

We are environmental optimists.

The threats to our environment are urgent, but they can be solved. EDF's 440 scientists, economists, lawyers and policy experts partner with others to find practical solutions. We've done it before, and we know how to do it again.



Finding the ways that work

People often ask us how we remain hopeful in the face of growing environmental threats. It's a reasonable question. Risks to health are on the rise. Ecosystems are under assault on land and sea. Climate change is hitting home—with crippling heat and drought, savage storms and floods—while we continue to pump carbon into the atmosphere.

And yet at EDF, we remain optimistic that we can still prevent the worst effects of climate change, protect human health, restore habitats and return oceans to abundance. We're hopeful because, with our partners, we've developed a set of policy tools that have delivered extraordinary results. If we bring them to scale in time, they will do the job. We're hopeful, too, since more people are joining with us to build these solutions, and since urgency puts pressure on leaders to take action.

Finally, we're optimistic because we're making progress. A mandatory, declining cap on carbon that EDF helped design took effect this year in California, and China launched the first of seven pilot carbon-reduction programs. President Obama rolled out a plan to reduce power plant emissions. Walmart, working with EDF and others, decided to phase out a number of chemicals of concern in consumer products. We expanded partnerships with farmers to reduce pollution from nitrogen fertilizer. And we saw the commercial red snapper fishery in the Gulf of Mexico—near collapse in 2007 when EDF helped introduce a catch share management program—continue its remarkable recovery.

With great need comes great opportunity. Thank you for your steadfast support. It makes our work possible.



Carl Ferenbach, *Chairman*

Fred Krupp, *President*

None of the results described in this report could have happened without the support of our 750,000 members. On behalf of everyone at EDF, we thank you.

PUTTING PEOPLE IN THE PICTURE

With the urgent environmental problems we face today, one key to EDF's success is that we don't just focus on the environment. We also focus on people. Everyone deserves the opportunity to succeed and thrive, so our policies ensure that what's good for the Earth is also good for people's livelihoods. That gets a lot more people on our side.

Look at how we help farmers reduce air and water pollution. The pollution comes from excess fertilizer, and fertilizer is one of farmers' biggest expenses. So when we help them limit their fertilizer use, it benefits their bottom line—and the environment.

You can also see it in our climate and energy work. California's statewide cap on carbon emissions, which EDF co-sponsored, has helped create America's most vibrant clean energy economy.

EDF challenges leading businesses to help the environment. To maintain our objectivity and independence, we accept no funding from our corporate partners.

Beginning in 1967, EDF has been thinking differently about how to reach the environmental goals we all share. EDF was founded by a small group of scientists and an attorney. It was a partnership of science and law to protect the environment.



“EDF realizes that we too are environmentalists. And they have helped us become better managers.” Denny Friest, *Farmer, Radcliffe, Iowa*

In the 1970s, EDF became the first environmental group to hire Ph.D. economists. We found that if you design policies that make environmental protection pay—and then do the hard work of putting those solutions in place—people will invent all kinds of ways to make it happen.

As we enter 2014, the global environment faces grave threats. But at EDF, we remain optimists, because we've seen how innovative thinking, based on sound science and economics, can protect air, water, wildlife habitat and human health.

There's no reason people can't be healthy *and* prosperous. With the right solutions, people and the environment thrive together.

ENVIRONMENTAL DEFENSE ACTION FUND: REACHING ACROSS THE AISLE ON CAPITOL HILL

“No environmental legislation has ever been passed without bipartisan support, so it’s critical to depolarize environmental issues,” says Environmental Defense Action Fund president Elizabeth Thompson. “That’s why we engage with the political system in a nonpartisan way.”

EDF has long been an influential voice in Washington. When the need to represent environmental issues in Congress began to exceed the \$1 million annual cap on our lobbying costs set by tax law, we created the Environmental Defense Action Fund, a sister group that is free of such limits because it accepts only nondeductible donations.

Gifts to the Action Fund allow us to target key legislators and mount ad campaigns that identify legislation by name. More than 500,000 of our members have signed up to contact their representatives in Congress before important votes.

SOME CURRENT ENVIRONMENTAL DEFENSE ACTION FUND ACTIVITIES



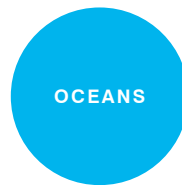
Defending the Clean Air Act against attack in Congress



Sustaining Congressional support for Gulf Coast restoration



Strengthening reforms to the nation’s archaic chemicals law



Fighting opponents of effective limits on overfishing

One example of bipartisan cooperation was passage of the RESTORE Act in 2012, directing large portions of BP’s oil spill fines to Gulf Coast restoration. Businesspeople, scientists and others helped us persuade Congress, and the Action Fund paid for an ad blitz to sway wavering lawmakers. RESTORE passed 373–52 in the House and 74–19 in the Senate. This year, the first funds—\$1.25 billion—flowed to the largest ecosystem restoration in U.S. history.

To help deliver EDF’s message, we have assembled a network of influential supporters, our Strategic Partners. These allies, including local and national civic and religious leaders, economists and CEOs, contact legislators personally and explain our solutions. Calls and emails from Action Fund members turn up the pressure.

“We can’t match the lobbyists dollar for dollar,” says Thompson, “but lawmakers listen to their supporters, and many supporters in both parties care about the environment. So what we ask them to do is to speak up about it. And we help amplify their voices.”



“Changing the politics of environmental protection won’t happen overnight, but cultivating new allies on both sides of the aisle is a critical first step.”

Elizabeth Thompson, *President Environmental Defense Action Fund*

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FINANCIAL COMMENTARY

Environmental Defense Fund completed fiscal 2013 on a sound financial footing, with a record level of program expenditures from continued strong growth in support. Total program and supporting services expenses were \$120.5 million, a 14% increase over the previous year.

Unrestricted support and revenue of \$120.8 million was used to pay for current operations during fiscal 2013. Contributions and membership, including a portion of net assets released from restrictions, provided 54% of this amount, while foundation grants, also including a portion of net assets released from restrictions, provided 38%.

Net restricted operating support and revenue of \$32.8 million in fiscal 2013 reflects contributions from multiyear gifts and pledges for use in future years. These gifts play an increasingly important role in enabling us to plan our work, most of which involves multiyear efforts.

We spent a total of \$120.5 million in fiscal 2013. Program services accounted for 84%, or \$101.2 million, a new record. Development represented 7% of expenditures, while management and administration was 6%. Membership and new member acquisition totaled 3%.

Thanks mainly to gifts designated for future years, total net assets grew \$35.5 million to \$192.1 million during fiscal 2013.

We report our results using Generally Accepted Accounting Principles (GAAP), which require us to record income based on the year funds are raised, not in the year designated for use, among other requirements.

The Unrestricted column in the financial statement on the following pages parallels our operating budget. To build the budget, we look first at funds available from multiyear gifts, then at a forecast of new fundraising and prospective spending. As the year unfolds, we monitor fundraising and adjust spending to maintain a balanced budget.

We are thankful for the support of all our members and donors this past year. Your continued generosity provides the resources needed to achieve our ambitious program goals and respond to urgent challenges for the environment.

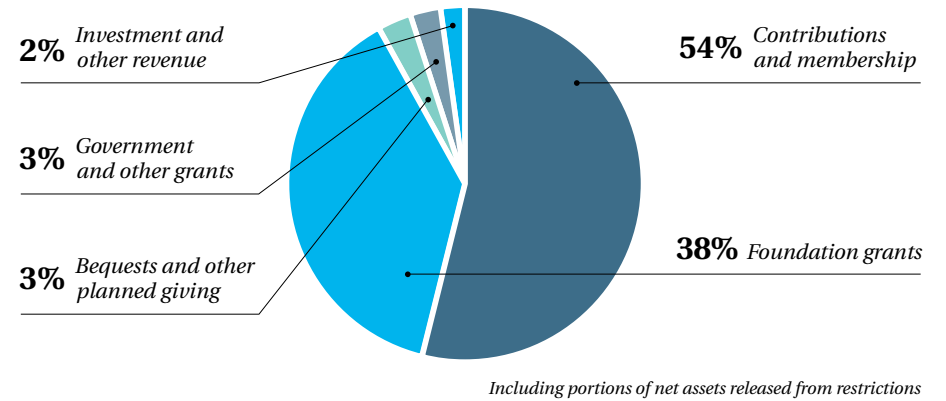
Peter Accinno, CFO, Treasurer, VP Finance and Administration

TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES

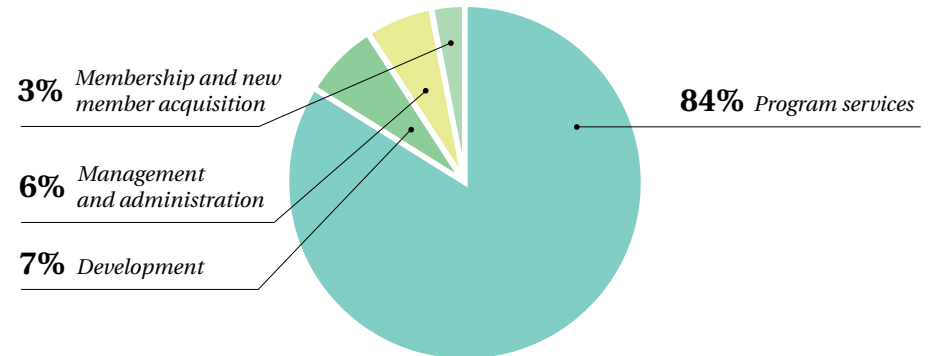
2011	2012	2013
93.1	105.4	120.5

In millions of dollars

SOURCES OF SUPPORT FOR FISCAL 2013 OPERATIONS



EXPENSES



STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30	UNRESTRICTED	RESTRICTED	TOTAL 2013	TOTAL 2012
OPERATING SUPPORT AND REVENUE				
Support:				
> Contributions and membership	\$13,600,433	\$39,650,932	\$53,251,365	\$77,450,285
> Foundation grants	241,150	89,876,952	90,118,102	30,106,813
> Government and other grants	1,293,446	2,641,093	3,934,539	3,393,377
> Bequests and other planned giving	3,051,424	174,968	3,226,392	1,949,112
Total support	18,186,453	132,343,945	150,530,398	112,899,587
Revenue:				
> Investment income allocated for operations	2,035,900	247,494	2,283,394	2,226,618
> Fees, royalties and other income	736,037	-	736,037	1,351,641
Total revenue	2,771,937	247,494	3,019,431	3,578,259
Net assets released from restrictions	99,820,590	(99,820,590)	-	-
Total support and revenue	120,778,980	32,770,849	153,549,829	116,477,846
EXPENSES				
Program services:				
> Climate & Energy	47,094,107	-	47,094,107	37,215,577
> Oceans	21,070,263	-	21,070,263	23,048,730
> Ecosystems	18,981,854	-	18,981,854	16,276,788
> Health	7,266,384	-	7,266,384	5,161,331
> Education	4,880,117	-	4,880,117	3,825,033
> Membership activities	1,935,892	-	1,935,892	681,601
Total program services	101,228,617	-	101,228,617	86,209,060
Supporting services:				
> Management and administration	7,419,937	-	7,419,937	7,244,031
> New member acquisition	375,856	-	375,856	616,036
Fundraising:				
> Membership	2,670,468	-	2,670,468	2,396,403
> Development	8,802,754	-	8,802,754	8,935,928
Total supporting services	19,269,015	-	19,269,015	19,192,398
Total operating expenses	120,497,632	-	120,497,632	105,401,458
Change in net assets from operations	281,348	32,770,849	33,052,197	11,076,388
Other expenses, net of contributions and other income	70,892	21,609	92,501	(521,828)
Investment results, net of allocation to operations	1,798,348	604,245	2,402,593	3,900,889
Change in net assets	2,150,588	33,396,703	35,547,291	14,455,449
Net assets, beginning of year	42,319,764	114,264,743	156,584,507	142,129,058
Net assets, end of year	\$44,470,352	\$147,661,446	\$192,131,798	\$156,584,507

This statement of activities 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.

WHERE IT ALL BEGAN



“When ten of us started EDF in 1967, we were out to protect ospreys on Long Island from DDT. We really had no idea that we would be able to develop the organization that we have today.”

Art Cooley (far left), with co-founders Charles Wurster (center) and the late Dennis Puleston