Environmental Defense Fund, Incorporated

Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2019 and 2018

Environmental Defense Fund, Incorporated

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Years Ended September 30, 2019 and 2018

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Contents

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Environmental Defense Fund, Incorporated (the Organization), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, consolidated statements of functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Environmental Defense Fund, Incorporated as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and consolidating schedules of activities are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and to other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BDO USA, LLP

December 6, 2019

Environmental Defense Fund, Incorporated

Consolidated Statements of Financial Position

September 30,		**2019**		2018
Assets				
Cash and cash equivalents	**$**	**34,781,361**	$	19,833,319
Temporary investments for future periods		**15,097,914**		12,795,438
Prepaid expenses and other assets		**7,404,780**		7,213,231
Pledges receivable, net		**110,831,413**		123,804,049
Investments		**75,540,078**		74,921,466
Property and equipment, net		**23,048,970**		15,079,880
Total Assets	**$**	**266,704,516**	$	253,647,383
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**24,761,699**	$	12,945,226
Deferred revenue and rent payable		**3,138,305**		3,522,058
Annuities payable		**4,878,694**		4,407,795
Notes payable		**11,027,396**		6,682,500
Other liabilities		**8,130,433**		7,297,319
Total Liabilities		**51,936,527**		34,854,898
Commitments and Contingencies				
Net Assets				
Without donor restrictions		**59,026,152**		60,294,157
With donor restrictions		**155,741,837**		158,498,328
Total Net Assets		**214,767,989**		218,792,485
Total Liabilities and Net Assets	**$**	**266,704,516**	$	253,647,383

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Activities

Year ended September 30, 2019

		Without Donor Restrictions		With Donor Restrictions		Total
Operating Support and Revenue						
Support:						
Contributions and membership	$	64,134,824	$	74,696,325	$	138,831,149
Foundations and other institutional giving		1,324,394		44,876,297		46,200,691
Government grants and other giving		48,427		2,366,704		2,415,131
Contributed services and in-kind gifts		-		10,924		10,924
Bequests and other planned giving		7,165,139		448,309		7,613,448
Total Support		72,672,784		122,398,559		195,071,343
Revenue:						
Investment income allocated for operations		6,461,736		633,156		7,094,892
Fees, royalties and other income		588,957		-		588,957
Total Revenue		7,050,693		633,156		7,683,849
Net assets released from restrictions		125,507,993		(125,507,993)		-
Total Operating Support and Revenue		205,231,470		(2,476,278)		202,755,192
Operating Expenses						
Program services:						
Scientific research, economic analysis, and policy development:						
Climate and energy		88,757,969		-		88,757,969
Oceans		20,447,858		-		20,447,858
Ecosystems		21,523,536		-		21,523,536
Health		6,350,235		-		6,350,235
Education		27,363,455		-		27,363,455
Total Program Services		164,443,053		-		164,443,053
Supporting services:						
Management and general		6,571,718		-		6,571,718
Fundraising		30,329,085		-		30,329,085
Total Supporting Services		36,900,803		-		36,900,803
Total Operating Expenses		201,343,856		-		201,343,856
Change in Net Assets from Operations		3,887,614		(2,476,278)		1,411,336
Change in Net Assets from Non-Operating Activities						
Other expenses, net of contributions and other income		(663,074)		(58,987)		(722,061)
Investment results, net of allocation to operations		(4,492,545)		(221,226)		(4,713,771)
Change in Net Assets		(1,268,005)		(2,756,491)		(4,024,496)
Net Assets, beginning of year		60,294,157		158,498,328		218,792,485
Net Assets, end of year	$	59,026,152	$	155,741,837	$	214,767,989

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Activities

Year ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support:			
Contributions and membership	$ 57,441,937	$ 70,779,307	$ 128,221,244
Foundations and other institutional giving	782,695	80,774,392	81,527,087
Government grants and other giving	396,017	841,264	1,237,281
Contributed services and in-kind gifts	5,584	1,401	6,985
Bequests and other planned giving	4,964,989	11	4,965,000
Total Support	63,591,222	152,366,375	215,957,597
Revenue:			
Investment income allocated for operations	5,294,740	597,979	5,892,719
Fees, royalties and other income	1,556,531	17,469	1,574,000
Total Revenue	6,851,271	615,448	7,466,719
Net assets released from restrictions	128,849,626	(128,849,626)	-
Total Operating Support and Revenue	199,292,119	24,132,197	223,424,316
Operating Expenses			
Program services:			
Scientific research, economic analysis, and policy development:			
Climate and energy	87,630,589	-	87,630,589
Oceans	23,647,408	-	23,647,408
Ecosystems	21,710,760	-	21,710,760
Health	4,554,336	-	4,554,336
Education	22,973,704	-	22,973,704
Total Program Services	160,516,797	-	160,516,797
Supporting services:			
Management and general	4,928,552	-	4,928,552
Fundraising	26,454,616	-	26,454,616
Total Supporting Services	31,383,168	-	31,383,168
Total Operating Expenses	191,899,965	-	191,899,965
Change in Net Assets from Operations	7,392,154	24,132,197	31,524,351
Change in Net Assets from Non-Operating Activities			
Other expenses, net of contributions and other income	(140,243)	(275,258)	(415,501)
Investment results, net of allocation to operations	(4,518,391)	242,089	(4,276,302)
Change in Net Assets	2,733,520	24,099,028	26,832,548
Net Assets, beginning of year	57,560,637	134,399,300	191,959,937
Net Assets, end of year	$ 60,294,157	$ 158,498,328	$ 218,792,485

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Functional Expenses

Year ended September 30, 2019

	Climate and Energy	Oceans	Ecosystems	Health	Education	Management and General	Fundraising and Development	Total
Salaries and wages	$ 30,193,566	$ 8,669,773	$ 7,902,832	$ 2,826,313	$ 9,787,661	$ 2,033,741	$ 15,160,712	$ 76,574,598
Benefits and other employee costs	8,602,673	2,440,582	2,270,575	791,204	2,776,636	572,372	4,105,963	21,560,005
Professional and consulting fees	17,375,163	4,240,896	4,364,073	830,475	5,755,937	1,034,348	1,232,380	34,833,272
Travel	3,044,417	892,403	744,172	133,151	833,710	123,666	717,182	6,488,701
Printing	3,044,476	711,349	735,868	215,221	886,098	36,792	1,761,415	7,391,219
Postage and delivery	100,153	24,564	21,977	5,926	27,125	43,079	72,204	295,028
Telecommunications	436,748	142,420	82,112	27,849	125,198	98,619	256,190	1,169,136
Office supplies and equipment	235,355	61,487	47,363	22,846	130,167	65,064	316,503	878,785
Meetings and events	1,706,312	990,155	344,078	107,507	534,893	109,021	626,788	4,418,754
Subscriptions and dues	1,604,996	209,577	205,647	72,746	392,733	173,477	629,046	3,288,222
Grants and other contributions	11,828,834	681,749	3,211,513	778,963	3,676,166	25,909	47,256	20,250,390
Advertising and promotions	5,994,533	264,146	459,977	85,342	435,816	13,437	636,297	7,889,548
Occupancy	3,100,307	704,013	753,860	290,150	1,307,135	1,545,076	3,135,376	10,835,917
Other	563,897	171,958	154,185	63,380	233,114	204,377	607,614	1,998,525
Database management	275,029	81,386	65,951	30,871	130,481	133,306	291,868	1,008,892
Depreciation and amortization	651,510	161,400	159,353	68,291	330,585	359,434	732,291	2,462,864
Total	$ 88,757,969	$ 20,447,858	$ 21,523,536	$ 6,350,235	$ 27,363,455	$ 6,571,718	$ 30,329,085	$201,343,856

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Functional Expenses

Year ended September 30, 2018

	Climate and Energy	Oceans	Ecosystems	Health	Education	Management and General	Fundraising and Development	Total
Salaries and wages	$ 28,235,087	$ 9,499,864	$ 8,101,752	$ 2,146,314	$ 9,059,266	$ 1,483,448	$ 12,136,595	$ 70,662,326
Benefits and other employee costs	7,935,110	2,576,455	2,292,701	604,760	2,593,793	561,308	3,281,231	19,845,358
Professional and consulting fees	20,021,649	4,812,898	5,584,466	728,176	3,779,674	408,949	1,643,430	36,979,242
Travel	3,191,184	1,066,962	859,748	124,004	924,188	140,195	981,606	7,287,887
Printing	3,161,153	875,949	793,957	152,627	785,523	9,555	1,728,136	7,506,900
Postage and delivery	112,145	29,166	23,683	4,552	24,631	42,002	62,596	298,775
Telecommunications	484,250	174,907	103,204	20,821	142,776	104,082	242,417	1,272,457
Office supplies and equipment	282,311	71,939	48,007	22,706	105,891	59,539	247,241	837,634
Meetings and events	1,785,736	1,253,044	398,110	25,441	539,455	95,295	954,229	5,051,310
Subscriptions and dues	1,241,702	218,847	201,059	45,884	343,967	108,261	462,944	2,622,664
Grants and other contributions	12,891,475	1,130,936	1,746,116	248,537	2,531,232	12,994	20,866	18,582,156
Advertising and promotions	3,739,624	302,878	411,029	77,857	316,136	2,865	544,058	5,394,447
Occupancy	2,978,145	993,935	730,450	236,638	1,186,080	1,313,194	2,822,142	10,260,584
Other	701,775	318,836	185,383	40,729	237,828	153,416	442,146	2,080,113
Database management	269,657	103,301	75,128	20,124	112,692	126,109	228,068	935,079
Depreciation and amortization	599,586	217,491	155,967	55,166	290,572	307,340	656,911	2,283,033
Total	$ 87,630,589	$ 23,647,408	$ 21,710,760	$ 4,554,336	$ 22,973,704	$ 4,928,552	$ 26,454,616	$191,899,965

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statements of Cash Flows

Year ended September 30,		**2019**		2018
Cash Flows from Operating Activities				
Change in net assets	**$**	**(4,024,496)**	$	26,832,548
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Donated securities		**(8,396,134)**		(6,149,769)
Proceeds from donated securities		**7,787,978**		5,988,042
Net realized and unrealized gains on investments		**(454,169)**		(272,361)
Depreciation and amortization		**2,462,864**		2,283,033
Change in present value of pledges receivable		**(1,903,743)**		2,711,707
Allowance for bad debt		**-**		(3,622)
Changes in:				
Prepaid expenses and other assets		**(191,549)**		(1,222,462)
Pledges receivable		**14,876,379**		(34,420,384)
Accounts payable and accrued expenses		**11,816,473**		(877,098)
Deferred revenue and rent		**(383,753)**		260,220
Annuities payable		**470,899**		(369,373)
Other liabilities		**833,114**		439,192
Net Cash Provided by (Used in) Operating Activities		**22,893,863**		(4,800,327)
Cash Flows from Investing Activities				
Purchases of property and equipment		**(10,431,954)**		(5,841,396)
Proceeds from sales of investments		**23,886,379**		39,414,249
Purchases of investments		**(25,745,142)**		(17,282,244)
Net Cash (Used in) Provided by Investing Activities		**(12,290,717)**		16,290,609
Cash Flows from Financing Activities				
Net contributions and payments subject to split-interest agreements		**-**		(110,892)
Notes issued		**11,402,500**		-
Repayment of notes payable		**(7,057,604)**		(1,046,923)
Net Cash Provided by (Used in) Financing Activities		**4,344,896**		(1,157,815)
Net Increase in Cash and Cash Equivalents		**14,948,042**		10,332,467
Cash and Cash Equivalents, beginning of year		**19,833,319**		9,500,852
Cash and Cash Equivalents, end of year	**$**	**34,781,361**	$	19,833,319
Supplemental Disclosure of Cash Flow Information				
Interest paid	**$**	**372,723**	$	275,383

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The accompanying consolidated financial statements are comprised of Environmental Defense Fund, Incorporated (EDF) and its wholly controlled entities, the Environmental Defense Action Fund (the Action Fund), the MethaneSat, LLC (MethaneSAT), SATMgmt, LLC (SATMgmt), Environmental Defense Fund de Mexico, A.C. (EDF Mexico), the Environmental Defense Action Fund Political Action Committee (EDAF PAC), the Environmental Defense Fund Europe (EDF Europe), Stichting Environmental Defense Fund Europe (EDF Netherlands), Environmental Defense Fund Beijing Representative Office (EDF Beijing), Environmental Defense Fund Hong Kong (EDF Hong Kong), Environmental Defense Fund Indonesia (EDF Indonesia), Environmental Defense Fund Philippines (EDF Philippines), (together, the Organization) as of and for the fiscal years ended September 30, 2019 and 2018.

EDF was originally organized as the Environmental Defense Fund, Incorporated, under the laws of New York State in 1967. 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 (the Code), and from state and local taxes under comparable laws. It is dedicated to protecting the environmental rights of all people, including the rights to clean air, clean water, healthy food and flourishing ecosystems. EDF employs scientists, economists, attorneys and other professionals in an effort both to educate the public and to create practical solutions to environmental problems that win lasting political, economic and social support because they are nonpartisan and fair. It receives support from its membership and other contributors, as well as through foundation and government grants.

The 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 Code. It receives support from individuals and other contributors (see Note 11).

In fiscal-year 2009, EDF established EDF Mexico, a controlled foreign subsidiary, the operations of which are located in La Paz, Mexico. The expenditures of EDF Mexico are included in these consolidated financial statements (see Note 11).

In fiscal-year 2010, the Action Fund established 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 and its members. Maintaining the Action Fund's reputation for objective, bipartisan advocacy, EDAF PAC was established to support candidates who promote environmental progress and protection, regardless of their political party affiliation. Since EDAF PAC is not a separate legal entity, its assets and liabilities are included in these consolidated financial statements as part of the Action Fund (see Note 11).

EDF Europe was established in the UK as a company limited by guarantee in September 2014, with EDF as the company's sole member. In December 2015, EDF Europe became a registered charity under the UK Charities Act. As a registered charity, EDF Europe is exempt from income tax so long as its funds are used for charitable purposes. The work of EDF Europe focuses on restoring oceans and promoting sustainable fishing, as well as reducing emissions of climate pollutants through the wider use of clean energy and increased energy efficiency (see Note 11).

The Deed of Incorporation for EDF Netherlands was executed in September 2018. EDF Netherlands is participating in the Climate and Clean Air Coalition (CCAC), which is a part of the United Nations Environment Program. In this role, EDF is leading a series of international methane studies characterizing methane emissions from oil and gas operations. The work is funded by the European Commission, EDF itself and Oil and Gas Climate Initiative (OGCI) member companies. Staff in the field are leading the day-to-day work.

In July of 2017, EDF Beijing was issued a certificate, in accordance with the Law of the People's Republic of China on Administration of Activities of Overseas Nongovernmental Organizations in the Mainland of China. This registration allows EDF Beijing to work throughout China on pollution control, environmental health, ecological conservation, and climate change (see Note 11).

MethaneSAT, was registered in New York State on October 24, 2018 as a limited liability company. It is wholly owned and controlled by EDF and is disregarded as an entity separate from EDF for federal income tax purposes. MethaneSAT is critical to advancing EDF's global methane strategy. MethaneSAT will, for the first time, systematically quantify methane emissions worldwide, starting with oil and gas producing regions, and provide a global picture of emissions. MethaneSAT has negotiated contracts with vendors to build, launch and commission a satellite. Following launch, expected in 2022, MethaneSAT will be able to track changes in both the rate and location of emissions over time. This capability is what will allow MethaneSAT to play a leading role in holding countries and companies accountable to reduction commitments they make, whether through regulations or changes in corporate practices. All data will be made public so that companies, investors, governments, and interested citizens will have a clear understanding of the extent of emissions across geographies and facilities, and thus the climatic impacts.

SATMgmt, was registered in New York State on January 11, 2019 as a limited liability company. It is wholly owned and controlled by EDF and is disregarded as an entity separate from EDF for federal income tax purposes. SATMgmt manages the operations of MethaneSAT.

On January 3, 2019, EDF was officially registered in Hong Kong. EDF intends to engage in the preservation of the natural systems, to provide practical and lasting solutions to environmental problems involving areas that span the biosphere such as climate, oceans, ecosystems and health.

EDF Indonesia registered to operate on April 9, 2019. Our experts work closely with the Ministry of Maritime Affairs and Fisheries, as well as local and international Non-Governmental Organizations (NGOs) and Universities to support and facilitate cooperation on the management of sustainable fisheries throughout Indonesia.

On September 27, 2018, EDF was granted license to transact in the Philippines, where EDF Philippines will train government officials to use innovative, low-cost analytical tools to improve the science of fisheries management. Recently, government officials have invited EDF Philippines to partner with them to implement sustainable management in one of several regional fishery management areas that were established by a new government policy.

The 12 entities that comprise the Organization, as described above, have some common officers and directors, and they share staff and other resources under a cost-sharing agreement. All material intercompany transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements of the Organization have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net asset defined below in the consolidated statements of financial position, and the amounts of change in each of those classes of net assets, are displayed in the consolidated statements of activities.

These classes are defined as follows:

Without Donor Restrictions – This class consists of net assets that are not subject to donor-imposed restrictions and are, therefore, available for general purposes to be used for the ongoing activity and working capital needs of the Organization. Certain net assets without donor restrictions are designated by the Board of Directors for specified purposes. Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donors or by law. Expenses are reported as decreases in net assets without donor restrictions.

With Donor Restrictions – This class consists of net assets with donor restrictions whose use is limited by donor-imposed time and or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net asset without donor restriction and reported in the statements of activities as net assets released from restriction.

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 statements of activities.

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

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of EDF, Inc. Those expenses include depreciation and amortization, the finance department, communications department, and information technology department. Depreciation is allocated based on square footage, the finance department is allocated based on estimates of time and effort, certain costs of the communications department are allocated based on estimates of time and effort, and the information technology department is allocated based on estimates of time and costs of specific technology utilized.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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. Actual results could differ from those estimates.

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 annual amount appropriated for expenditure from donor-restricted endowment assets and assets designated for long-term investment

The Organization excludes from its measure of operations:

- contributions from and changes in the value of split-interest agreements, until the death of the donor, unless specified otherwise
- investment results net of amounts made available for operating purposes

Cash and Cash Equivalents

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

Cash Equivalents in Temporary Investments for Future-Year Activities

The cash equivalents reported in the accompanying consolidated financial statements as temporary investments for future periods consist primarily of highly liquid investments with an original maturity of three months or less.

Property, Equipment, and Depreciation

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

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2019 and 2018 and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near-term and necessitate a change in management's estimate of the recoverability of these assets.

Fair Value Measurements

The Organization reports a fair value measurement of all applicable financial assets and liabilities, including investments, inventory, pledges receivable, deferred revenue and short-term and long-term notes payable.

Investments

U.S. GAAP also establishes a three-level valuation hierarchy of fair value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of input create the following fair value hierarchy:

Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.

Level 2 - Valuations are based on (i) quoted prices - those investments, or similar investments, in active markets; (ii) quoted prices - those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments or similar investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments; (ii) the investments cannot be independently valued; or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

Net investment income is recorded as without donor restrictions unless specifically restricted by the donors. Unrealized appreciation or depreciation of investments is included in the accompanying consolidated statements of activities. Realized gains and losses are accounted for on the specific identification method.

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

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

Valuation Allowances

EDF evaluates the discount on its pledges receivable balance annually. Pledges are grouped based on the due date of each individual pledge payment, and the discount rate is determined by the risk-free rate at the time of the evaluation.

Split-Interest Agreements

A portion of the Organization's investments results 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 without donor restriction irrevocable gifts under which the Organization agrees in turn to pay a life annuity to the donor or to a designated beneficiary. The contributed funds and the attendant liabilities immediately become part of the general assets and liabilities of the Organization, subject to the Organization maintaining an actuarial reserve in accordance with New York State law. Charitable remainder unitrust gifts are time-restricted contributions not available to the Organization until after the death of the donor, who, while living, receives an annual payout from the trust, based on a fixed percentage of the market value of the invested funds on December 31 of each year. The pooled income fund is composed of donations that are combined in bond and equity mutual fund investments. Contributors receive a pro-rata share of the actual ordinary income of these funds until their deaths, at which point the investment asset share of the donors becomes available to the Organization.

The Organization values deferred gifts of cash at their face values and investments at their fair values. Organization liabilities are calculated on the basis of industry-standard actuarial data. Published Internal Revenue Service 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 (NAV) of a split-interest agreement at the time of the donor's death is reported in without donor restrictions unless specified otherwise by the donor.

Accrued Vacation

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

The Organization's obligation for accrued vacation is included as a liability in the accompanying consolidated statements of financial position and represents the cost of unused employee vacation time payable in the event of employee terminations. At September 30, 2019 and 2018, accrued vacation obligations were $4,468,430 and $4,247,340, respectively, and is included in the accounts payable and accrued expenses in the consolidated statements of financial position.

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 statements of financial position.

Revenue Recognition

Contributions - Contributions and grants, including unconditional promises to give to the Organization (pledges), are recognized as revenue in the period received. If pledges receivable are to be paid over a period greater than one year, they are recorded at the present value of their estimated future cash flows using the effective discount rate. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions are considered to be available for use, unless specifically restricted by the donors.

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 without donor restriction bequests received for long-term investment, subject to its annual operating requirements.

Donated Goods and Services - Donated goods and services are recognized at their fair values at the dates of donation. Contributions of services are also recognized at fair value when they are received, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Donated goods and services are reflected in the consolidated statements of activities as in-kind contributions, and therefore are recorded as both income and expense when they are received.

EDF engaged a consulting organization to review EDF's current global governance model and recommend potential options with conditions for success required for each model, the staff capacity required and time line for implementation as well as a view on key risks. These services, valued at $10,924 and $6,985 for fiscal years 2019 and 2018, respectively, were donated to EDF.

Income Taxes

In accordance with U.S. GAAP, the Organization must recognize a tax liability associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

With Donor Restrictions-Permanently Restricted

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). This law, which is a modified version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), made significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The law was designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. It also expanded the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes, and certain trusts. The adoption of this law did not have a material effect on the Organization's consolidated financial statements.

Foreign Currency Translation

The Organization has offices in a number of countries. Assets and liabilities for these foreign branch offices are translated at the rates of exchange at the balance sheet date, while income statement accounts are translated at the average exchange rates in effect during the period. The effect of such translation adjustments was to increase (decrease) net assets by $98,738 and $(4,355) for the years ended September 30, 2019 and 2018, respectively.

Recently Adopted Accounting Pronouncements

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 will amend financial statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2017. The Organization has adopted and reflected this pronouncement in these financial statements for all periods presented.

Accounting Pronouncements Issued but Not Yet Adopted

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2020, and the Organization is currently evaluating the impact of the pending adoption of ASU 2016-02.

Revenue from contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for EDF until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU No.2018-13, "Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement". The update modifies certain disclosure requirements in Topic 820, "Fair Value Measurement". The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019, and Management of EDF is currently evaluating the impact of this ASU on its financial statements.

Subsequent Events

The Organization considers the accounting treatment, and the related disclosures in the current fiscal year's consolidated financial statements, which may be required as the result of all events or transactions that occur after September 30, 2019 through December 6, 2019, the date the consolidated financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

2. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others or because the governing Board has set aside funds for a specific contingency reserve or a long-term investment as Board-designated endowments. These Board designations could be drawn upon if the Board approves the action.

September 30, 2019		
Cash and cash equivalents	$	34,781,361
Temporary investments for future periods		15,097,914
Pledges receivable, current portion		68,545,224
Investments		75,540,078
Financial Assets		193,964,577
Less:		
Amounts unavailable for general expenditure within one year due to:		
Permanently restricted by corpus		7,427,075
Donor-imposed restrictions:		
Climate and energy		59,676,481
Oceans		19,179,843
Ecosystems		21,637,733
Health		5,855,707
Restricted by time		20,792,680
Education		21,172,318
Total Amounts Unavailable for General Expenditure Within One Year		155,741,837
Total Financial Assets Available to Management to Meet Needs for General Expenditures Within One Year	$	38,222,740

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization's governing board has designated $54,264,078 of its without donor restriction resources for program and other purposes. Those amounts are identified as without donor restricted board-designated net assets and are expected to achieve long-term appreciation and use a portion of income yearly but remain available and may be spent with Board approval. Therefore, without donor restricted board-designated net assets are not include in the table above as reductions to total financial assets available to management to meet needs for general expenditures within one year.

3. Pledges Receivable, Net

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,	**2019**	2018
In one year or less	**$ 68,545,224**	$ 63,563,678
Between one and two years	**30,577,935**	42,238,742
Between two and three years	**5,661,233**	20,847,961
Between three and four years	**4,200,000**	1,311,434
Between four and five years	**4,200,000**	-
Gross Pledges Receivable	**113,184,392**	127,961,815
Less: present value discount (calculated at rates ranging from 1.31% to 2.94%) and allowance for uncollectible pledges	**(2,352,979)**	(4,157,766)
	$ 110,831,413	$ 123,804,049

While the Organization has an excellent record of collecting pledges receivable, management has a valuation allowance of $400,000 for uncollectible pledges as of September 30, 2019 and 2018.

4. Property and Equipment, Net

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

September 30,	**2019**	2018
Furniture and equipment	**$ 5,375,190**	$ 5,346,436
Computer equipment	**4,434,174**	4,140,350
Leasehold improvements	**21,350,850**	21,100,372
Building	**393,319**	393,319
Software development	**1,584,030**	1,485,921
Construction-in-progress	**9,825,333**	64,688
	42,962,896	32,531,086
Less: accumulated depreciation and amortization	**(19,913,926)**	(17,451,206)
	$ 23,048,970	$ 15,079,880

Depreciation and amortization expense was $2,462,864 and $2,283,033 for fiscal years 2019 and 2018, respectively.

Construction-in-progress consists primarily of satellite building costs incurred by MethaneSAT and computer equipment that was ordered but not yet received. The estimated cost to complete the construction-in-progress at September 31, 2019 is $37,360,000.

5. Fair Value Measurements for Investments

The following tables summarize the investments of the Organization's assets at each fiscal year-end, in accordance with the fair value valuation levels:

September 30, 2019

	Level 1	Level 2	Total
Temporary investments for future periods - cash with broker	$ 15,097,914	$ -	$ 15,097,914
Money market funds and cash with brokers	35,558,649	-	35,558,649
Equities	8,718,545	-	8,718,545
Mutual funds	5,666,208	-	5,666,208
Fixed income	-	16,085,235	16,085,235
Other investments - subject to split-interest agreements	1,238,840	1,106,057	2,344,897
	66,280,156	17,191,292	83,471,448
Other investments – subject to split-interest agreements*	-	-	6,168,000
Funds valued at NAV or equivalent*	-	-	998,544
Total	$ 66,280,156	$ 17,191,292	$ 90,637,992

September 30, 2018

	Level 1	Level 2	Total
Temporary investments for future periods - cash with broker	$ 12,795,438	$ -	$ 12,795,438
Money market funds and cash with brokers	36,348,837	-	36,348,837
Equities	8,601,202	-	8,601,202
Mutual funds	5,622,342	-	5,622,342
Fixed income	-	15,053,244	15,053,244
Other investments - subject to split-interest agreements	1,430,649	1,032,359	2,463,008
	64,798,468	16,085,603	80,884,071
Other investments – subject to split-interest agreements*	-	-	5,826,062
Funds valued at NAV or equivalent*	-	-	1,006,771
Total	$ 64,798,468	$ 16,085,603	$ 87,716,904

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts presented in the preceding tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

As portrayed above, concentrations of the Organization's investments in excess of 10% of the fair values of its portfolio included approximately (i) 91% invested in equity and debt securities, mutual and exchange-traded funds, and (ii) 9% invested in assets subject to split-interest agreements.

The following is a description of the valuation methodologies and inputs used for investments. There have been no changes in methodologies for the years ended September 30, 2019 and 2018.

Equity securities are valued based upon quoted market prices and are included in Level 1. Level 1 securities primarily include publicly traded equity securities.

Since many fixed-income securities do not trade on a daily basis, the methodology of the pricing vendor uses available information as applicable, such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. The pricing vendor considers available market observable inputs in determining the evaluation for a security. Thus, certain securities may not be priced using quoted prices, but rather determined from market observable information. These investments are included in Level 2 and are primarily comprised of corporate fixed income, and government, mortgage and asset-backed securities.

The Organization uses the NAV or its equivalent to determine the fair value of all investments which (i) do not have a readily determinable fair value and (ii) prepare their investees' financial statements consistent with the measurement principles of an investment company or an entity with the attributes of an investment company. Investments for which fair value is measured using NAV per share or its equivalent as a practical expedient have not been categorized within the fair value hierarchy, and certain related tables have been appropriately excluded from the consolidated financial statements.

Money market funds are valued based on the NAV of the shares held by the Organization. NAV is based upon the fair value of the money market fund's underlying investments. The Organization's investments in the money market funds can be redeemed immediately at the current NAV per share. There were no unfunded commitments as of September 30, 2019 and 2018.

The Organization's investments are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near-term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

The available market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During fiscal years 2019 and 2018, there were no transfers between the fair value hierarchy levels.

The following table summarizes investment return by net asset classification:

September 30,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	$ 1,615,668	$ 379,850	**$ 1,995,518**	$ 1,021,198	$ 313,783	$ 1,334,981
Realized and unrealized gains	353,523	32,080	**385,603**	(244,849)	526,285	281,436
Net Return on Investments	1,969,191	411,930	**2,381,121**	776,349	840,068	1,616,417
Investment return allocated for operations	(6,461,736)	(633,156)	**(7,094,892)**	(5,294,740)	(597,979)	(5,892,719)
Investment Results, net of allocation to operations	$ (4,492,545)	$ (221,226)	**$ (4,713,771)**	$ (4,518,391)	$ 242,089	$ (4,276,302)

The following table provides a summary of the class, fair value redemption frequency, and redemption notice period for those assets whose fair value is estimated using the NAV per share or its equivalent for which the fair value is not readily determinable:

September 30, 2019

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds valued at NAV or equivalent*	$ 998,544	$ 20,000	**	**
Other investments - split-interest agreements*	6,168,000	-	***	***

September 30, 2018

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds valued at NAV or equivalent*	$ 1,006,771	$ 20,000	**	**
Other investments - split-interest agreements*	5,826,062	-	***	***

* For the funds valued at NAV or equivalent, the investment objective is to invest in funds with underlying investments in technology companies primarily in the digital, greentech, and health care & biotechnology sectors. These investments are long-term and highly illiquid. The investment objective of the funds at NAV for the split-interest agreements is to approximate, as closely as practicable before expenses, the performance of the respective investment indexes over the long term.

** Redemptions are not permitted; as a result, there is no applicable notice period.

*** There are no restrictions on the redemption of these investments.

6. Notes Payable

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

September 30,	**2019**	2018
Promissory note from donor, payable on demand	$ **100,000**	$ 100,000
Promissory note terminating 2029, at LIBOR + 1.25%	**10,927,396**	-
Promissory note terminating 2019, at 4.21%	**-**	770,000
Promissory note terminating 2021, at LIBOR + 1.75%	**-**	5,812,500
Fair-Value Adjustment	**$ 11,027,396**	$ 6,682,500

Notes Payable and Line of Credit

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

In fiscal year 2008, the Organization borrowed $1,500,000 from a bank, through a 10-year promissory note, the proceeds from which were used for funding the renovations of the California office. The loan was being repaid in monthly principal installments of $12,500 and was fully paid in April 2018. Interest was at the one-month LIBOR, plus 1.5%. In fiscal year 2012, the Organization borrowed an additional seven-year bank loan of $2,100,000, which was being repaid in monthly principal installments of $17,500, plus interest at 4.21%. In fiscal year 2016, the Organization borrowed $7,500,000 from a bank, through a five-year promissory note with an option to extend the maturity date for an additional five years, the proceeds from which were used for funding the renovations of the New York City office. The loan was being repaid in monthly principal installments of $62,500, with interest at one-month LIBOR, plus 1.75%, which equates to 3.63% and 3.82% at September 30, 2019 and 2018, respectively. This was repaid in full during fiscal year 2019 when the Organization borrowed $11,402,500 through a 10-year promissory note being repaid in monthly principal installments of $95,021 with interest at one-month LIBOR, plus 1.25%, the proceeds of which repaid the existing outstanding promissory notes and to cover improvements and renovations to the EDF offices. At September 30, 2019, the Organization was in compliance with all debt covenants for these loans.

EDF is required to maintain certain financial covenants in accordance with the Citibank loan agreement. EDF was in compliance with this covenant for the year ended September 30, 2019.

Annual contractual maturities of notes payable outstanding at September 30, 2019, excluding the $100,000 note payable on demand, are as follows:

Year ending September 30,		
2020	$	1,140,250
2021		1,140,250
2022		1,140,250
2023		1,140,250
2024		1,140,250
Thereafter		5,226,146
Total	$	10,927,396

Interest expense on debt borrowings was $372,723 and $275,383 in fiscal years 2019 and 2018, respectively.

At September 30, 2019, the Organization had an unsecured line of credit of $7,500,000 for ongoing operational requirements. There was no outstanding balance at September 30, 2019 or 2018 under this line of credit.

7. Net Assets with Donor Restrictions

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

September 30,	**2019**	2018
Restricted by purpose:		
Climate and energy	**$ 59,676,481**	$ 68,081,564
Oceans	**19,179,843**	23,064,335
Ecosystems	**21,637,733**	25,257,762
Health	**5,855,707**	7,538,993
Education	**21,172,318**	9,854,487
Restricted by time	**20,792,680**	17,377,236
Perpetual in nature	**7,427,075**	7,323,951
	$ 155,741,837	$ 158,498,328

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

Year ended September 30,	**2019**	2018
Climate and energy	**$ 34,496,995**	$ 40,956,641
Oceans	**18,126,202**	18,914,924
Ecosystems	**20,279,923**	20,076,308
Health	**5,804,073**	3,881,322
Education	**14,726,684**	9,919,988
Subtotal	**93,433,877**	93,749,183
Time restrictions satisfied	**32,074,116**	35,100,443
	$ 125,507,993	$ 128,849,626

8. 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 2019 and 2018, respectively, was approximately $3,669,000 and $3,452,000.

In fiscal year 2004, the Organization established a 457(b) deferred-compensation plan for certain key employees that is funded by both the Organization and the employees. As such, the investment allocations are directed by the employees, but the investments remain as assets of the Organization until the employees retire. At September 30, 2019 and 2018, respectively, the asset value of this plan was $4,187,209 and $3,680,544.

In fiscal year 2018, the Organization established a 457(f) deferred-compensation plan for the President of the Organization to support a three-year milestone bonus that will cliff vest in its entirety at January 1, 2020. At September 30, 2019 and 2018, the asset value of this plan was $155,217 and $150,218, respectively.

The fair value of plan assets and the corresponding liability are reported as other assets and other liabilities, respectively, in the accompanying consolidated statements of financial position.

9. Joint Costs

For fiscal years 2019 and 2018, 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,	**2019**	2018
Climate and energy	**$ 4,910,512**	$ 5,939,633
Ecosystems	**2,165,756**	817,945
Education	**2,449,842**	2,405,478
Membership activities	**823,557**	674,147
New member acquisition	**1,228,324**	1,298,185
Membership - fund-raising	**1,427,001**	1,571,111
Health	**134,239**	110,106
Oceans	**86,926**	99,666
	$ 13,226,157	$ 12,916,271

The portion of cost allocated to membership activities consists of that component of membership mailings that contain information about the Organization and the types of actions an individual may take with regard to a specific issue. New member acquisition reflects the cost of materials and information that requests individuals to join the Organization. Membership fund-raising is that component of joint costs associated with asking the Organization's current members for contributions. Additional fund-raising activities that included program information were not eligible for allocation under accounting principles generally accepted in the United States of America and were treated exclusively as membership fund-raising or new member acquisition expense.

10. Concentrations of Credit Risk

The Organization maintains its cash and cash equivalents in both interest-bearing and noninterest-bearing accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. The Organization may have cash deposits at financial institutions in excess of FDIC insurance limits. The Organization's investments are placed with high-credit-quality financial institutions with strong credit ratings, and management believes that credit risk related to these accounts is minimal. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant credit risk.

11. Wholly Controlled Entity Transactions

The Action Fund

The Action Fund reported total support and revenue of $17,121,929 and $14,615,569 in fiscal years 2019 and 2018, respectively, which included grants of $3,799,008 and $2,311,406, respectively, from EDF, representing a portion of the grass-roots lobbying and the direct lobbying allowances permitted by EDF as a 501(c)(3) organization.

The Action Fund recorded operating expenses of $17,921,601 and $12,629,722 in fiscal years 2019 and 2018, 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 the net assets without donor restrictions and without donor restrictions in the accompanying consolidated financial statements.

The Action Fund includes among its activity an intercompany payable of $2,693,524 and $2,617,548 in fiscal years 2019 and 2018, respectively. Amounts invested by EDF are 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.

MethaneSAT

MethaneSAT commenced operations in October 2018 and reported support and revenue of $27,711,723 in fiscal year 2019.

MethaneSAT recorded operating expenses of $6,828,711 in fiscal year 2019. Included in the expenses were direct expenses related to reducing methane emissions in the environment by collecting and publishing methane emissions data.

MethaneSAT includes among its activity an intercompany payable of $8,371,803, which eliminates on consolidation. The amount of the intercompany receivable is payable on demand.

SatMgmt

SatMgmt commenced operations in January 2019 and recorded operating expenses of $24,823 in the fiscal year 2019.

SatMgmt includes among its activity an intercompany payable of $110,085. The amount of the intercompany receivable is payable on demand.

EDF Mexico

EDF Mexico commenced operations in August 2009. Expenditures of $1,675,047 and $1,628,224 for fiscal years 2019 and 2018, respectively, are included as part of EDF in the accompanying consolidated financial statements.

EDAF PAC

EDAF PAC commenced operations in December 2009. Revenues of $18,694 and $76,812 and expenditures of $5,028 and $40,900 for fiscal years 2019 and 2018, respectively, are included as part of the Action Fund in the accompanying consolidated financial statements.

EDF Europe

EDF Europe commenced operations in September 2014. Revenues of $2,601,135 and $3,844,115 and expenditures of $3,344,370 and $2,741,238 for fiscal years 2019 and 2018, respectively, are included as part of EDF Europe in the accompanying consolidated financial statements.

EDF Netherlands

EDF Netherlands commenced operations in April 2019. Revenues of $155,521 and expenditures of $155,521 for fiscal year 2019 are included as part of EDF Europe in the accompanying consolidated financial statements.

EDF Beijing

EDF Beijing commenced operations in July 2017. Revenues of $11,355,486 for fiscal year 2019 and expenditures of $7,024,569 and $11,355,486 for fiscal year 2019 and 2018, respectively, are included as part of EDF in the accompanying consolidated financial statements.

EDF Indonesia

EDF Indonesia commenced operations in April 2019. Revenues of $45,674 and expenditures of $100,008 for fiscal years 2019 and 2018, respectively, are included as part of EDF in the accompanying consolidated financial statements.

12. Commitments and Contingency

Operating Leases

The Organization leases premises at 17 locations under operating leases that expire on various dates through September 2027.

The following is a schedule by year of future minimum rental payments that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2019:

Year ending September 30,		
2020	$	9,064,737
2021		8,669,781
2022		8,551,748
2023		8,493,769
2024		3,835,564
Thereafter		1,495,486
	$	40,111,085

Rent expense included in operations for fiscal years 2019 and 2018 was $9,254,230 and $8,759,317, respectively. Certain leases provide for additional rental payments to cover increases in real estate taxes and expenses as yet undetermined.

Governmental Audits

Government-funded activities are subject to audit by the applicable granting agencies. At September 30, 2019 and 2018, 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.

Litigation

The Organization is from time to time subject to legal actions in the normal course of business. In the opinion of the Organization's management, as of September 30, 2019 and 2018, the eventual resolution of these matters will not materially affect the financial position, cash flows, or change in net assets of the Organization.

Other Contracts

In the normal course of business, the Organization enters into various contracts and agreements, which are typically renewable on a year-to-year basis.

13. Permanently Restricted by Corpus

The Endowment

The Organization's permanent endowment consists of 21 individual funds, established for a variety of purposes and consisting entirely of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with a focus on earning market returns or better while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of annually appropriating for expenditure an amount of up to 5% of the average fair market value of the donor-restricted endowment, measured as of the last day of the calendar quarter for the 20 quarters immediately preceding the fiscal year in which the appropriation for expenditure is approved. In establishing this policy, the Organization's management has considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Endowment Net-Asset Composition

September 30	**2019**	2018
Donor-restricted endowment funds	**$ 7,427,075**	$ 7,323,951
Accumulated earnings not yet appropriated for expenditure	**6,675,070**	6,397,052
Total Funds	**$ 14,102,145**	$ 13,721,003

Changes in Endowment Net Assets by Fiscal Year

Year ended September 30	**2019**	2018
Net Assets, beginning of year	**$ 13,721,003**	$ 13,242,230
Current-year additions	**103,124**	3,011
Investment returns	**911,174**	1,073,741
Current-year appropriation for expenditure	**(633,156)**	(597,979)
Net Assets, end of year	**$ 14,102,145**	$ 13,721,003

Interpretation of Relevant Law

NYPMIFA is applicable to the Organization's donor-restricted endowment funds. Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. Under the terms of NYPMIFA, the Organization has no responsibility to restore such decrease in value. There were no such deficiencies in either fiscal year 2019 or 2018.

Supplementary Information

Environmental Defense Fund, Incorporated

Consolidating Schedule of Financial Position

Year ended September 30, 2019

	EDF	EDAF	EDF Europe	MethaneSAT	SATMgmt	Eliminations	Total
Assets							
Cash and cash equivalents	$ 15,140,694	$ 8,449,439	$ 76,682	$ 11,022,091	$ 92,455	$ -	$ 34,781,361
Temporary investments for future periods	14,035,759	1,062,155	-	-	-	-	15,097,914
Prepaid expenses and other assets	7,282,279	128,899	(7,918)	1,520	-	-	7,404,780
Pledges receivable, net	106,997,961	95,000	238,452	3,500,000	-	-	110,831,413
Investments	75,540,078	-	-	-	-	-	75,540,078
Property and equipment, net	13,493,296	-	46,876	9,508,798	-	-	23,048,970
Intercompany receivables	15,379,026	-	-	8,920,000	-	(24,299,026)	-
Total Assets	$ 247,869,093	$ 9,735,493	$ 354,092	$ 32,952,409	$ 92,455	$ (24,299,026)	$ 266,704,516
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	$ 13,803,550	$ 985,365	$ 267,996	$ 9,697,595	$ 7,193	$ -	$ 24,761,699
Deferred revenue and rent payable	3,135,024	-	3,281	-	-	-	3,138,305
Annuities payable	4,878,694	-	-	-	-	-	4,878,694
Notes payable	11,027,396	-	-	-	-	-	11,027,396
Other liabilities	8,005,530	40,000	84,903	-	-	-	8,130,433
Intercompany payables	13,719,713	2,693,524	(596,098)	8,371,802	110,085	(24,299,026)	-
Total Liabilities	54,569,907	3,718,889	(239,918)	18,069,397	117,278	(24,299,026)	51,936,527
Commitments and Contingencies							
Net Assets							
Without donor restrictions	54,771,244	3,946,200	333,531	-	(24,823)	-	59,026,152
With donor restrictions	138,527,942	2,070,404	260,479	14,883,012	-	-	155,741,837
Total Net Assets	193,299,186	6,016,604	594,010	14,883,012	(24,823)	-	214,767,989
Total Liabilities and Net Assets	$ 247,869,093	$ 9,735,493	$ 354,092	$ 32,952,409	$ 92,455	$ (24,299,026)	$ 266,704,516

Environmental Defense Fund, Incorporated

Consolidating Schedule of Financial Position

Year ended September 30, 2018

	EDF	EDAF	EDF Europe	Eliminations	Total
Assets					
Cash and cash equivalents	$ 11,112,179	$ 8,651,615	$ 69,525	$ -	$ 19,833,319
Temporary investments for future periods	11,779,295	1,016,143	-	-	12,795,438
Prepaid expenses and other assets	6,742,170	105,703	365,358	-	7,213,231
Pledges receivable, net	122,385,577	1,130,000	288,472	-	123,804,049
Investments	74,921,466	-	-	-	74,921,466
Property and equipment, net	15,079,880	-	-	-	15,079,880
Intercompany receivables	2,617,548	-	883,905	(3,501,453)	-
Total Assets	$ 244,638,115	$ 10,903,461	$ 1,607,260	$ (3,501,453)	$ 253,647,383
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 11,507,160	$ 1,365,637	$ 72,429	$ -	$ 12,945,226
Deferred revenue and rent payable	3,512,626	-	9,432	-	3,522,058
Annuities payable	4,407,795	-	-	-	4,407,795
Notes payable	6,682,500	-	-	-	6,682,500
Other liabilities	6,997,748	104,000	195,571	-	7,297,319
Intercompany payables	883,905	2,617,548	-	(3,501,453)	-
Total Liabilities	33,991,734	4,087,185	277,432	(3,501,453)	34,854,898
Commitments and Contingencies					
Net Assets					
Without donor restrictions	57,358,659	2,681,356	254,142	-	60,294,157
With donor restrictions	153,287,722	4,134,920	1,075,686	-	158,498,328
Total Net Assets	210,646,381	6,816,276	1,329,828	-	218,792,485
Total Liabilities and Net Assets	$ 244,638,115	$ 10,903,461	$ 1,607,260	$ (3,501,453)	$ 253,647,383

Environmental Defense Fund, Incorporated

Consolidating Schedule of Activities

Year ended September 30, 2019

	EDF	EDAF	EDF Europe	MethaneSAT	SATMgmt	Eliminations	Total
Operating Support and Revenue							
Support:							
Contributions and membership	$ 108,178,991	$ 11,357,826	$ 132,609	$ 19,161,723	$ -	$ -	$ 138,831,149
Foundations and other institutional giving	41,833,703	5,529,103	2,594,165	2,550,000	-	(6,306,280)	46,200,691
Government grants and other giving	2,414,204	-	927	-	-	-	2,415,131
Contributed services and in-kind gifts	10,924	-	-	-	-	-	10,924
Bequests and other planned giving	7,562,807	50,641	-	-	-	-	7,613,448
Total Support	160,000,629	16,937,570	2,727,701	21,711,723	-	(6,306,280)	195,071,343
Revenue:							
Investment income allocated for operations	7,094,892	-	-	-	-	-	7,094,892
Fees, royalties and other income	3,807,400	187,446	28,955	-	-	(3,434,844)	588,957
Total Revenue	10,902,292	187,446	28,955	-	-	(3,434,844)	7,683,849
Total Operating Support and Revenue	170,902,921	17,125,016	2,756,656	21,711,723	-	(9,741,124)	202,755,192
Operating Expenses							
Salaries and wages	72,309,526	2,559,449	1,248,413	437,793	19,417	-	76,574,598
Benefits and other employee costs	20,412,139	704,640	320,032	117,874	5,320	-	21,560,005
Professional and consulting fees	27,194,393	6,066,247	1,151,944	3,855,532	-	(3,434,844)	34,833,272
Travel	6,044,787	165,012	260,110	18,792	-	-	6,488,701
Printing	7,155,421	235,579	219	-	-	-	7,391,219
Postage and delivery	278,644	16,315	69	-	-	-	295,028
Telecommunications	1,151,164	2,246	15,726	-	-	-	1,169,136
Office supplies and equipment	852,902	1,119	24,764	-	-	-	878,785
Meetings and events	4,063,706	269,435	85,613	-	-	-	4,418,754
Subscriptions and dues	2,878,872	352,778	56,449	123	-	-	3,288,222
Grants and other contributions	21,298,244	2,784,590	94,797	2,379,039	-	(6,306,280)	20,250,390
Advertising and promotions	3,175,504	4,700,642	13,402	-	-	-	7,889,548
Occupancy	10,653,191	-	182,726	-	-	-	10,835,917
Other	1,918,644	50,045	25,610	4,140	86	-	1,998,525
Database management	979,150	13,504	820	15,418	-	-	1,008,892
	180,366,287	17,921,601	3,480,694	6,828,711	24,823	(9,741,124)	198,880,992
Depreciation and amortization	2,443,667	-	19,197	-	-	-	2,462,864
Total Operating Expenses	182,809,954	17,921,601	3,499,891	6,828,711	24,823	(9,741,124)	201,343,856
Change in Net Assets from Operations	(11,907,033)	(796,585)	(743,235)	14,883,012	(24,823)	-	1,411,336
Change in Net Assets from Non-Operating Activities							
Other expenses, net of contributions and other income	(714,918)	-	(7,143)	-	-	-	(722,061)
Investment results, net of allocation to operations	(4,725,244)	(3,087)	14,560	-	-	-	(4,713,771)
Change in Net Assets	(17,347,195)	(799,672)	(735,818)	14,883,012	(24,823)	-	(4,024,496)
Net Assets, beginning of year	210,646,381	6,816,276	1,329,828	-	-	-	218,792,485
Net Assets, end of year	$ 193,299,186	$ 6,016,604	$ 594,010	$ 14,883,012	$ (24,823)	$ -	$ 214,767,989

Environmental Defense Fund, Incorporated

Consolidating Schedule of Activities

Year ended September 30, 2018

	EDF	EDAF	EDAF Europe	Eliminations	Total
Operating Support and Revenue					
Support:					
Contributions and membership	$ 118,924,197	$ 9,091,563	$ 205,484	$ -	$ 128,221,244
Foundations and other institutional giving	79,100,931	3,509,919	3,560,099	(4,643,862)	81,527,087
Government grants and other giving	1,160,073	253	76,955	-	1,237,281
Contributed services and in-kind gifts	6,985	-	-	-	6,985
Bequests and other planned giving	4,903,698	61,302	-	-	4,965,000
Total Support	204,095,884	12,663,037	3,842,538	(4,643,862)	215,957,597
Revenue:					
Investment income allocated for operations	3,945,544	1,947,175	-	-	5,892,719
Fees, royalties and other income	1,567,066	5,357	1,577	-	1,574,000
Total Revenue	5,512,610	1,952,532	1,577	-	7,466,719
Total Operating Support and Revenue	209,608,494	14,615,569	3,844,115	(4,643,862)	223,424,316
Operating Expenses					
Salaries and wages	66,909,336	2,750,509	1,002,481	-	70,662,326
Benefits and other employee costs	18,868,333	752,528	224,497	-	19,845,358
Professional and consulting fees	32,765,370	3,569,562	644,310	-	36,979,242
Travel	7,047,788	136,756	103,343	-	7,287,887
Printing	7,404,613	99,003	3,284	-	7,506,900
Postage and delivery	285,758	12,691	326	-	298,775
Telecommunications	1,245,103	10,662	16,692	-	1,272,457
Office supplies and equipment	800,663	24,920	12,051	-	837,634
Meetings and events	4,643,030	335,536	72,744	-	5,051,310
Subscriptions and dues	2,505,554	97,373	19,737	-	2,622,664
Grants and other contributions	21,026,344	1,790,857	408,817	(4,643,862)	18,582,156
Advertising and promotions	2,572,516	2,821,790	141	-	5,394,447
Occupancy	9,916,813	164,523	179,248	-	10,260,584
Other	1,974,352	57,677	48,084	-	2,080,113
Database management	924,261	5,335	5,483	-	935,079
	178,889,834	12,629,722	2,741,238	(4,643,862)	189,616,932
Depreciation and amortization	2,283,033	-	-	-	2,283,033
Total Operating Expenses	181,172,867	12,629,722	2,741,238	(4,643,862)	191,899,965
Change in Net Assets from Operations	28,435,627	1,985,847	1,102,877	-	31,524,351
Change In Net Assets from Non-Operating Activities					
Other income, net of contributions and other income	(410,816)	-	(4,685)	-	(415,501)
Investment results, net of allocation to operations	(2,307,587)	(1,947,234)	(21,481)	-	(4,276,302)
Change in Net Assets	25,717,224	38,613	1,076,711	-	26,832,548
Net Assets, beginning of year	184,929,157	6,777,663	253,117	-	191,959,937
Net Assets, end of year	$ 210,646,381	$ 6,816,276	$ 1,329,828	$ -	$ 218,792,485