Environmental Defense Fund, Incorporated

Consolidated Financial Statements and Supplementary information

Years Ended September 30, 2018 and 2017

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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, 2018 and 2017, and the related consolidated statements of activities 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 16 to the consolidated financial statements, the Organization is reporting California Fisheries as discontinued operations.

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 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 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 5, 2018

Environmental Defense Fund, Incorporated

Consolidated Statements of Financial Position

September 30,		**2018**		2017
Assets				
Cash and cash equivalents	$	**19,833,319**	$	9,500,852
Temporary investments for future periods		**12,795,438**		34,250,987
Prepaid expenses and other assets		**7,213,231**		6,109,159
Pledges receivable, net		**123,804,049**		92,091,750
Investments		**74,921,466**		74,410,696
Property and equipment, net		**15,079,880**		11,926,983
Assets held-for-sale		**-**		3,256,510
Total Assets	$	**253,647,383**	$	231,546,937
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$	**12,945,226**	$	13,822,324
Deferred revenue and rent payable		**3,522,058**		3,261,838
Annuities payable		**4,407,795**		4,777,168
Notes payable		**6,682,500**		7,729,423
Other liabilities		**7,297,319**		6,858,127
Liabilities held-for-sale		**-**		3,138,120
Total Liabilities		**34,854,898**		39,587,000
Commitments and Contingencies				
Net Assets				
Unrestricted:				
Available for operations		**7,996,593**		410,150
Board designated		**52,297,564**		57,032,097
Unrestricted net assets held-for-sale		**-**		118,390
Total Unrestricted		**60,294,157**		57,560,637
Temporarily restricted		**151,174,377**		127,078,360
Permanently restricted		**7,323,951**		7,320,940
Total Net Assets		**218,792,485**		191,959,937
Total Liabilities and Net Assets	$	**253,647,383**	$	231,546,937

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Activities

Year ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenue				
Support:				
Contributions and membership	$ 57,441,937	$ 70,776,307	$ 3,000	$ 128,221,244
Foundations and other institutional giving	782,695	80,744,392	-	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	152,363,364	3,011	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	24,129,186	3,011	223,424,316
Operating Expenses				
Program services:				
Scientific research, economic analysis, and policy development:				
Climate and energy	83,273,492	-	-	83,273,492
Oceans	23,229,891	-	-	23,229,891
Ecosystems	28,014,754	-	-	28,014,754
Health	11,821,639	-	-	11,821,639
Education	8,841,486	-	-	8,841,486
Membership activities	2,805,946	-	-	2,805,946
Total Program Services	157,987,208	-	-	157,987,208
Supporting services:				
Management and general	12,240,993	-	-	12,240,993
New member acquisition	467,658	-	-	467,658
Fundraising:				
Membership	4,146,953	-	-	4,146,953
Development	17,057,153	-	-	17,057,153
Total Supporting Services	33,912,757	-	-	33,912,757
Total Operating Expenses	191,899,965	-	-	191,899,965
Change in Net Assets from Operations	7,392,154	24,129,186	3,011	31,524,351
Change in Net Assets from Non-Operating Activities				
Other expenses, net of contributions and other income	(131,168)	(275,258)	-	(406,426)
Investment results, net of allocation to operations	(4,518,391)	242,089	-	(4,276,302)
Change in Net Assets from Discontinued Operations				
Loss on discontinued operations	(9,075)	-	-	(9,075)
Change in Net Assets	2,733,520	24,096,017	3,011	26,832,548
Net Assets, beginning of year	57,560,637	127,078,360	7,320,940	191,959,937
Net Assets, end of year	$ 60,294,157	$ 151,174,377	$ 7,323,951	$ 218,792,485

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statement of Activities

Year ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenue				
Support:				
Contributions and membership	$ 38,807,528	$ 64,808,209	$ 3,000	$ 103,618,737
Foundations and other institutional giving	306,238	43,350,823	-	43,657,061
Government grants and other giving	287,861	691,128	-	978,989
Contributed services and in-kind gifts	950,000	146,995	-	1,096,995
Bequests and other planned giving	4,531,399	9,207	24,521	4,565,127
Total Support	44,883,026	109,006,362	27,521	153,916,909
Revenue:				
Investment income allocated for operations	2,595,321	742,844	-	3,338,165
Fees, royalties and other income	729,241	-	-	729,241
Total Revenue	3,324,562	742,844	-	4,067,406
Net assets released from restrictions	141,758,771	(141,758,771)	-	-
Total Operating Support and Revenue (Expense)	189,966,359	(32,009,565)	27,521	157,984,315
Operating Expenses				
Program services:				
Scientific research, economic analysis, and policy development:				
Climate and energy	85,915,786	-	-	85,915,786
Oceans	22,142,158	-	-	22,142,158
Ecosystems	24,274,330	-	-	24,274,330
Health	10,057,330	-	-	10,057,330
Education	8,829,989	-	-	8,829,989
Membership activities	2,763,209	-	-	2,763,209
Total Program Services	153,982,802	-	-	153,982,802
Supporting services:				
Management and general	10,178,361	-	-	10,178,361
New member acquisition	460,535	-	-	460,535
Fundraising:				
Membership	3,731,692	-	-	3,731,692
Development	13,872,182	-	-	13,872,182
Total Supporting Services	28,242,770	-	-	28,242,770
Total Operating Expenses	182,225,572	-	-	182,225,572
Change in Net Assets from Operations	7,740,787	(32,009,565)	27,521	(24,241,257)
Change in Net Assets from Non-Operating Activities				
Other income (expenses), net of contributions and other income	455,296	(32,073)	-	423,223
Investment results, net of allocation to operations	(1,667,374)	761,561	-	(905,813)
Change in Net Assets from Discontinued Operations				
Gain on discontinued operations	1,790	-	-	1,790
Change in Net Assets	6,530,499	(31,280,077)	27,521	(24,722,057)
Net Assets, beginning of year	51,030,138	158,358,437	7,293,419	216,681,994
Net Assets, end of year	$ 57,560,637	$ 127,078,360	$ 7,320,940	$ 191,959,937

See accompanying notes to consolidated financial statements.

Environmental Defense Fund, Incorporated

Consolidated Statements of Cash Flows

Year ended September 30,		2018		2017
Cash Flows from Operating Activities				
Change in net assets	$	**26,832,548**	$	(24,722,057)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Donated securities		**(6,149,769)**		(14,237,567)
Proceeds from donated securities		**5,988,042**		14,239,041
Net realized and unrealized gains on investments		**(272,361)**		(1,628,925)
Depreciation and amortization		**2,283,033**		2,168,191
Change in present value of pledges receivable		**2,711,707**		62,112
Allowance for bad debt		**(3,622)**		56,637
Changes in:				
Prepaid expenses and other assets		**(1,104,072)**		(454,761)
Pledges receivable		**(34,420,384)**		35,395,284
Accounts payable and accrued expenses		**(877,098)**		(684,900)
Deferred revenue and rent		**260,220**		246,239
Annuities payable		**(369,373)**		763,434
Other liabilities		**439,192**		1,914,647
Net Cash (Used In) Provided By Operating Activities - Continuing Operations		**(31,514,485)**		37,839,432
Net Cash (Used In) Provided By Operating Activities - Discontinued Operations		**(118,390)**		425,019
Net Cash (Used In) Provided By Operating Activities		**(4,800,327)**		13,542,394
Cash Flows from Investing Activities				
Purchases of property and equipment		**(5,841,396)**		(1,301,777)
Proceeds from sales of investments		**39,414,249**		35,247,783
Purchases of investments		**(17,282,244)**		(42,702,758)
Net Cash Provided By (Used In) Investing Activities - Continuing Operations		**16,290,609**		(8,756,752)
Net Cash Provided By (Used In) Investing Activities		**16,290,609**		(8,756,752)
Cash Flows from Financing Activities				
Net contributions and payments subject to split-interest agreements		**(110,892)**		2,125,224
Repayment of notes payable		**(1,046,923)**		(1,104,753)
Net Cash (Used In) Provided By Financing Activities - Continuing Operations		**(1,157,815)**		1,020,471
Net Cash (Used In) Provided By Financing Activities		**(1,157,815)**		1,020,471
Net Increase in Cash and Cash Equivalents		**10,332,467**		5,806,113
Cash and Cash Equivalents of Continued Operations, beginning of year		**9,500,852**		4,474,970
Cash and Cash Equivalents of Continued Operations, end of year		**19,833,319**		10,281,083
Less: Cash and Cash Equivalents of Discontinued Operations, end of year		**-**		(780,231)
Cash and Cash Equivalents of Continuing Operations, end of year	$	**19,833,319**	$	9,500,852
Supplemental Disclosure of Cash Flow Information				
Interest paid	$	**275,383**	$	264,965

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 California Fisheries Fund, Inc. (California Fisheries), 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) and Environmental Defense Fund Beijing Representative Office (EDF Beijing) (together, the Organization), as of and for the fiscal years ended September 30, 2018 and 2017.

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, 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 U.S. Internal Revenue Code. It receives support from individuals and other contributors (see Note 11).

California Fisheries was incorporated in California in August 2007 to promote the public good and to improve and reform the conservation and financial performance of California's marine fisheries through the provision of education, training, and financial services, including, without limitation, grants, loans, and technical tools to ensure improved scientific information, enhanced stewardship of fish stocks and habitats, better fishery jobs, improved profitability, and revitalized coastal communities. California Fisheries operates exclusively for charitable and educational purposes and is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. California Fisheries receives support from government entities and foundations (see Note 11). As further discussed in Note 16, on March 3, 2017, the California Fisheries' Board of Directors decided to explore opportunities to either transfer all remaining assets of California Fisheries to another not-for-profit or, if no suitable partner could be found, to wind down operations. On May 8, 2018, California Fisheries signed an agreement with the Northern California Community Loan Fund, a not-for-profit public benefit corporation, to transfer all its assets and liabilities, and was dissolved on May 21, 2018.

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).

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).

The seven 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 intercompany accounts 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 three classes of net assets—permanently restricted, temporarily restricted, and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Unrestricted - Unrestricted net assets represent those resources for which there are no donor restrictions as to their use an which have been categorized by the Organization for general purposes to be used for the ongoing activity and working capital needs of the Organization. The Board of Trustees of the Organization has designated $52,297,564 and $57,032,097 of its unrestricted net assets as of September 30, 2018 and 2017, respectively.

Temporarily Restricted – This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets as "net assets released from restrictions" and reported in the statement of activities. Temporarily restricted contributions and grants, the requirements of which are met in the year of donation, are reported as unrestricted.

Permanently Restricted – This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The income and net capital appreciation from all permanently restricted assets are available for unrestricted and temporarily restricted purposes.

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.

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
- discontinued operations

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, 2018 and 2017 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 unrestricted 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.

Derivative Instruments and Fair Value of Financial Instruments

Interest-rate hedges may be used to manage the interest rate risk associated with the Organization's debt obligations, at the discretion of management. All derivative instruments are recognized as either assets or liabilities at fair value in the accompanying consolidated statements of financial position. The fair value of interest rate swap agreements is the estimated amount that an entity would receive or pay to terminate any swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The Organization reports the fair value of interest rate swaps in either other assets or other liabilities, as appropriate, in the accompanying consolidated statements of financial position. The corresponding changes in the fair value of these swaps are reported as unrealized gains or losses in the accompanying consolidated statements of activities.

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 unrestricted irrevocable gifts under which the Organization agrees in turn to pay a life annuity to the donor or to a designated beneficiary. The contributed funds and the attendant 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 of a split-interest agreement at the time of the donor's death is reported in unrestricted operations 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, 2018 and 2017, accrued vacation obligations were $4,247,340 and $4,025,932, respectively.

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 unrestricted 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 unrestricted 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.

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.

Endowment Funds

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 (decrease) increase net assets by $(4,355) and $111,834 for the years ended September 30, 2018 and 2017, respectively.

Accounting Pronouncements Recently Issued

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, 2019, and the Organization is currently evaluating the impact of the pending adoption of ASU 2016-02.

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 FASB issued 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 will be effective for annual reporting periods beginning after December 15, 2017. The Organization will adopt the pronouncement when it becomes effective.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers," which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Organization is currently evaluating the impact of the pending adoption of ASU 2014-09 on its consolidated financial statements.

Assets and Liabilities Held-For-Sale

The assets and liabilities for California Fisheries that meet accounting requirements to be classified as held-for-sale are presented as a single asset and a single liability amount in the consolidated statements of financial position.

The determination of fair value for assets and liabilities involves judgments and assumptions.

Development of estimates of fair values in this circumstance is dependent upon, among other factors, the nature of the potential sale transaction, composition of assets and liabilities, the comparability to market transactions, negotiations with purchaser, etc. Such factors bear directly on the range of potential fair values and the selection of the best estimates.

The Organization reviews all assets held-for-sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values.

The activities for California Fisheries are presented as a single line item in the consolidated statements of activities and consolidated statements of cash flows that meet accounting requirements to be classified as held-for-sale.

Subsequent Events

In October 2018, EDF, Inc. registered a domestic limited liability company in the State of New York. The name of the entity is METHANESAT, LLC.

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, 2018 through December 5, 2018, the date the consolidated financial statements were available to be issued.

2. 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,	**2018**	2017
In one year or less	**$ 63,563,678**	$ 57,873,374
Between one and two years	**42,238,742**	21,471,304
Between two and three years	**20,847,961**	10,894,131
Between three and four years	**1,311,434**	3,302,622
Gross Pledges Receivable	**127,961,815**	93,541,431
Less: present value discount (calculated at rates ranging from 1.31% to 2.94%) and allowance for uncollectible pledges	**(4,157,766)**	(1,449,681)
	$ 123,804,049	$ 92,091,750

While the Organization has an excellent record of collecting pledges receivable, management has provided a valuation allowance of $400,000 and $403,622 for uncollectible pledges as of September 30, 2018 and 2017, respectively.

3. Property and Equipment, Net

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

September 30,	**2018**	2017
Furniture and equipment	**$ 5,346,436**	$ 5,150,754
Computer equipment	**4,140,350**	3,609,541
Leasehold improvements	**21,100,372**	16,431,815
Building	**393,319**	393,319
Software development	**1,485,921**	1,031,045
Construction-in-progress	**64,688**	478,682
	32,531,086	27,095,156
Less: accumulated depreciation and amortization	**(17,451,206)**	(15,168,173)
	$ 15,079,880	$ 11,926,983

Depreciation and amortization expense was $2,283,033 and $2,168,191 for fiscal years 2018 and 2017, respectively.

Construction-in-progress consists primarily of computer equipment that was ordered but not yet received.

4. 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, 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

September 30, 2017

	Level 1	Level 2	Total
Temporary investments for future periods - cash with broker	$ 34,250,987	$ -	$ 34,250,987
Money market funds and cash with brokers	38,305,831	-	38,305,831
Equities	7,501,705	-	7,501,705
Mutual funds	5,755,416	-	5,755,416
Fixed income	-	13,229,277	13,229,277
Other investments - subject to split-interest agreements	1,408,175	1,039,438	2,447,613
	87,222,114	14,268,715	101,490,829
Other investments – subject to split-interest agreements*	-	-	6,167,502
Funds valued at NAV or equivalent*	-	-	1,003,352
Total	$ 87,222,114	$ 14,268,715	$ 108,661,683

* 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, 2018 and 2017.

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 net asset value (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, 2018 and 2017.

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 2018 and 2017, there were no transfers between the fair value hierarchy levels.

The following table summarizes investment return by net asset classification:

September 30,

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Dividends and interest	**$ 1,021,198**	**$ 313,783**	**$ 1,334,981**	$ 621,882	$ 181,545	$ 803,427
Realized and unrealized gains	**(244,849)**	**526,285**	**281,436**	306,065	1,322,860	1,628,925
Net return on investments	**776,349**	**840,068**	**1,616,417**	927,947	1,504,405	2,432,352
Investment return allocated for operations	**(5,294,740)**	**(597,979)**	**(5,892,719)**	(2,595,321)	(742,844)	(3,338,165)
Investment results, net of allocation to operations	**$ (4,518,391)**	**$ 242,089**	**$ (4,276,302)**	$ (1,667,374)	$ 761,561	$ (905,813)

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, 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	-	***	***

September 30, 2017

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds valued at NAV or equivalent*	$ 1,003,352	$ 20,000	**	**
Other investments - split-interest agreements*	6,167,502	-	***	***

* 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.

See Note 6 for fair value measurement disclosures relating to the Organization's debt and interest-rate swaps.

5. Notes Payable and Interest-Rate Swaps

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

September 30,	**2018**	2017
Promissory note from donor, payable on demand	$ **100,000**	$ 100,000
Promissory note terminating 2018, at LIBOR + 1.5%	**-**	87,500
Promissory note terminating 2019, at 4.21%	**770,000**	980,000
Promissory note terminating 2021, at LIBOR + 1.75%	**5,812,500**	6,562,500
	6,682,500	7,730,000
Fair-value adjustment	**-**	(577)
	$ **6,682,500**	$ 7,729,423

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 is 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%, 2.73% at September 30, 2017. In fiscal year 2012, the Organization borrowed an additional seven-year bank loan of $2,100,000, which is 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 is being repaid in monthly principal installments of $62,500, with interest at one-month LIBOR, plus 1.75%, which equates to 3.82% and 2.98% at September 30, 2018 and 2017, respectively. At September 30, 2018, the Organization was in compliance with all debt covenants for these loans.

The Organization also entered into an interest-rate swap agreement, having an initial notional value of $3,352,083 and a notional value of $0 and $87,500 at September 30, 2018 and 2017, respectively, to protect against the interest rate fluctuations on the fiscal year 2008 bank note. The notional value of the swap declined monthly to coincide with the declining balance on the promissory notes as installment principal payments are made. Based on the swap agreement, the Organization paid interest at 5.49% and received interest at a rate of one-month LIBOR plus 1.5% on the notional value of the swap. These terms effectively convert the interest rate on the promissory notes from a variable rate to a fixed rate.

The estimated fair value of the interest-rate swap agreement was $(778) at September 30, 2017, which represented the cost that the Organization would have to pay to terminate the interest-rate swap agreement. The swap matured in 2018.

The interest-rate-swap agreement was valued using a swap valuation model that utilizes an income approach using observable market inputs including interest rate, LIBOR swap rates and credit default swap rates.

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

Annual contractual maturities of notes payable outstanding at September 30, 2018, excluding the $100,000 note payable on demand, are as follows:

Year ending September 30,		
2019	$	1,520,000
2020		750,000
2021		750,000
2022		750,000
2023		750,000
Thereafter		2,062,500
Total	$	6,582,500

Interest expense on debt borrowings, as well as on interest-rate swap agreement, was $275,383 and $264,965 in fiscal years 2018 and 2017, respectively.

At September 30, 2018, the Organization had an unsecured line of credit of $7,500,000 for ongoing operational requirements. There was no outstanding balance at September 30, 2018 or 2017 under this line of credit.

6. Temporarily Restricted Net Assets

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

September 30,		**2018**		2017
Restricted by purpose:				
Climate and energy	**$**	**68,081,564**	$	54,030,540
Oceans		**23,064,335**		25,387,328
Ecosystems		**25,257,762**		35,003,936
Health		**7,538,993**		1,640,126
Education		**9,854,487**		5,364,466
		133,797,141		121,426,396
Restricted by time		**17,377,236**		5,651,964
	$	**151,174,377**	$	127,078,360

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

Year ended September 30,	**2018**	2017
Climate and energy	**$ 40,956,641**	$ 41,840,337
Oceans	**18,914,924**	21,226,378
Ecosystems	**20,076,308**	20,170,707
Health	**3,881,322**	3,806,584
Education	**9,919,988**	8,845,994
	93,749,183	95,890,000
Time restrictions satisfied	**35,100,443**	45,868,771
	$ 128,849,626	$ 141,758,771

7. 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 2018 and 2017, respectively, was approximately $3,452,000 and $2,840,000.

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, 2018 and 2017, respectively, the asset value of this plan was $3,680,544 and $3,418,469.

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 1/1/2020. At September 30, 2018, the asset value of this plan was $149,489.

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.

8. Joint Costs

For fiscal years 2018 and 2017, 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,	2018	2017
Climate and energy	$ **5,939,633**	$ 5,901,897
Ecosystems	**817,945**	75,277
Education	**2,405,478**	2,488,207
Membership activities	**674,147**	1,705,442
New member acquisition	**1,298,185**	1,341,117
Membership - fund-raising	**1,571,111**	1,111,523
Health	**110,106**	65,955
Oceans	**99,666**	46,252
	$ **12,916,271**	$ 12,735,670

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.

9. 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 exposed to any significant credit risk.

10. Wholly Controlled Entity Transactions

The Action Fund

The Action Fund reported total support and revenue of $14,615,569 and $13,059,676 in fiscal years 2018 and 2017, respectively, which included grants of $2,311,406 and $4,570,238, 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 $12,629,722 and $14,158,125 in fiscal years 2018 and 2017, respectively. Included in expenses were direct expenses related to grass-roots lobbying, direct lobbying and fund-raising, as well as allocated expenses for management by EDF. Changes to the Action Fund's net assets are included in unrestricted and temporarily restricted net assets in the accompanying consolidated financial statements.

The Action Fund includes among its activity an intercompany payable of $2,617,548 and $455,959 in fiscal years 2018 and 2017, 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.

California Fisheries - Discontinued Operations

Grants of $5,000,000 were awarded in fiscal year 2008 to EDF in support of California Fisheries' mission. Originally, EDF managed the grants as pass-through grants to California Fisheries, which were used to fund its operations and to establish a revolving loan fund (Loan Fund). The Loan Fund was established with an initial amount of $4,550,000 to provide for loans intended to improve and reform the conservation and financial performance of California's marine fisheries. $57,197 and $110,610 was utilized for programs in fiscal years 2018 and 2017, respectively, resulting in a Loan Fund balance of $0 and $3,091,374, respectively, which includes an estimated valuation allowance of $0 and $202,827 at September 30, 2018 and 2017, respectively.

California Fisheries recorded total revenue and support of $78,674 and $245,101 in fiscal years 2018 and 2017, respectively.

EDF Mexico

EDF Mexico commenced operations in August 2009. Expenditures of $1,628,224 and $1,647,224 for fiscal years 2018 and 2017, respectively, are included as part of EDF in the accompanying consolidated financial statements.

EDAF PAC

EDAF PAC commenced operations in December 2009. Revenues of $76,812 and $5,160 and expenditures of $40,900 and $2,000 for fiscal years 2018 and 2017, 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 $3,844,115 and $830,308 and expenditures of $2,767,403 and $588,646 for fiscal years 2018 and 2017, respectively, are included as part of EDF in the accompanying consolidated financial statements.

EDF Beijing

EDF Beijing commenced operations in July 2017. Revenues of $11,355,486 and $1,900,808 and expenditures of $11,355,486 and $1,900,808 for fiscal year 2018 and 2017, respectively, are included as part of EDF in the accompanying consolidated financial statements.

11. Commitments and Contingency

Operating Leases

The Organization leases premises at 13 locations under operating leases that expire on various dates through September 2023.

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, 2018:

Year ending September 30,		
2019	$	9,318,078
2020		8,702,912
2021		8,595,463
2022		8,519,545
2023		8,456,348
Thereafter		4,390,828
	$	47,983,174

Rent expense included in operations for fiscal years 2018 and 2017 was $8,759,317 and $7,226,883, 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, 2018 and 2017, 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, 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.

12. Endowment

The Endowment

The Organization’s permanent endowment consists of twenty-one 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 twenty 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 by Type of Fund

September 30, 2018

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 7,323,951	$ 7,323,951
Accumulated earnings not yet appropriated for expenditure	6,397,052	-	6,397,052
Total Funds	$ 6,397,052	$ 7,323,951	$ 13,721,003

September 30, 2017

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 7,320,940	$ 7,320,940
Accumulated earnings not yet appropriated for expenditure	5,921,290	-	5,921,290
Total Funds	$ 5,921,290	$ 7,320,940	$ 13,242,230

Changes in Endowment Net Assets by Fiscal Year

Year ended September 30, 2018

		Temporarily Restricted		Permanently Restricted		Total
Net Assets, beginning of year	$	5,921,290	$	7,320,940	$	13,242,230
Current year additions		-		3,011		3,011
Investment returns		1,073,741		-		1,073,741
Current year appropriation for expenditure		(597,979)		-		(597,979)
Net Assets, end of year	$	6,397,052	$	7,323,951	$	13,721,003

Year ended September 30, 2017

		Temporarily Restricted		Permanently Restricted		Total
Net Assets, beginning of year	$	5,159,727	$	7,293,419	$	12,453,146
Current year additions		-		27,521		27,521
Investment returns		1,504,407		-		1,504,407
Current year appropriation for expenditure		(742,844)		-		(742,844)
Net Assets, end of year	$	5,921,290	$	7,320,940	$	13,242,230

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 2018 or 2017.

13. Contributed Services

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 $13,385 and $1,096,995 for fiscal years 2018 and 2017, respectively, were donated to EDF.

14. Program and Supporting Services Expenses

During each fiscal year, total expenses were allocated among program and supporting services as follows:

Year ended September 30,	**2018**	2017
Programs	**$ 157,987,208**	$ 153,982,802
General and administrative	**12,708,651**	10,638,896
Fund-raising	**21,204,106**	17,603,874
	$ 191,899,965	$ 182,225,572

15. Discontinued Operations

California Fisheries faced real constraints in achieving and maintaining economic scale under its defined mission. For this reason, on March 3, 2017, the California Fisheries' Board of Directors decided to explore opportunities to either transfer all remaining assets of California Fisheries to another not-for-profit (Acquirer) or, if no suitable partner could be found, to wind down operations.

On May 15, 2017, California Fisheries entered into a letter of intention (LOI) with the Acquirer, pending satisfactory approval by the Acquirer's Board of Directors, to transfer assets and liabilities from California Fisheries to the Acquirer. On October 26, 2017, the Acquirer's Board of Directors approved moving forward with the acquisition and to move from a LOI to due diligence and drafting of legal transfer documents. On May 8, 2018, California Fisheries signed an agreement with the Acquirer to transfer all its assets and liabilities and California Fisheries was dissolved on May 21, 2018.

As a result of these items, in accordance with U.S. GAAP, EDF has prepared its consolidated financial statements with California Fisheries reported as discontinued operations for all years presented.

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Included in the consolidated statements of financial position within total assets held-for-sale, total liabilities held-for-sale and unrestricted net assets held-for-sale are the following:

September 30,	**2018**	2017
Assets		
Cash and cash equivalents	$ -	$ 780,231
Temporary investments for future periods	-	643,506
California Fisheries loans, net	-	1,832,773
Total Assets Held-for-Sale	$ -	$ 3,256,510
Liabilities		
Accounts payable and accrued expenses	$ -	$ 46,746
California Fisheries grants payable	-	3,091,374
Total Liabilities Held-for-Sale	-	3,138,120
Net Assets		
Unrestricted available for operations	-	118,390
Total Unrestricted Net Assets Held-for-Sale	-	118,390
	$ -	$ 3,256,510

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Included in the change in net assets from discontinued operations within the consolidated statements of activities are the following:

Year ended September 30,	**2018**	2017
Operating support and revenue		
Support:		
Foundations and other institutional giving	$ **102,500**	$ 100,000
Total Support	**102,500**	100,000
Revenue		
Investment income allocated for operations		
Fees, royalties and other income	**78,674**	145,101
Total Revenue	**78,674**	145,101
Total Operating Support and Revenue	**181,174**	245,101
Operating expenses		
Compensation	**163,651**	176,658
Professional and consulting fees	**26,483**	36,203
Travel	**431**	2,058
Postage and delivery	**172**	-
Occupancy	**10,037**	9,198
Telecommunications	**1,265**	1,585
Supplies and equipment	**738**	639
Meetings and events	**3,365**	2,254
Subscriptions and dues	**262**	10
Grants and other contributions	**78,833**	
Other	**5,252**	3,121
Total Operating Expenses	**290,489**	231,726
Change in Net Assets from Operations	**(109,315)**	13,375
Change in Net Assets from Non-Operating Activities		
Other income (expenses), net of contributions and other income	**-**	-
Investment results, net of allocation to operations	**(9,075)**	(11,585)
Change in Net Assets	**(118,390)**	1,790
Net Assets, beginning of year	**118,390**	116,600
Net Assets, end of year	$ **-**	$ 118,390

Supplementary Information

Environmental Defense Fund, Incorporated

Consolidating Schedule of Financial Position

September 30, 2018

	EDF	EDAF	Subtotal Continued Operations	CFF (Discontinued Operations)	Eliminations	Total
Assets						
Cash and cash equivalents	$ 11,181,704	$ 8,651,615	$ 19,833,319	$ -	$ -	$ 19,833,319
Temporary investments for future periods	11,779,295	1,016,143	12,795,438	-	-	12,795,438
Prepaid expenses and other assets	7,107,528	105,703	7,213,231	-	-	7,213,231
Pledges receivable, net	122,674,049	1,130,000	123,804,049	-	-	123,804,049
Investments	74,921,466	-	74,921,466	-	-	74,921,466
Property and equipment, net	15,079,880	-	15,079,880	-	-	15,079,880
Intercompany receivable	2,617,548	-	2,617,548	-	(2,617,548)	-
Total Assets	$ 245,361,470	$ 10,903,461	$ 256,264,931	$ -	$ (2,617,548)	$ 253,647,383
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	$ 11,579,589	$ 1,365,637	$ 12,945,226	$ -	$ -	$ 12,945,226
Deferred revenue and rent payable	3,522,058	-	3,522,058	-	-	3,522,058
Annuities payable	4,407,795	-	4,407,795	-	-	4,407,795
Notes payable	6,682,500	-	6,682,500	-	-	6,682,500
Other liabilities	7,193,319	104,000	7,297,319	-	-	7,297,319
Intercompany payable	-	2,617,548	2,617,548	-	(2,617,548)	-
Total Liabilities	33,385,261	4,087,185	37,472,446	-	(2,617,548)	34,854,898
Commitments and Contingencies						
Net Assets						
Unrestricted:						
Available for operations	5,315,715	2,680,878	7,996,593	-	-	7,966,593
Board designated	52,297,086	478	52,297,564	-	-	52,297,564
Total Unrestricted	57,612,801	2,681,356	60,294,157	-	-	60,294,157
Temporarily restricted	147,039,457	4,134,920	151,174,377	-	-	151,174,377
Permanently restricted	7,323,951		7,323,951	-	-	7,323,951
Total Net Assets	211,976,209	6,816,276	218,792,485	-	-	218,792,485
Total Liabilities and Net Assets	$ 245,361,470	$ 10,903,461	$ 256,264,931	$ -	$ (2,617,548)	$ 253,647,383

Environmental Defense Fund, Incorporated

Consolidating Schedule of Financial Position

September 30, 2017

	EDF	EDAF	Subtotal Continued Operations	CFF (Discontinued Operations)	Eliminations	Total
Assets						
Cash and cash equivalents	$ 8,537,451	$ 963,401	$ 9,500,852	$ -	$ -	$ 9,500,852
Temporary investments for future periods	27,837,220	6,413,767	34,250,987	-	-	34,250,987
Prepaid expenses and other assets	5,965,612	143,547	6,109,159	-	-	6,109,159
Pledges receivable, net	91,951,750	140,000	92,091,750	-	-	92,091,750
Investments	74,410,696	-	74,410,696	-	-	74,410,696
Property and equipment, net	11,926,983	-	11,926,983	-	-	11,926,983
Intercompany receivable	489,912	-	489,912	-	(489,912)	-
Assets held-for-sale	-	-	-	3,256,510	-	3,256,510
Total Assets	$ 221,119,624	$ 7,660,715	$ 228,780,339	$ 3,256,510	$ (489,912)	$ 231,546,937
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	$ 13,448,184	$ 408,093	$ 13,856,277	$ -	$ (33,953)	$ 13,822,324
Deferred revenue and rent payable	3,261,838	-	3,261,838	-	-	3,261,838
Annuities payable	4,777,168	-	4,777,168	-	-	4,777,168
Notes payable	7,729,423	-	7,729,423	-	-	7,729,423
Other liabilities	6,839,127	19,000	6,858,127	-	-	6,858,127
Intercompany payable	-	455,959	455,959	-	(455,959)	-
Liabilities held-for-sale	-	-	-	3,138,120	-	3,138,120
Total Liabilities	36,055,740	883,052	36,938,792	3,138,120	(489,912)	39,587,000
Commitments and Contingencies						
Net Assets						
Unrestricted:						
Available for operations	237,550	172,600	410,150	-	-	410,150
Board designated	54,084,444	2,947,653	57,032,097	-	-	57,032,097
Unrestricted net assets held-for-sale	-	-	-	118,390	-	118,390
Total Unrestricted	54,321,994	3,120,253	57,442,247	118,390	-	57,560,637
Temporarily restricted	123,420,950	3,657,410	127,078,360	-	-	127,078,360
Permanently restricted	7,320,940	-	7,320,940	-	-	7,320,940
Total Net Assets	185,063,884	6,777,663	191,841,547	118,390	-	191,959,937
Total Liabilities and Net Assets	$ 221,119,624	$ 7,660,715	$ 228,780,339	$ 3,256,510	$ (489,912)	$ 231,546,937

Environmental Defense Fund, Incorporated

Consolidating Schedule of Activities

Year ended September 30, 2018

	EDF	EDAF	Subtotal Continued Operations	CFF (Discontinued Operations)	Eliminations	Total
Operating Support and Revenue						
Support:						
Contributions and membership	$ 119,129,681	$ 9,091,563	$ 128,221,244	$ -	$ -	$ 128,221,244
Foundations and other institutional giving	82,558,530	3,509,919	86,068,449	102,500	(4,643,862)	81,527,087
Government grants and other giving	1,237,028	253	1,237,281	-	-	1,237,281
Contributed services and in-kind gifts	6,985	-	6,985	-	-	6,985
Bequests and other planned giving	4,903,698	61,302	4,965,000	-	-	4,965,000
Total Support	207,835,922	12,663,037	220,498,959	102,500	(4,643,862)	215,957,597
Revenue:						
Investment income allocated for operations	3,945,544	1,947,175	5,892,719	-	-	5,892,719
Fees, royalties and other income	1,489,969	5,357	1,495,326	78,674	-	1,574,000
Total Revenue	5,435,513	1,952,532	7,388,045	78,674	-	7,466,719
Total Operating Support and Revenue (Expenses)	213,271,435	14,615,569	227,887,004	181,174	(4,643,862)	223,424,316
Operating Expenses						
Compensation	86,840,996	3,503,037	90,344,033	163,651	-	90,507,684
Professional and consulting fees	33,383,197	3,569,562	36,952,759	26,483	-	36,979,242
Travel	7,150,700	136,756	7,287,456	431	-	7,287,887
Printing	7,407,897	99,003	7,506,900	-	-	7,506,900
Postage and delivery	285,912	12,691	298,603	172	-	298,775
Occupancy	10,086,024	164,523	10,250,547	10,037	-	10,260,584
Telecommunications	1,260,530	10,662	1,271,192	1,265	-	1,272,457
Data management	929,744	5,335	935,079	-	-	935,079
Supplies and equipment	811,976	24,920	836,896	738	-	837,634
Meetings and events	4,712,409	335,536	5,047,945	3,365	-	5,051,310
Subscriptions and dues	2,525,029	97,373	2,622,402	262	-	2,622,664
Advertising and promotions	2,572,657	2,821,790	5,394,447	-	-	5,394,447
Grants to others	21,356,328	1,790,857	23,147,185	78,833	(4,643,862)	18,582,156
Other	2,017,184	57,677	2,074,861	5,252	-	2,080,113
	181,340,583	12,629,722	193,970,305	290,489	(4,643,862)	189,616,932
Depreciation and amortization	2,283,033	-	2,283,033	-	-	2,283,033
Total Operating Expenses	183,623,616	12,629,722	196,253,338	290,489	(4,643,862)	191,899,965
Change in Net Assets from Operations	29,647,819	1,985,847	31,633,666	(109,315)	-	31,524,351
Change in Net Assets from Non-Operating Activities						
Other expenses, net of contributions and other income	(406,426)	-	(406,426)	-	-	(406,426)
Investment results, net of allocation to operations	(2,329,068)	(1,947,234)	(4,276,302)	-	-	(4,276,302)
Change in Net Assets from Discontinued Operations						
Gain on discontinued operations	-	-	-	(9,075)	-	(9,075)
Change in Net Assets	26,912,325	38,613	26,950,938	(118,390)	-	26,832,548
Net Assets, beginning of year	185,063,884	6,777,663	191,841,547	118,390	-	191,959,937
Net Assets, end of year	$ 211,976,209	$ 6,816,276	$ 218,792,485	$ -	$ -	$ 218,792,485

Environmental Defense Fund, Incorporated

Consolidating Schedule of Activities

Year ended September 30, 2017

	EDF	EDAF	Subtotal Continued Operations	CFF (Discontinued Operations)	Eliminations	Total
Operating Support and Revenue						
Support:						
Contributions and membership	$ 96,727,764	$ 6,890,973	$ 103,618,737	$ -	$ -	$ 103,618,737
Foundations and other institutional giving	42,087,691	6,139,608	48,227,299	-	(4,570,238)	43,657,061
Government grants and other giving	978,614	375	978,989	-	-	978,989
Contributed services and in-kind gifts	1,096,995	-	1,096,995	-	-	1,096,995
Bequests and other planned giving	4,540,127	25,000	4,565,127	-	-	4,565,127
Total Support	145,431,191	13,055,956	158,487,147	-	(4,570,238)	153,916,909
Revenue:						
Investment income allocated for operations	3,338,165	-	3,338,165	-	-	3,338,165
Fees, royalties and other income	725,521	3,720	729,241	-	-	729,241
Total Revenue	4,063,686	3,720	4,067,406	-	-	4,067,406
Total Operating Support and Revenue (Expenses)	149,494,877	13,059,676	162,554,553	-	(4,570,238)	157,984,315
Operating Expenses						
Compensation	79,815,040	1,682,995	81,498,035	-	-	81,498,035
Professional and consulting fees	32,630,589	3,647,203	36,277,792	-	-	36,277,792
Travel	6,572,824	180,812	6,753,636	-	-	6,753,636
Printing	6,854,748	336,694	7,191,442	-	-	7,191,442
Postage and delivery	322,631	165,695	488,326	-	-	488,326
Occupancy	8,614,889	108,617	8,723,506	-	-	8,723,506
Telecommunications	1,123,948	14,418	1,138,366	-	-	1,138,366
Data management	1,123,464	84,133	1,207,597	-	-	1,207,597
Supplies and equipment	634,366	12,341	646,707	-	-	646,707
Meetings and events	3,778,588	353,440	4,132,028	-	-	4,132,028
Subscriptions and dues	1,485,603	68,643	1,554,246	-	-	1,554,246
Advertising and promotions	3,615,295	5,745,622	9,360,917	-	-	9,360,917
Grants to others	21,950,992	1,595,987	23,546,979	-	(4,570,238)	18,976,741
Other	1,946,517	161,525	2,108,042	-	-	2,108,042
	170,469,494	14,158,125	184,627,619	-	(4,570,238)	180,057,381
Depreciation and amortization	2,168,191	-	2,168,191	-	-	2,168,191
Total Operating Expenses	172,637,685	14,158,125	186,795,810	-	(4,570,238)	182,225,572
Change in Net Assets from Operations	(23,142,808)	(1,098,449)	(24,241,257)	-	-	(24,241,257)
Change in Net Assets from Non-Operating Activities						
Other income, net of contributions and other income	423,223	-	423,223	-	-	423,223
Investment results, net of allocation to operations	(905,664)	(149)	(905,813)	-	-	(905,813)
Change in Net Assets from Discontinued Operations						
Gain on discontinued operations	-	-	-	1,790	-	1,790
Change in Net Assets	(23,625,249)	(1,098,598)	(24,723,847)	1,790	-	(24,722,057)
Net Assets, beginning of year	208,689,133	7,876,261	216,565,394	116,600	-	216,681,994
Net Assets, end of year	$ 185,063,884	$ 6,777,663	$ 191,841,547	$ 118,390	$ -	$ 191,959,937