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ENVIRONMENTAL DEFENSE

finding the ways that work

2001 ANNUAL REPORT



FINDING THE WAYS THAT WORK



Fred Krupp (right), who helped found the Connecticut Fund for the Environment, became Executive Director of Environmental Defense in 1984.

John Wilson, Advisory Director at Morgan Stanley, joined the Environmental Defense board in 1989 and became chairman in 1997.

Diana Josephson, Chief Operating Officer, was a principal deputy assistant secretary of the Navy before joining Environmental Defense in 2000.

For more than 30 years, protecting the environment and human health has been the mission of Environmental Defense. Like other Americans, we reviewed our priorities after the September 11 attacks on the United States. We concluded that our job is to preserve a world worth defending. Every person has a right to clean air and water and a flourishing environment. This bounty is never more precious than when it is threatened.

And so the scientists, attorneys and economists of Environmental Defense have rededicated themselves to their work, continuing our tradition of working with business, government and communities to find environmental solutions. In the four areas where we focus our efforts, here are some of this year's results:

- **Biodiversity:** Our Safe Harbor initiative to protect endangered species was embraced by more leading conservation organizations and now encompasses two million acres. Safe Harbor gives landowners new incentives to improve wildlife habitat. *(See page 4)*
- **Climate:** Environmental Defense worked behind the scenes to help secure a pivotal international agreement on climate change. We also persuaded one of the nation's largest electric utilities to join our Partnership for Climate Action, a group of corporations that have agreed to reduce their greenhouse gas emissions. *(See page 6)*
- **Health:** We teamed up with FedEx Express, the nation's largest express transportation company, to develop a cleaner delivery truck that will cut air pollution dramatically and improve fuel economy by 50%. *(See page 8)*
- **Oceans:** Working with members of Congress and coastal communities, we helped persuade Congress to prevent expanded offshore oil drilling, thereby protecting America's shorelines. *(See page 10)*

More than ever, we owe our success to you, our supporters and friends, who make our work possible. Support and revenue this year totaled \$42.8 million, our highest ever. We thank you for being part of the Environmental Defense team.

A handwritten signature in black ink that reads "Fred Krupp".

Fred Krupp
Executive Director

A handwritten signature in black ink that reads "John H.T. Wilson".

John H.T. Wilson
Chairman of the Board

INNOVATION

1967

A small group of scientists incorporates our organization after winning their case against the pesticide DDT, which had been harming ospreys and other wildlife.



1970

We help bring all hunted whales onto the U.S. endangered species list.

1977

An Environmental Defense campaign curbs the use of the hazardous flame retardant TRIS in children's sleepwear.



1985

We help convince federal regulators to phase lead out of gasoline.



1989

Two California water districts adopt our plan to conserve water on farms and provide it to urban areas.

Staying ahead of the curve

Three decades ago, Environmental Defense was started when four scientists on Long Island set out to halt the use of DDT, the pesticide Rachel Carson warned about in *Silent Spring*. DDT caused eggshells to weaken and crack, threatening the survival of magnificent birds like the osprey, bald eagle and peregrine falcon.

Our founders tried a novel approach, common today but unheard of in 1967: They went to court on behalf of the environment. Their efforts led to a nationwide ban on DDT and the birth of modern environmental law. The osprey has since made a dramatic recovery, and the bald eagle and peregrine falcon have been removed from the endangered species list.

Soon we were hiring economists, engineers and computer analysts to find ways to help the environment without harming the economy. In the process, Environmental Defense became one of America's most influential environmental advocacy groups, now with over 300,000 members and more Ph.D. scientists and economists on staff than any similar organization.

From the beginning, we made a commitment not only to oppose ill-conceived policies, but also to propose alternatives. We still go to court when necessary, but increasingly we work directly with business, government and community groups, forging solutions that make sense for all.

For example, a decade ago we approached McDonald's with the idea of a



The Northwestern Hawaiian Islands Coral Reef Ecosystem Reserve stretches over 1,200 miles, protecting the endangered Hawaiian monk seal and many other species.

1990

The new Clean Air Act incorporates our innovative market-based methods to cut air pollution and decrease acid rain.



1991

McDonald's accepts every recommendation of our joint task force, eventually eliminating more than 150,000 tons of packaging waste.



1995

Our new Safe Harbor plan gives private landowners incentives to help endangered species on their property.

1996

We help the Panará Indians protect 1.2 million acres of Amazon rainforest.



2000

Seven of the world's largest corporations join us in a partnership to reduce global warming.

Environmental Defense is "bringing creative solutions to longstanding problems... not only breaking the mold, but helping to build a new one."

Former President George Bush
on our contribution to the Clean Air Act

joint task force to reduce waste and increase the use of recycled materials. The partnership spurred dozens of improvements, including McDonald's replacement of bulky foam-plastic hamburger boxes with less wasteful packaging. Many companies soon followed suit.

On acid rain, we broke a Congressional impasse by publishing the first conclusive research linking acid rain to distant power-plant emissions and by offering a market-based approach to reduce those emissions. Our plan, written into the 1990 Clean Air Act, required power plants to cut sulfur emissions in half but let plant owners decide how to do it. The power of the marketplace reduced emissions faster than expected at a fraction of the predicted cost. When entrepreneurial efforts can be enlisted in service of environmental goals, more ambitious environmental results can be achieved.

We still rely on old-fashioned grassroots work, but we've added the power of the Internet to assist communities in protecting their surroundings. In Hawai'i, our e-mail Action Network helped a coalition of fishermen, Native Hawaiian activists, scientists and local environmentalists make their voices heard in Washington. Our joint efforts led to the creation of the Northwestern Hawaiian Islands Coral Reef Ecosystem Reserve, comprising 70% of the nation's coral reefs. We have shared our groundbreaking Action Network technology with more than 75 other environmental organizations, influencing regional causes across the country.

As you'll see in the following pages, this bent for finding novel approaches is at the core of our achievements.

Ranches open their gates to wildlife

Kerry Russell remembers the day U.S. Fish and Wildlife Service representatives arrived at his 130-acre ranch with a low-bid offer to buy his land for a national wildlife refuge. Situated on the edge of Austin, TX, Russell's land is a tangle of old-growth Spanish oak, cedar and shin oak woodlands. This is prime habitat for the endangered golden-cheeked warbler and black-capped vireo.

Russell grew up on this land and wanted to save the birds. But like many old-time ranchers, he distrusted the government. So he refused to sell. His concerns about working with the authorities faded, however, when he learned of an Environmental Defense initiative called Safe Harbor.

Pioneered by us and adopted by the Fish and Wildlife Service, Safe Harbor encourages landowners to restore wildlife habitat voluntarily, by promising no new restrictions on their property after endangered species arrive. The program has emerged as a vital tool for saving wildlife, because most endangered species inhabit private lands.

"I prefer to help the birds on my own terms," says Russell. "You folks help me do it the right way. Safe Harbor is a breath of fresh air—the first concerted effort to work with landowners by a national organization that I've seen."

Golden-cheeked warblers are true Texas natives. Because of urban sprawl and forest clearing, however, their habitat continues to shrink. Russell is encouraging his

neighbors to enroll their ranches in Safe Harbor and teaching his children to conserve this unfragmented landscape. Working with our scientist David Wolfe, he is also taking steps to protect existing habitats and create new ones.

"I'd still be fighting the U.S. government if it weren't for Environmental Defense," Russell says. "Thanks to you guys, I've seen a huge change in how Fish and Wildlife works as well."

Landowners have enrolled more than two million acres of critical habitat in seven states in Safe Harbor, providing an ark for wildlife including the San Joaquin kit fox, Attwater's prairie-chicken and other species that have been in decline for decades. For example, the Peregrine Fund, using our concept, reintroduced 30 breeding pairs of northern aplomado falcons, which had been extinct in the wild.

On the island of Moloka'i, Safe Harbor agreements are helping reestablish the Hawaiian state bird, the nene goose. And in Florida, we partnered with America's largest individual landowner, Ted Turner, to protect the endangered red-cockaded woodpecker.

"Safe Harbor," says Wolfe, "buys desperately needed time for vanishing wildlife."

"Safe Harbor is a breath of fresh air—the first concerted effort to work with landowners by a national organization that I've seen."

Kerry Russell
Texas rancher



Texas rancher Kerry Russell learned from our scientist David Wolfe how our Safe Harbor program can help him improve habitat on his land for the endangered golden-cheeked warbler and black-capped vireo.



Our new Safe Harbor agreement with a major California farming company gives the endangered San Joaquin kit fox critically needed protection from coyotes.

MORE OF THIS YEAR'S RESULTS

- **When a group of landowners sought to kill endangered red wolves that wandered onto their property, we helped persuade an appellate court to strengthen the wolves' protection, a decision later upheld by the U.S. Supreme Court.**
- **To reduce the environmental impact of the 19 billion catalogs mailed annually in the United States, we worked with Norm Thompson Outfitters. The company became the first major cataloger to switch to recycled paper, reducing pollution, waste and greenhouse gases.**
- **By halting an economically unjustified Army Corps project to expand Mississippi River locks, we helped protect nearby wildlife refuges that host much of the central U.S. migrating bird population.**
- **To help the threatened gopher tortoise reproduce, we designed a program in Alabama relocating tortoises from suburban areas to prime habitat secured by us. This broke a stalemate with landowners and created a model for resolving landowner-wildlife conflicts elsewhere.**
- **Our work on the Colorado River Delta, which determined how much water the area's environment needs, led to a conservation-based amendment to the U.S.-Mexico Water Treaty and the first binational conference on delta restoration.**

Reaching across borders on global warming

In January 2001, a U.N. scientific panel issued the most comprehensive study yet on global warming. The report was a stern wake-up call. Authored by some of the world's leading climate experts, including our chief scientist Dr. Michael Oppenheimer, it concluded that global warming is likely to be worse than previously thought and that human activity is responsible for most of the problem.

In March, however, the new Bush administration withdrew from the Kyoto Protocol, the international agreement on climate change, saying it could harm the U.S. economy. With the United States on the sidelines, prospects for the treaty appeared bleak. But Environmental Defense stepped in, working behind the scenes with Japan, Russia and the European Union. The payoff came in July when 178 countries surprised even themselves by agreeing on a framework for rules requiring industrial nations to cut emissions of greenhouse gases.

Our executive director Fred Krupp provided key strategic advice to Japanese negotiators before and during the talks. The resulting agreement includes a cap-and-trade approach pioneered by us, which assigns countries strict emissions-reduction targets, with stiff penalties for non-compliance, but allows flexibility in how to make the cuts.

With U.S. government policy in flux, we mobilized the business community. Entergy Corporation, one of the nation's largest utilities, joined Alcan, BP, DuPont,

Ontario Power Generation, Pechiney, Shell International and Suncor Energy in our Partnership for Climate Action. The companies will report their greenhouse gas emissions publicly and each has set a firm target for reducing emissions.

Entergy plans to hold carbon dioxide emissions constant even as it increases its non-nuclear electric generating capacity by about 28%. The New Orleans-based utility will improve its power plants, increase renewable energy capacity and invest in outside projects that reduce emissions. "It is incumbent upon every business and every individual to take action to limit greenhouse gas emissions," says Entergy's CEO J. Wayne Leonard.

All told, the Partnership for Climate Action members had been emitting more greenhouse gases than Spain. "Their commitments to reduce emissions show that companies can do the right thing while remaining profitable," says our business liaison Millie Chu.

Many corporate leaders fear continued U.S. isolation on global warming could hurt American competitiveness. We are working closely with bipartisan leaders in Congress to cap U.S. greenhouse emissions and position the country for eventual participation in the treaty.

"Environmental Defense has helped us chart a path toward greater greenhouse gas reductions."

J. Wayne Leonard
CEO, Entergy Corporation



Our business liaison Millie Chu and Mary Lancaster, plant manager for Entergy Corporation, tour the utility's Nine Mile power plant outside New Orleans. Entergy is one of eight major corporations that have pledged to reduce global warming by joining our Partnership for Climate Action.



Working with local municipalities and the central government, we helped China develop pilot programs in emissions trading to tackle acid rain that affects urban and rural areas.

MORE OF THIS YEAR'S RESULTS

- **We led a coalition of environmental groups in a landmark environmental case before the Supreme Court, in which the Court affirmed EPA's authority to set health-based air quality standards under the Clean Air Act.**
- **California adopted our proposal giving residents incentives to purchase energy-efficient air conditioners and refrigerators. This helped reduce electricity use by more than 10% during last summer's power shortages.**
- **In Texas, we convinced the state environmental agency to become the first in the nation to establish strict limits on highly polluting backup electric generators, cutting their emissions by up to 70%.**
- **We persuaded Russia's giant electric utility, which alone produces 30% of the country's greenhouse gases, to conduct a full audit of its emissions, paving the way for Russia to participate in the Kyoto Protocol.**
- **PEMEX, Mexico's huge state oil company, worked with us in pledging to reduce its greenhouse gas emissions, refuting claims that developing countries would not join efforts against global warming.**

Helping FedEx deliver a cleaner truck

“Environmentalists and engineers often don’t see eye to eye. Finally here’s an approach that makes common sense.”

Jim Steffen

Chief engineer for vehicles
FedEx Express Corporation

On city streets and country roads, the FedEx Express delivery truck is a familiar sight. Every business day, the world’s largest express transportation company delivers some 3.2 million packages. Imagine what a difference it would make in air quality if someone figured out how to make FedEx’s 45,000 diesel trucks cleaner.

That was the vision that motivated Elizabeth Sturcken and her colleagues at our Alliance for Environmental Innovation. FedEx already had taken steps to increase the recycled content in its packaging. Why not go the extra mile and clean up the delivery vehicle itself? Diesel exhaust contributes to harmful smog and sooty particles that may aggravate respiratory disease and cause other serious illnesses.

“When the Alliance approached us last year, I was extremely skeptical,” recalls Jim Steffen, chief engineer for vehicles at FedEx Express. “But by the end of our first meeting, I was convinced of the potential benefit. The Alliance offered emissions expertise that was valuable to our staff.” The Environmental Protection Agency has announced tough diesel regulations to take effect in 2007. “There is a competitive and environmental advantage to being proactive rather than doing retrofits that cost more in the end,” notes Sturcken.

Working together, we envisioned a next-generation delivery truck that will improve fuel economy by 50% while cutting smog-forming pollutants by 90%. “That could translate into fewer refineries and substantial health benefits,” says Steffen. We invited manufacturers to submit designs that meet our emissions standards without compromising performance or the bottom line. Of the 20 manufacturing teams who responded to our challenge, we selected four to deliver prototypes by summer 2002. The finalists include Caterpillar Engine, Cummins Engine and General Motors.

The truck will likely be a diesel-electric hybrid using regenerative brakes to recapture energy normally lost when braking. Assuming the manufacturers can deliver what they now promise, the trucks will save fuel and reduce harmful nitrogen oxide emissions dramatically. “FedEx is continuing its history of innovation by working with Environmental Defense to create a truck that is not only cleaner but more fuel-efficient as well,” says David J. Bronczek, President and CEO of FedEx Express.

With this partnership, we hope similar improved vehicles will soon become the standard not just for express delivery, but for other businesses as well.



Our project manager Elizabeth Sturcken tours a Utilimaster truck manufacturing plant in Wakarusa, IN, with FedEx engineer Jim Steffen. New low-polluting, fuel-efficient hybrid trucks could soon be rolling off the assembly line.



With green space in short supply in Los Angeles, we worked with community groups to make it possible to create parks near the downtown Staples Center and on a 47-acre former rail yard near Chinatown.

MORE OF THIS YEAR'S RESULTS

- With antibiotic resistance emerging as an important health issue, we helped launch a national coalition to curtail the overuse of antibiotics. As we had urged, the Food and Drug Administration proposed barring poultry farmers from using fluoroquinolones, a type of antibiotic important in human medicine.
- In a lawsuit over air pollution in Houston, we reached a settlement with EPA that will reduce the region's smog-forming vehicle emissions by nearly 20% more than the state of Texas had originally proposed.
- Prompted by our report *Toxic by Design*, Ford Motor Company agreed to phase out the use of toxic mercury switches in its vehicles by the end of the year.
- Working with local community groups, we launched programs in Atlanta, Buffalo, Cleveland, Dayton, Washington, DC, and West Harlem that use handheld monitors to measure ozone levels. For the first time, citizens are empowered to pinpoint local hot spots for health risks.
- We helped win new transit tax benefits that led to an increase in transit use in many American cities. In Washington, DC, for example, we promoted a program for federal workers that took 12,500 cars off congested area highways.

Turning back the tide on offshore oil drilling

“Richard Charter has been instrumental in maintaining and strengthening the national moratorium on offshore drilling.”

Ted Morton

Policy director

American Oceans Campaign

Under the towering cliffs and rock pinnacles of California’s central coast is a trove of mystery. Sea otters, thought to be extinct here until they reappeared in the 1930s, cavort in the kelp forests and wrap themselves in the floating fronds for a night’s rest. Underneath, the ocean floor teems with giant sea urchins, rockfish sporting extravagant spines and a myriad of other creatures.

Beneath these waters may also lie significant deposits of oil and natural gas. For nearly two decades, most of California’s coast—and much of the U.S. shoreline—has been protected by an annual congressional moratorium on new offshore oil leases. This year, however, Congress came under intense pressure to lift the moratorium and allow expanded drilling. Among the areas targeted for new oil leases were priceless marine ecosystems like North Carolina’s Outer Banks, Georges Bank in New England and the central California coast.

Working with coastal residents, conservation groups and members of Congress, our marine advocate Richard Charter launched a campaign dedicated to wise stewardship of America’s shorelines. He tracked obscure federal drilling notices and disseminated key information to allies gained during his more than 20 years of coastal protection work.

Coastal communities, worried about threats to their tourism and fishing industries, asked for help in responding to the new drilling initiatives. Our scientists highlighted

what is at stake, identifying threatened areas and demonstrating why the oil industry is unable to reliably contain oil spills. Charter then helped local governments pass resolutions and helped advance protective legislation in Washington. Members of our e-mail Action Network kept up the pressure, sending 18,000 faxes to Congress in one 48-hour period.

In October, the campaign bore fruit. Congress extended the moratorium on new offshore drilling for the 20th consecutive year. Congress also passed an amendment, which we helped draft, closing loopholes that would have allowed damaging exploratory work by oil companies in moratorium areas.

The threat of indiscriminate offshore drilling, along with overfishing, lent urgency to our work promoting marine protected areas in California and elsewhere. “Several species now teeter on the edge of extinction in coastal waters,” says our marine ecologist Dr. Rod Fujita. “Fully protected marine reserves like the ones we helped develop in Hawai‘i and off the Florida Keys are the national parks of the sea. They will preserve America’s natural treasures for future generations.”



Our marine advocate Richard Charter, meeting near Santa Barbara with California Coastal Commission member Pedro Nava, formed a coalition that successfully prevented expanded offshore oil drilling.



In Cuba, our work helped lay the foundation for a network of marine protected areas and new laws to safeguard the island's vast and pristine coastlines.

MORE OF THIS YEAR'S RESULTS

- **Our recommendations helped prompt a multi-state agreement to reduce Mississippi River nutrient pollution, mainly runoff of farm chemicals, by 30%. This could reduce by two-thirds the “dead zone” in the Gulf of Mexico.**
- **Working with Hawaiian cultural rights activists, fishermen and environmentalists, we helped establish the nation's largest marine protected area, the Northwestern Hawaiian Islands Coral Reef Ecosystem Reserve.**
- **After Texas implemented regulations we helped design to protect endangered Kemp's ridley sea turtles and troubled shrimp stocks, turtle strandings dropped 20% while shrimp catches remained strong.**
- **We led new efforts in the Southeast and in Puerto Rico to protect essential fish habitats from dredging and other damage by publishing scientific studies and engaging local partners in monitoring habitats and influencing government decisions.**
- **With support from then-governor George W. Bush, we persuaded Congress to allow Gulf of Mexico fishery managers and stakeholders to work on an innovative system of transferable fishing quotas. Our plan will help rebuild depleted red snapper stocks.**

WHO'S WHO ON THE PROGRAM STAFF



Ken Lindeman
Marine scientist



Dan Suyeyasu
Attorney



Janea Scott
Attorney



Wendy Pabich
Scientist

The work of Environmental Defense is carried out today by more than 200 dedicated staff, many of whom are profiled on these pages. Staff members work in interdisciplinary teams of scientists, economists, analysts and attorneys.

CALIFORNIA

Geographic information system specialist **Peter Black** (B.A., Univ. of Oregon)

Program associate **Amy Boone** (B.S., Univ. of Calif., San Diego)

Marine conservation advocate **Richard Charter** (San Jose State Univ.)

Marine ecologist **Rodney M. Fujita** (Ph.D., Boston Univ., Marine Biological Laboratory)

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Misty Sanford
Research associate



Douglas Hopkins
Attorney



David McNaught
Policy analyst

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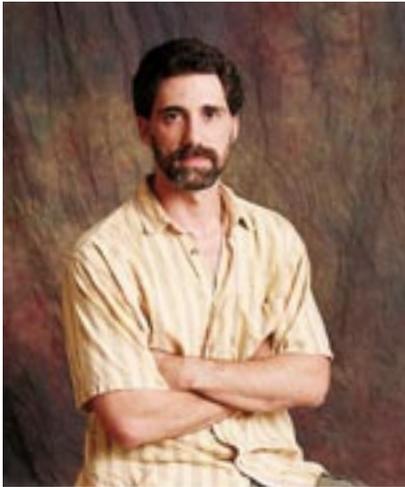
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Policy analyst **Michael J. Shore** (M.C.E., North Carolina State Univ.)

Program associate **Kristen Thornburg** (B.S., North Carolina State Univ.)

Attorney **Daniel J. Whittle** (J.D., Univ. of Colorado)

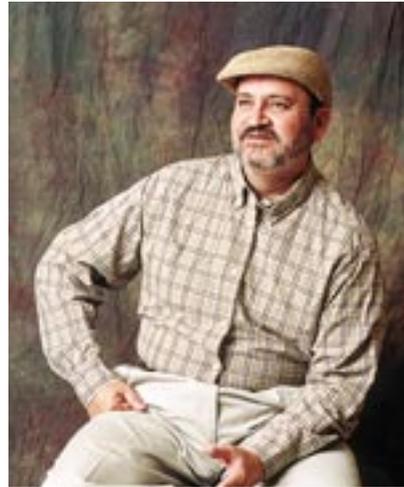
■ Program managers



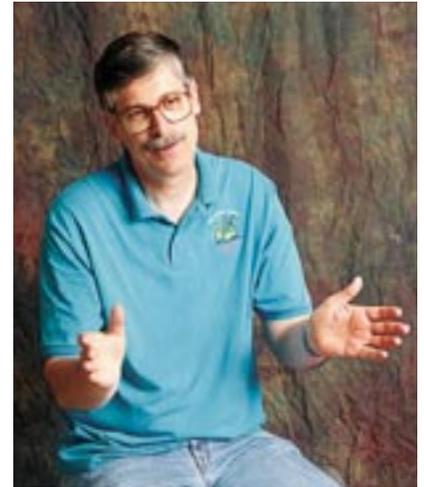
Michael J. Shore
Policy analyst



Kathy Viatella
Economist



Carlos A. Rincon
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Economist **Korinna Horta** (Ph.D., Univ. of London)



Scott Faber
Attorney



Robert Bonnie
Economist



Steve Cochran
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Legislative director **Elizabeth Thompson** (M.L.L., N.Y.U.)

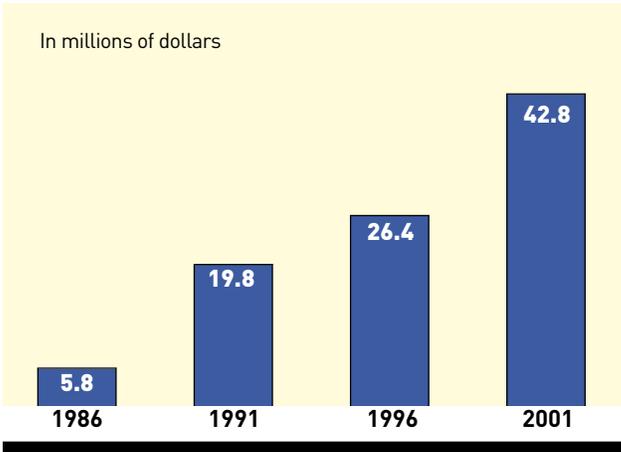
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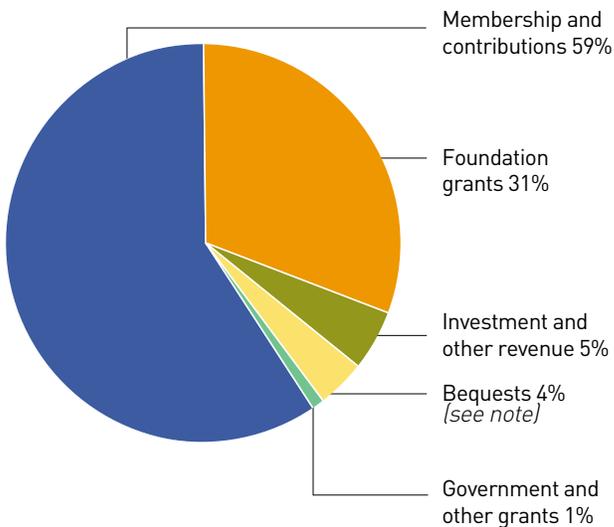
■ Program managers

FINANCIAL ANALYSIS

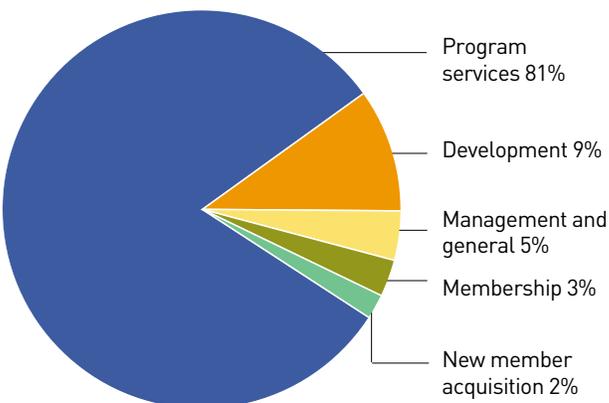
Operating support and revenue



Sources of operating support and revenue



Expenses



Thanks to the continued generosity of Environmental Defense donors, total operating support and revenue grew to a record \$42.8 million in the fiscal year ending September 30, 2001, a 9% increase over the previous year and a sevenfold increase since 1986. Measured growth with targeted expansion has been the hallmark of our financial health as we develop new solutions to environmental problems.

Contributions and gifts from our more than 300,000 members totaled \$25.1 million, representing 59% of total operating support and revenue, the largest portion of our diverse funding base. More than 150 foundations provided grants of \$13.1 million, or 31% of the total. Bequests of \$1.5 million accounted for almost 4% of the total, although only a portion of this amount was used for operating expenses (*see note*). Government grants provided 1% and investment income and other revenue made up the remaining 5%.

Expenses for total program and supporting services in fiscal 2001 were \$38.8 million, a 20% increase over the year 2000. Program services accounted for 81% of our expenses, representing a 21% increase in resources devoted to our program initiatives. Only 5% of the total was for management and administration, while 12% was directed toward the fundraising needed to generate current income and support for future years. Two percent was spent on the acquisition of new members.

Multi-year grants and pledges continue to play a substantial role in ensuring that Environmental Defense will be a lasting and effective presence in the years ahead, allowing us to plan strategically for expanded operations. Of the total increase in net operating assets of \$4.1 million in fiscal 2001, \$3.4 million was restricted to future years' activities, bringing that total to \$18.1 million. The remainder was transferred from operations to our endowment for long-term investment, which stood at \$23.0 million on September 30, 2001.

The Campaign for Environmental Defense, launched in 1998, continues to make strong progress toward its goal of raising \$200 million by December 2003. This spring, we announced the campaign's public phase, inviting our entire family of supporters to take part in this effort. Thanks to the extraordinary generosity of trustees and friends, the campaign to date has raised more than \$121 million in gifts and pledges to provide sustained funding for our four priority areas—biodiversity, climate, health and oceans—and to leave future generations a healthier world.

Note: Under policies established by the Environmental Defense Board of Trustees, the amount of bequests reflected in operating support and revenue is determined by the average of the five most recent years, and up to 90% of total bequests received are to be designated for long-term investment, based on the recommendation of its Finance Committee. Accordingly, we transferred \$601,993 in 2001, and \$2,099,368 in 2000, from operations to long-term investment.

STATEMENT OF ACTIVITIES

Year ended September 30

	Unrestricted		Total	
	2001	2000	2001	2000
Operating support and revenue				
Support:				
Membership and contributions	\$ 14,694,060	\$ 16,061,415	\$ 25,084,674	\$ 22,276,109
Foundation grants	184,007	352,970	13,131,758	11,571,264
Government and other grants	-	-	668,579	537,363
Bequests <i>(see note)</i>	1,542,102	2,352,730	1,542,102	2,352,730
Total support	16,420,169	18,767,115	40,427,113	36,737,466
Revenue:				
Interest and allocated investment income	1,430,842	1,195,600	1,454,932	1,363,315
Awarded attorneys' fees	25,537	19,369	474,153	366,480
Fees, royalties and other income	476,849	665,427	476,849	665,427
Total revenue	1,933,228	1,880,396	2,405,934	2,395,222
Net assets released from restrictions	21,033,421	13,688,618	-	-
Total support and revenue	39,386,818	34,336,129	42,833,047	39,132,688
Expenses				
Program services:				
Biodiversity	8,304,734	6,805,614	8,304,734	6,805,614
Climate	8,655,750	7,836,108	8,655,750	7,836,108
Health	6,248,772	5,209,148	6,248,772	5,209,148
Oceans	4,200,505	2,381,084	4,200,505	2,381,084
Education	3,219,071	3,150,440	3,219,071	3,150,440
Membership activities	835,239	674,430	835,239	674,430
Total program services	31,464,071	26,056,824	31,464,071	26,056,824
Supporting services:				
Management and general	1,979,892	1,400,774	1,979,892	1,400,774
New member acquisition	867,135	491,917	867,135	491,917
Fundraising:				
Membership	965,892	958,929	965,892	958,929
Development	3,480,224	3,300,308	3,480,224	3,300,308
Total supporting services	7,293,143	6,151,928	7,293,143	6,151,928
Total operating expenses	38,757,214	32,208,752	38,757,214	32,208,752
Change in net assets				
From operations	629,604	2,127,377	4,075,833	6,923,936
Transfer to long-term investment <i>(see note)</i>	(601,993)	(2,099,368)	(601,993)	(2,099,368)
From non-operating activities:				
Transfer from operations	601,993	2,099,368	601,993	2,099,368
Bequests, contributions and other income	79,965	46,255	127,422	84,703
Net investment income	(1,496,610)	2,553,982	(1,774,542)	2,989,487
Allocated to operations	(1,262,313)	(1,025,420)	(1,286,403)	(1,193,135)
Net assets released from restrictions	14,847	-	-	-
Total change in net assets	(2,034,507)	3,702,194	1,142,311	8,804,991
Net assets, beginning of year	23,808,988	20,106,794	42,336,218	33,531,227
Net assets, end of year	\$ 21,774,481	\$ 23,808,988	\$ 43,478,529	\$ 42,336,218

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ENVIRONMENTAL DEFENSE

finding the ways that work

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AT A GLANCE

Environmental Defense

Originally incorporated as Environmental Defense Fund on October 6, 1967

Headquarters

New York City

Members

More than 300,000

Operating support and revenue

\$42.8 million

Staff

234 full-time staff

Offices

New York, NY • Washington, DC • Oakland, CA

Boulder, CO • Raleigh, NC • Austin, TX

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Mission

Environmental Defense is dedicated to protecting the environmental rights of all people, including the right to clean air, clean water, healthy food and flourishing ecosystems.

Guided by science, we work to create practical solutions that win lasting political, economic and social support because they are nonpartisan, cost-effective and fair.

On the cover

Rapaciously logged for their aromatic heartwood, the once-abundant sandalwood or 'Iliahi trees of Hawai'i were nearly wiped out by the 19th century export trade. Fewer than 300 of the endangered *Santalum freycinetianum* var. *lanaiense* survive today. (From the new National Geographic book, *Remains of a Rainbow: Rare Plants and Animals of Hawai'i*, by David Liittschwager and Susan Middleton in association with Environmental Defense)

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