269
Fundraising:				
Membership	2,597,017	-	2,597,017	2,320,048
Development	8,214,864	-	8,214,864	6,882,381
Total supporting services	18,272,116	-	18,272,116	14,526,999
Total operating expenses	100,862,850	-	100,862,850	73,806,572
NON-OPERATING ACTIVITIES				
Transfer to California Fisheries Loan Fund	(4,550,000)	-	(4,550,000)	-
Other expenses, net of contributions and other income	(1,099,007)	16,309	(1,082,698)	618,001
Investment results, net of allocation to operations	(7,298,015)	(592,967)	(7,890,982)	4,048,963
Total non-operating	(12,947,022)	(576,658)	(13,523,680)	4,666,964
NET ASSETS				
Total change in net assets [including gifts designated for future years]	(6,734,332)	27,276,843	20,542,511	25,081,602
Net assets, beginning of year	44,951,268	65,719,588	110,670,856	85,589,254
Net assets, end of year	\$38,216,936	\$92,996,431	\$131,213,367	\$110,670,856