

Consolidated Financial Statements and
Supplemental Schedules Together with
Report of Independent Certified Public
Accountants

Natural Resources Defense Council, Inc.

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Natural Resources Defense Council, Inc.

Report on the financial statements**Opinion**

We have audited the consolidated financial statements of Natural Resources Defense Council, Inc., including NRDC Action Fund, Inc., and NRDC Action Votes (collectively, "NRDC"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NRDC as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NRDC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NRDC's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NRDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NRDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Unconsolidated Schedule of Activities and Consolidating Schedule of Activities for the year ended June 30, 2022, are presented for the purpose of additional analysis and are not a required part of the 2022 consolidated financial statement audits. Such supplementary 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 audit of the 2022 consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 consolidated financial statements or to the 2022 consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the 2022 consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
November 29, 2022

Natural Resources Defense Council, Inc.

CONSOLIDATED BALANCE SHEETS

As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 52,322,140	\$ 24,153,596
Contributions and grants receivable, net	20,164,121	21,479,202
Prepaid expenses and other assets	3,819,652	5,126,771
Investments	438,785,410	532,637,054
Investments pertaining to deferred compensation plan	2,124,831	3,255,131
Investments in split-interest agreements	21,067,205	24,960,851
Operating right-of-use assets	42,198,228	45,256,063
Fixed assets, net	<u>35,897,859</u>	<u>36,396,424</u>
Total assets	<u>\$ 616,379,446</u>	<u>\$ 693,265,092</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$37,272,711	\$ 38,538,464
Bank line of credit	-	7,213,262
Interest-rate swap agreement	-	2,116,558
Bonds payable, net	-	8,744,873
Term loan	18,310,937	-
Revolving credit facility	2,500,000	-
Operating lease liability	49,963,380	52,840,014
Obligations under deferred compensation plan	2,124,831	3,255,131
Defined benefit plan obligation	1,596,187	4,203,766
Split-interest agreements:		
Charitable gift annuities and charitable remainder unit trusts - payable to annuitants	14,928,041	14,515,648
Pooled life income funds - deferred revenue	<u>448,499</u>	<u>227,363</u>
Total liabilities	<u>127,144,586</u>	<u>131,655,079</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	315,605,937	348,990,267
With donor restrictions	<u>173,628,923</u>	<u>212,619,746</u>
Total net assets	<u>489,234,860</u>	<u>561,610,013</u>
Total liabilities and net assets	<u>\$ 616,379,446</u>	<u>\$ 693,265,092</u>

The accompanying notes are an integral part of these consolidated financial statements.

Natural Resources Defense Council, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Memberships and individual contributions	\$ 92,004,837	\$ 28,086,639	\$ 120,091,476
Foundation grants	1,141,437	58,254,850	59,396,287
Bequests	13,051,743	-	13,051,743
In-kind contributions	2,501,973	435,383	2,937,356
Awarded attorneys fees	756,825	2,501,333	3,258,158
Allocation of endowment spending	1,552,782	1,350,356	2,903,138
Other revenue	311,933	-	311,933
Net assets released from restrictions	121,946,431	(121,946,431)	-
Total revenues	<u>233,267,961</u>	<u>(31,317,870)</u>	<u>201,950,091</u>
Expenses			
Program services:			
Clean energy future	67,449,809	-	67,449,809
International	23,872,584	-	23,872,584
Wildlife and wildlands	33,707,562	-	33,707,562
Sustainable communities	58,577,992	-	58,577,992
Membership services	3,007,521	-	3,007,521
Total program services	<u>186,615,468</u>	<u>-</u>	<u>186,615,468</u>
Supporting services:			
Management and general	19,523,654	-	19,523,654
Fundraising	20,867,693	-	20,867,693
Member recruitment	3,337,282	-	3,337,282
Total supporting services	<u>43,728,629</u>	<u>-</u>	<u>43,728,629</u>
Total expenses	<u>230,344,097</u>	<u>-</u>	<u>230,344,097</u>
Changes in net assets from operating activities, before transfers	<u>2,923,864</u>	<u>(31,317,870)</u>	<u>(28,394,006)</u>
Transfer to Board-designated endowment	(12,738,626)	-	(12,738,626)
Transfer from Board-designated endowment for capital-related expenditures	1,200,000	-	1,200,000
Transfers from other reserve funds	5,703,804	-	5,703,804
Changes in net assets from operating activities, after transfers	<u>(2,910,958)</u>	<u>(31,317,870)</u>	<u>(34,228,828)</u>
Non-operating activities			
Investment losses, net of amounts appropriated for operations	(39,975,001)	(7,030,998)	(47,005,999)
Change in value of interest-rate swap agreement	479,358	-	479,358
Transfer to Board-designated endowment from operations	12,738,626	-	12,738,626
Pension-related activity	107,579	-	107,579
Transfer to operations from Board-designated endowment for capital-related expenditures	(1,200,000)	-	(1,200,000)
Change in value of split-interest agreements	(2,623,934)	(641,955)	(3,265,889)
Total non-operating activities	<u>(30,473,372)</u>	<u>(7,672,953)</u>	<u>(38,146,325)</u>
Changes in net assets	<u>(33,384,330)</u>	<u>(38,990,823)</u>	<u>(72,375,153)</u>
Net assets, beginning of year	<u>348,990,267</u>	<u>212,619,746</u>	<u>561,610,013</u>
Net assets, end of year	<u>\$ 315,605,937</u>	<u>\$ 173,628,923</u>	<u>\$ 489,234,860</u>

The accompanying notes are an integral part of this consolidated financial statement.

Natural Resources Defense Council, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Memberships and individual contributions	\$ 91,719,715	\$ 124,536,461	\$ 216,256,176
Foundation grants	989,032	46,642,165	47,631,197
Bequests	24,122,783	327,525	24,450,308
In-kind contributions	2,930,279	156,766	3,087,045
Awarded attorneys fees	2,179,934	-	2,179,934
Allocation of endowment spending	533,169	1,216,797	1,749,966
Other revenue	1,515,230	(49,281)	1,465,949
Net assets released from restrictions	93,765,948	(93,765,948)	-
Total revenues	<u>217,756,090</u>	<u>79,064,485</u>	<u>296,820,575</u>
Expenses			
Program services:			
Clean energy future	51,408,787	-	51,408,787
International	21,688,221	-	21,688,221
Wildlife and wildlands	29,049,025	-	29,049,025
Sustainable communities	55,606,069	-	55,606,069
Membership services	2,990,349	-	2,990,349
Total program services	<u>160,742,451</u>	<u>-</u>	<u>160,742,451</u>
Supporting services:			
Management and general	15,656,278	-	15,656,278
Fundraising	16,663,497	-	16,663,497
Member recruitment	3,051,593	-	3,051,593
Total supporting services	<u>35,371,368</u>	<u>-</u>	<u>35,371,368</u>
Total expenses	<u>196,113,819</u>	<u>-</u>	<u>196,113,819</u>
Changes in net assets from operating activities, before transfers	<u>21,642,271</u>	<u>79,064,485</u>	<u>100,706,756</u>
Transfer to Board-designated endowment	(22,820,811)	-	(22,820,811)
Transfer from Board-designated endowment for capital-related expenditures	4,400,000	-	4,400,000
Transfers from other reserve funds	115,000	-	115,000
Changes in net assets from operating activities, after transfers	<u>3,336,460</u>	<u>79,064,485</u>	<u>82,400,945</u>
Non-operating activities			
Investment gains, net of amounts appropriated for operations	50,483,281	7,783,045	58,266,326
Change in value of interest-rate swap agreement	781,598	-	781,598
Transfer Board-designated endowment from Operations to Non-Operations	22,820,811	-	22,820,811
Pension-related activity	382,888	-	382,888
Transfer to operations from Board-designated endowment for capital-related expenditures	(4,400,000)	-	(4,400,000)
Change in value of split-interest agreements	3,035,032	316,293	3,351,325
Total non-operating activities	<u>73,103,610</u>	<u>8,099,338</u>	<u>81,202,948</u>
Changes in net assets	76,440,070	87,163,823	163,603,893
Net assets, beginning of year	<u>272,550,197</u>	<u>125,455,923</u>	<u>398,006,120</u>
Net assets, end of year	<u>\$ 348,990,267</u>	<u>\$ 212,619,746</u>	<u>\$ 561,610,013</u>

The accompanying notes are an integral part of this consolidated financial statement.

Natural Resources Defense Council, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022

	2022					2022					Total
	Program Services					Supporting Services					
	Clean Energy Future	International	Wildlife and Wildlands	Sustainable Communities	Membership Services	Total Program Services	Management and General	Fundraising	Member Recruitment	Total Supporting Services	Total
Salaries and benefits	\$ 27,233,688	\$ 11,136,794	\$ 17,259,589	\$ 31,073,621	\$ 945,381	\$ 87,649,073	\$ 14,947,796	\$ 13,631,219	\$ 206,387	\$ 28,785,402	\$ 116,434,475
Rent and utilities	1,999,490	837,633	1,289,327	2,262,645	71,105	6,460,200	1,090,157	985,885	15,523	2,091,565	8,551,765
Depreciation and amortization	568,758	239,176	368,144	646,071	20,898	1,843,047	311,267	281,508	4,432	597,207	2,440,254
Professional consulting and counsel	10,581,111	5,746,010	5,536,845	9,519,941	38,510	31,422,417	1,090,493	1,535,739	66,797	2,693,029	34,115,446
Special mailings and postage	372,788	47,818	1,249,798	130,854	619,300	2,420,558	4,151	2,121	1,230,457	1,236,729	3,657,287
Printing and copying	498,449	126,719	1,952,245	318,466	990,722	3,886,601	679	660,574	1,478,196	2,139,449	6,026,050
Membership lists and maintenance	108,298	28,916	327,721	80,012	215,417	760,364	-	-	173,415	173,415	933,779
Travel	255,667	233,655	213,722	302,229	422	1,005,695	84,035	70,763	92	154,890	1,160,585
Public affairs and advertising	4,660,835	394,974	1,468,929	5,543,539	123	12,068,400	5,465	1,714,760	3,567	1,723,792	13,792,192
Conferences and meetings	62,420	79,846	51,285	66,730	5,711	265,992	21,562	5,600	46	27,208	293,200
Contributions to others	17,500,533	3,613,143	2,056,837	4,972,898	-	28,143,411	-	-	-	-	28,143,411
Web and software maintenance	1,116,214	405,515	644,156	1,276,922	24,424	3,467,231	419,515	358,566	5,332	783,413	4,250,644
Recruiting fees	270,644	171,429	190,011	307,434	9,624	949,142	147,847	138,198	2,101	288,146	1,237,288
Other	2,220,914	810,956	1,098,953	2,076,630	65,884	6,273,337	1,400,687	1,482,760	150,937	3,034,384	9,307,721
Total expenses	\$ 67,449,809	\$ 23,872,584	\$ 33,707,562	\$ 58,577,992	\$ 3,007,521	\$ 186,615,468	\$ 19,523,654	\$ 20,867,693	\$ 3,337,282	\$ 43,728,629	\$ 230,344,097

The accompanying notes are an integral part of this consolidated financial statement.

Natural Resources Defense Council, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	2021										
	Program Services					Supporting Services					Total
	Clean Energy Future	International	Wildlife and Wildlands	Sustainable Communities	Membership Services	Total Program Services	Management and General	Fundraising	Member Recruitment	Total Supporting Services	
Salaries and benefits	\$ 27,058,518	\$ 10,476,506	\$ 17,168,975	\$ 33,665,556	\$ 803,252	\$ 89,172,807	\$ 12,357,658	\$ 10,292,580	\$ 342,893	\$ 22,993,131	\$ 112,165,938
Rent and utilities	1,839,949	754,099	1,224,341	2,357,389	57,818	6,233,596	853,590	712,473	24,681	1,590,744	7,824,340
Depreciation and amortization	713,300	294,277	477,782	919,938	23,157	2,428,454	333,109	278,033	9,632	620,774	3,049,228
Professional consulting and counsel	11,938,186	6,317,098	4,391,527	10,267,034	91,941	33,005,786	1,002,499	1,264,697	72,910	2,340,106	35,345,892
Special mailings and postage	448,383	28,724	589,084	90,093	613,474	1,769,758	8,186	64,993	1,060,250	1,133,429	2,903,187
Printing and copying	540,789	137,756	1,059,875	344,017	1,076,305	3,158,742	242	559,986	1,176,679	1,736,907	4,895,649
Membership lists and maintenance	64,445	18,624	229,704	58,221	266,967	637,961	-	5,106	158,932	164,038	801,999
Travel	8,537	24,994	8,336	80	-	41,947	17,530	9,131	-	26,661	68,608
Public affairs and advertising	2,458,822	231,913	790,321	1,854,760	3	5,335,819	1,684	2,231,546	2,940	2,236,170	7,571,989
Conferences and meetings	19,138	98,677	13,577	37,411	7,757	176,560	10,011	12,074	30	22,115	198,675
Contributions to others	3,426,643	2,519,079	1,809,844	3,397,637	-	11,153,203	15,000	-	-	15,000	11,168,203
Web and software maintenance	1,258,950	278,942	509,442	876,981	18,852	2,943,167	286,241	251,140	8,048	545,429	3,488,596
Recruiting fees	20,653	24,097	12,680	24,415	596	82,441	32,162	7,341	254	39,757	122,198
Other	1,612,474	483,435	763,537	1,712,537	30,227	4,602,210	738,366	974,397	194,344	1,907,107	6,509,317
Total expenses	\$ 51,408,787	\$ 21,688,221	\$ 29,049,025	\$ 55,606,069	\$ 2,990,349	\$ 160,742,451	\$ 15,656,278	\$ 16,663,497	\$ 3,051,593	\$ 35,371,368	\$ 196,113,819

The accompanying notes are an integral part of this consolidated financial statement.

Natural Resources Defense Council, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Changes in net assets	\$ (72,375,153)	\$ 163,603,893
Adjustments to reconcile changes in net asset to net cash used in provided by operating activities:		
Depreciation and amortization	2,440,254	3,049,228
Amortization of debt/bond issuance costs	1,676	48,210
Write-off of issuance costs of satisfied debt	325,126	-
Change in value of interest-rate swap agreement	(479,358)	(781,598)
Contributions to permanent endowment	-	(1,000,000)
Change in provision for uncollectible contributions receivable	13,380	60,634
Change in discount allowance for contributions receivable	(134,097)	(308,016)
Net realized and unrealized depreciation (appreciation) in fair value of investments	37,349,578	(65,629,540)
Change in operating assets and liabilities:		
Contributions and grants receivable	1,435,798	7,909,456
Prepaid expenses and other assets	980,317	(243,050)
Investments pertaining to deferred compensation plan	1,130,300	(443,806)
Investments in and obligations under split-interest agreements	5,955,162	(2,654,673)
Accounts payable and accrued expenses	(1,084,362)	1,863,624
Right-of-use asset	3,057,835	-
Lease liability	(2,876,633)	1,901,041
Obligations under deferred compensation plan	(1,130,300)	443,806
Defined benefit plan obligation	(2,607,579)	(382,887)
Net cash (used in) provided by operating activities	<u>(27,998,056)</u>	<u>107,436,322</u>
Cash flows from investing activities		
Purchases of investments	(308,597,991)	(266,716,123)
Proceeds from sales of investments	365,100,057	143,678,663
Capital expenditures	(2,123,081)	(4,149,908)
Net cash provided by (used in) investing activities	<u>54,378,985</u>	<u>(127,187,368)</u>
Cash flows from financing activities		
Contributions to permanent endowment	-	1,000,000
Repayment on revolving credit loan	(7,213,262)	-
Termination of interest rate swap	(1,637,200)	-
Principal payment on bonds payable	(8,744,873)	(360,000)
Borrowings under Term loan	18,500,000	-
Debt issuance costs	(98,874)	-
Principal payments on Term Loans	(90,189)	-
Borrowings under Revolving credit facility	2,500,000	-
Payments to beneficiaries under split-interest agreements	(1,427,987)	(1,503,752)
Net cash provided by (used in) financing activities	<u>1,787,615</u>	<u>(863,752)</u>
Net increase (decrease) in cash and cash equivalents	28,168,544	(20,614,798)
Cash and cash equivalents, beginning of year	<u>24,153,596</u>	<u>44,768,394</u>
Cash and cash equivalents, end of year	<u>\$ 52,322,140</u>	<u>\$ 24,153,596</u>
Supplemental information:		
Cash paid for interest on indebtedness	<u>\$ 339,100</u>	<u>\$ 376,967</u>
Purchases of property and equipment in accounts payable	<u>\$ 41,044</u>	<u>\$ 222,437</u>

The accompanying notes are an integral part of these consolidated financial statements.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - NATURE OF OPERATIONS

Natural Resources Defense Council, Inc., together with its affiliates described below (“NRDC”), is a national nonprofit organization dedicated to ensuring a safe and healthy environment for all people and safeguarding the natural systems on which all life depends. NRDC’s staff of approximately 675 includes lawyers, scientists, and other professional staff working to safeguard the Earth.

Formed in 1970, NRDC tackles the most serious environmental threats of the past five decades - including climate change, water pollution, habitat destruction, and toxins in our communities and emerges with innovative, enforceable solutions that protect both nature and human society. In the process, NRDC’s staff has grown from a small group of lawyers into a leading champion of the environment, wielding a potent combination of courtroom prowess, scientific expertise, policy influence, media outreach, and the grassroots energy of over 2.5 million concerned members and online activists.

NRDC has offices in New York City, Washington, D.C., San Francisco, Los Angeles, Chicago and Bozeman, Montana, as well as in Beijing, China. NRDC is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (“IRC”).

With the support of members, other individuals, online activists and major foundations, NRDC has organized its work around three ambitious-yet-achievable environmental goals with the greatest potential to protect both the environment and human health for generations to come: avert dangerous climate change and its impacts, support healthy people and thriving communities, and conserve nature and protect wildlife.

These are daunting goals, but NRDC has the vision and expertise to put bold solutions in place. It has an unparalleled arsenal of core capacities ranging from a broad set of advocacy tools to a strong presence in centers of government, finance, and manufacturing to a track record of success on the international stage, including China, India, and the Americas. These capacities allow NRDC to develop creative solutions from every angle. Although other groups have experts in one or two areas, NRDC’s effectiveness stems from its ability to tackle environmental challenges on many fronts at once. By taking a comprehensive, yet focused approach, NRDC achieves lasting results.

NRDC Action Fund, Inc. (“Action Fund”) commenced operations during fiscal 1997. The Action Fund is a U.S. Internal Revenue Code Section 501(c)(4) organization that is an affiliate of NRDC.

The Action Fund works to build the political support needed in the United States to protect the planet and its people. The Action Fund mobilizes grassroots supporters and lobbies elected officials to fight for clean air, safe water, pristine public lands, and a clean energy future. The Action Fund supports candidates who stand up for environmental protection and hold accountable those who side with polluters, rather than the public good.

This critical work is ongoing for a livable and sustainable future. Our country’s bedrock environmental laws remain under attack by elected officials who favor polluting industries over their constituents, and science-denying congressional members are still stalling progress in our fight against global climate change.

In fiscal 2014, the Action Fund formed a connected political action committee (“NRDC Action Fund PAC”) to make direct contributions to federal candidates who share NRDC Action Fund’s policy goals and priorities. In fiscal 2020, the Action Fund launched NRDC Action Votes, which is an independent expenditure only federal political committee (commonly known as a Super PAC), that produces and promotes paid content to targeted voters in support of pro-environment candidates.

NRDC Limited commenced operations during fiscal 2012. NRDC Limited was incorporated in Hong Kong and was recognized as tax exempt by its local jurisdiction; its mission was to protect wildlife and wild places and to ensure a healthy environment for all life on earth, with an emphasis on China, including Hong Kong. A decision was made in April 2019 to de-register and dissolve NRDC Limited. All required documents have

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

been submitted to the Hong Kong Inland Revenue Department. The Hong Kong government dissolved NRDC Limited in April 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of NRDC, which include the NRDC Action Fund, NRDC Limited and NRDC Action Votes, are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All inter-company transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

Net Assets

NRDC's consolidated financial statements distinguish between net assets with donor restrictions and net assets without donor restrictions, based upon the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions

Include funds that have not been restricted by donors and are therefore available for use in carrying out the general operations of NRDC. Such net assets may be designated for specific purposes by the Board of Trustees.

Net Assets With Donor Restrictions

Include funds that have been restricted by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of NRDC pursuant to those stipulations and funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity. Income earned on donor-invested assets is generally available for expenditure according to donor-imposed restrictions, if any (see Notes 4 and 11).

Revenue Recognition

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), NRDC recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration NRDC expects to be entitled to in exchange for those goods or services. NRDC applies the five-step revenue model stipulated by ASC 606 to applicable revenue streams in order to determine when revenue is earned and recognized. The five-step model requires NRDC to (i) identify contracts with customers, (ii) identify performance obligations related to those contracts, (iii) determine the transaction price, (iv) allocate that transaction price to performance obligations, and (v) recognize revenue when or as NRDC satisfies a performance obligation(s).

ASC 606 also requires disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. NRDC recognizes contract revenue with customers, as goods or services are transferred or provided in accordance with ASC 606.

NRDC derives its revenues principally from foundations, memberships and individual contributions, bequests, court awarded fees and investment returns.

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The carrying value of receivables has been reduced by an estimated allowance for potentially uncollectible accounts, based on historical collection experience, and therefore, approximates net realizable value. Receivables are written-off in the period in which they are deemed to be uncollectible. Amounts received in advance are recognized as deferred revenue on the consolidated balance sheet.

Contributions and Grants

NRDC recognizes revenue from grants and contracts in accordance with Accounting Standards Update (“ASU”) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, NRDC evaluates whether a transfer of assets is (i) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (ii) a contribution. If the transfer of assets is determined to be an exchange transaction, NRDC applies guidance under ASC 606, discussed above. If the transfer of assets is determined to be a contribution, NRDC evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before NRDC is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate (credit adjusted) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for potentially uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides, based on an assessment of the creditworthiness of the respective donor and nature of fundraising activity. Contributions are written-off when determined to be uncollectible.

Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions and subsequently released when the restrictions on which they depend are met. Contributions subject to donor-imposed stipulations that the corpus be maintained in perpetuity are also recognized as increases in net assets with donor restrictions.

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met.

Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The estimated fair value of contributed services are recorded as in-kind contributions and expenses amongst the functional expense categories benefitted in the period received (see Note 12). A number of unpaid volunteers have made significant contributions of their time in furtherance of NRDC’s programs. The value of this contributed time is not reflected in the accompanying consolidated financial statements since it does not meet the criteria for recognition.

Awarded Attorney’s Fees

Awarded attorneys’ fees include court awarded fees and settlements paid to NRDC from third parties and reimbursements for NRDC’s attorneys’ fees and costs.

Investments

Investments in mutual funds and debt and equity securities with readily determinable fair values are reported based on quoted market prices as of the reporting date. Investments in non-exchange traded limited partnerships, hedge funds and similar interests are carried at fair value as determined by the respective limited partnership, hedge fund or fund manager.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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Investment transactions are reported on a trade-date basis. Realized gains and losses are determined on the basis of specific identification. Unrealized gains or losses are determined by comparing cost to fair value at the beginning and end of each fiscal year. Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations regarding the purpose or time or whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity.

NRDC's investment objectives with respect to its endowment investment funds are to preserve and enhance its real, inflation-adjusted asset value while minimizing year-to-year volatility, and to provide adequate liquidity to support NRDC in perpetuity. In connection with these investment objectives, NRDC's Board of Trustees has adopted a spending policy which allows for up to 4% of the average fair value of endowment funds, calculated at December 31 of the 12-preceding calendar-year quarters, to be used in support of operations on an annual basis. The spending policy is reviewed, and the actual amount designated for spending is determined annually. For fiscal 2022 and 2021, the endowment spending amounts approved totaled \$4,103,138 and \$6,149,966, respectively. For fiscal 2022 and 2021, additional special appropriations from NRDC's reserves totaled \$5,703,804 and \$115,000, respectively, and are included as part of the transfer from other reserve funds to operations in the accompanying consolidated statements of activities.

Cash and Cash Equivalents and Amounts Held in Escrow

Cash and cash equivalents consist of highly liquid financial instruments with original maturities of three months or less from the date of purchase.

During fiscal 2020, NRDC collaborated with two similarly focused nonprofit organizations, collectively, the "Plaintiffs," and commenced a legal action against a for-profit company whose actions were harmful to the environment. The Plaintiffs were successful, and the court awarded a settlement of \$8.6 million, which was deposited in an escrow account with joint-decision making for disbursements amongst the Plaintiffs. An additional \$300,000 was received in fiscal 2022 in connection with the original settlement agreement. Since NRDC was named as a one-third beneficiary of the court awarded settlement, it has recognized its ratable share of the settlement as revenue of the donor-restricted net asset category. Similarly, when amounts are disbursed from the escrow account, NRDC will recognize its ratable portion of the expense, as both a net asset release and a corresponding expense in the functional expense category to which the amount pertains. NRDC's interest in the escrow account cash balance is included as part of cash and cash equivalents on the consolidated balance sheets.

During fiscal 2022, NRDC collaborated with four similarly focused nonprofit organizations, collectively, the 'Plaintiffs', and commenced a legal action against the City of Los Angeles, Port of Los Angeles ("Port") and Los Angeles Board of Harbor Commissioners whose actions were harmful to the environment. The Plaintiffs were successful, and the court awarded a settlement of \$12 million with joint-decision making for disbursements amongst the Plaintiffs. Since NRDC was named as a one-fifth beneficiary of the court awarded settlement, it has recognized its ratable share of the settlement as revenue of the donor-restricted net asset category. NRDC, along with the other four nonprofit organizations, entered into an agreement with Rose Foundation for Communities and the Environment to establish a mitigation fund to spend on projects to address air pollutant emissions from the Port in the communities of San Pedro and Wilmington and, accordingly, recognized its ratable portion of the expense, as both a net asset release and a corresponding expense in the functional expense category to which the amount pertains.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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Liquidity and Availability of Financial Assets

The following table reflects NRDC's financial assets as of June 30, 2022 and 2021 available to meet general expenditures within one year of the respective balance sheet date:

	2022	2021
Cash and cash equivalents, excluding amounts held in escrow of \$286,000 and \$98,239 in 2022 and 2021, respectively	\$ 52,036,140	\$ 24,055,357
Contributions receivable, net, due within one year and with no use restrictions	5,450,775	5,584,585
Total financial assets available within one year, before anticipated endowment draw	57,486,915	29,639,942
Add:		
Anticipated endowment draw in support of the following year's operations/capital expenditures	5,000,000	11,500,000
Anticipated draw from operating reserves in support of the following year's operations	13,000,000	13,600,000
Total financial assets available to management for general expenditures within one year	\$ 75,486,915	\$ 54,739,942

The anticipated endowment draw in support of fiscal 2023 operations totaling \$5,000,000 is comprised of \$3,500,000 to provide for donor-funded program expenses and \$1,500,000 to provide funding for certain capital-related expenditures. The anticipated draw from operating reserves in support of fiscal 2023 operations totaling \$13,000,000 is expected to fund program expenses and general operations. As of the date of these financial statements, NRDC continues to closely monitor its overall financial performance including the level of contributions and its budget to actual spending and will revise the amount of the anticipated endowment draw as appropriate.

Excluded from the detail provided above are all investment amounts pertaining to NRDC's endowment fund totaling \$308,640,830 as of June 30, 2022 and \$336,828,965 as of June 30, 2021. NRDC's endowment fund includes both donor-restricted investments (original gift amount and accumulated gains) and NRDC's Board-designated endowment (quasi-endowment) (See Note 4 for a detail of NRDC's endowment fund). The endowment is subject to an annual spending rate of 4% and 5% for fiscal 2022 and 2021 respectively, as further described in Note 2. Although NRDC does not intend to spend from its Board-designated endowment, other than amounts appropriated for operations annually, if necessary, such amounts could be made available in support of general operations, following Board approval. As of June 30, 2022 and 2021, NRDC had \$264,329,421 and \$285,739,572, respectively, of Board-designated endowment funds. The extent of available financial assets as of June 30, 2022, presented above, includes an approximation of the fiscal 2023 endowment draw to be used in support of 2023 operations.

See Note 9 for a detail of NRDC's available lines of credit.

Split-Interest Agreements

NRDC holds assets under split-interest agreements consisting of pooled life income funds, charitable remainder unitrusts ("CRUT") and charitable gift annuities for which NRDC serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are reported as investments in split-interest agreements on the consolidated balance sheet. A portion of the contributed

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assets is considered to be a charitable contribution for income tax purposes by the donor and has been recognized as a contribution at the date of gift in the appropriate net asset category. When the terms of the gift instrument have been met, the remaining amount of the gift, if any, may be used for general or specific purposes as stipulated by the respective donor.

Under NRDC's charitable remainder unitrusts and charitable gift annuities programs, where NRDC is the trustee, liabilities are recorded for the present or fair value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the unrestricted use of NRDC, unless stipulated otherwise by the donor. Under NRDC's pooled life income funds program, the difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future interests, on the consolidated balance sheet. Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to NRDC. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments are reported as change in value of split-interest agreements on the consolidated statement of activities.

Fixed Assets

Property acquisitions and improvements are stated at cost, or in the case of donations, at fair value as determined on the date of gift. Assets, including improvements, costing \$5,000 or more with expected useful lives longer than three years are capitalized and depreciated on a straight-line basis (applying the modified half-year convention) over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 15 years
Computer and software	3 years

Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter.

Cloud Computing Arrangements

NRDC follows guidance that clarifies the accounting for cloud computing arrangements ("CCA"), including principles relating to financial statement recognition and measurement. This guidance provides that the fees paid for a CCA are within the scope of the internal-use software guidance if two criteria exist, including a contractual right to the software and feasibility to operate the software on hardware located on premises.

CCA customized for use is capitalized and amortized over a term of three years and is recorded as part of prepaid expenses and other assets on the consolidated balance sheet.

Measure of Operations

Included in operating activities without donor restrictions are revenues and expenses used for the general support of NRDC's program and supporting services, including amounts appropriated for expenditure under the Board-approved spending policy and other Board-approved appropriations and transfers. These funds provide for the salaries and benefits for staff, costs of publications and other normal business functions such as utilities and rent.

Non-operating activities include: (1) planned-giving fund related activities; (2) investment return designated for long-term investment, in excess of (less than) amounts used for operations; (3) changes in values of split-interest agreements and interest-rate swap agreement; (4) pension-related activities; (5) net asset transfers and reclassifications; and (6) other items considered to be unusual or nonrecurring in nature.

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Expenses

The costs of providing program and supporting services have been summarized on the accompanying consolidated statements of activities. Certain overhead expenses, principally rent, depreciation and amortization, insurance and interest, are allocated among NRDC's program and supporting services on the basis of salaries charged to the respective functional area. See the accompanying consolidated statements of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and, the reported amounts of revenues and expenses during the reporting period. The more significant estimates include the valuation of non-exchange traded alternative investments and interest-rate swap agreement, the collection of contributions and grant receivables and actuarial assumptions related to the defined benefit pension and postretirement benefits plans, accrual for self-funded health insurance plan expenses and obligations due under split-interest agreements. Actual results could differ from those estimates.

Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It also provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as defined by the standard and prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

- Level 1 - Quoted prices are available in active markets for identical financial instruments as of the measurement date. The type of investments in Level 1 include listed equities and certain fixed income and debt securities held in the name of NRDC and exclude listed equities and other securities held indirectly in commingled funds.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the respective financial instrument as of the measurement date. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnerships and similar interests.

NRDC's policy is to recognize transfers in and transfers out of levels at the end of each respective reporting period.

Income Taxes

NRDC follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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without regard to the likelihood that the tax position may be challenged. NRDC has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and, to review other matters that may be considered uncertain tax positions. NRDC does not believe its 2022 and 2021 consolidated financial statements include any material uncertain tax positions.

Concentrations of Credit and Market Risk

Cash, cash equivalents and investments are exposed to various risks, such as market, credit and liquidity risks. To minimize such risks, NRDC has a diversified investment portfolio in a variety of asset classes managed by multiple independent investment managers. NRDC's cash, cash equivalents and investments are placed with high credit quality financial institutions. NRDC regularly evaluates its investments including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying consolidated financial statements can vary substantially from year to year and such changes could be material. NRDC maintains its cash in various bank deposit accounts that, at times, may exceed federally insured limits; however, NRDC does not anticipate nonperformance by these financial institutions.

Subsequent Events

NRDC evaluated its June 30, 2022 consolidated financial statements for subsequent events through November 29, 2022, the date the consolidated financial statements were available to be issued. NRDC is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements, other than what is disclosed. NRDC is in the process of establishing a for-profit company in India, which will further NRDC's mission.

NOTE 3 - CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net, at June 30, 2022 and 2021 are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Amounts expected to be collected in:		
One year or less	\$ 18,348,032	\$ 14,151,863
Between one and four years	<u>2,636,012</u>	<u>8,267,978</u>
	20,984,044	22,419,841
Less: discount to present value (at rates ranging from 1.00% to 6.45%)	(149,398)	(283,495)
Less: allowance for uncollectible accounts	<u>(670,525)</u>	<u>(657,144)</u>
	<u>\$ 20,164,121</u>	<u>\$ 21,479,202</u>

NRDC has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. NRDC's share of such bequests is recorded when NRDC has an irrevocable right to the bequest and the proceeds are measurable.

At June 30, 2022, NRDC has been awarded \$15,269,376 in conditional grants which have not been recorded on the accompanying 2022 consolidated financial statements. These grants are conditional based on the presence of quantifiable barriers and a right of return outlined in each agreement.

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NOTE 4 - ENDOWMENT

In accordance with the New York Prudent Management of Institutional Funds Act (“NYPMIFA”), NRDC applies a standard of prudence and considers the following factors, prescribed by NYPMIFA, in making a determination to appropriate for expenditure or to accumulate donor-restricted endowment funds:

- The duration and preservation of its endowment;
- The purposes of NRDC and its endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and appreciation of endowment investments;
- Other resources of NRDC;
- The investment policies of NRDC; and
- Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on NRDC.

NRDC’s endowment consists of 62 individual funds (47 donor-restricted and 15 quasi-endowments) and is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support a variety of purposes, including funding its program and supporting services. It also includes funds designated by NRDC’s Board of Trustees to function as an endowment (quasi-endowment). Net assets associated with individual endowment funds, including funds designated by NRDC’s Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. In addition, NRDC also holds certain reserves that are expected to be spent down over time, are tracked and managed outside of the endowment and will be used principally for program purposes. These funds are not classified as part of the quasi-endowment.

NRDC classifies as original gift (i.e., donor gifts given to its permanent endowment): (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and, (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in original gift is classified as accumulated gains until such amounts can be prudently appropriated for expenditure, consistent with donor stipulations and the standard of prudence prescribed by NYPMIFA.

Endowment net asset composition by type of fund as of June 30, 2022 and 2021 is as follows:

	2022			Total
	Without Donor Restrictions	With Donor Restrictions		
		Accumulated Gains	Original Gift	
Donor-restricted funds	\$ -	\$ 13,790,290	\$ 30,521,119	\$ 44,311,409
Board-designated funds	264,329,421	-	-	264,329,421
	<u>\$ 264,329,421</u>	<u>\$ 13,790,290</u>	<u>\$ 30,521,119</u>	<u>\$ 308,640,830</u>

Natural Resources Defense Council, Inc.

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	2021			Total
	Without Donor Restrictions	With Donor Restrictions Accumulated Gains	Original Gift	
Donor-restricted funds	\$ -	\$ 20,568,274	\$ 30,521,119	\$ 51,089,393
Board-designated funds	285,739,572	-	-	285,739,572
	<u>\$ 285,739,572</u>	<u>\$ 20,568,274</u>	<u>\$ 30,521,119</u>	<u>\$ 336,828,965</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires NRDC to retain as a fund of permanent duration. In accordance with U.S. GAAP, shortfalls of this nature are charged to donor-restricted net assets. One fund with an original gift amount of \$2,000,000 had a deficiency of \$76,803, for a net fund balance of \$1,923,197, as of June 30, 2022. There were no funds with deficiencies as of June 30, 2021.

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	2022			Total
	Without Donor Restrictions	With Donor Restrictions Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ 285,739,572	\$ 20,568,274	\$ 30,521,119	\$ 336,828,965
Investment return (loss):				
Dividends and interest	289,904	48,262	-	338,166
Investment fees	(1,097,175)	(183,860)	-	(1,281,035)
Net realized and unrealized losses	<u>(30,588,724)</u>	<u>(5,292,030)</u>	-	<u>(35,880,754)</u>
Total investment loss	(31,395,995)	(5,427,628)	-	(36,823,623)
Additions to quasi- endowment	12,738,626	-	-	12,738,626
Appropriation of endowment net assets for expenditure - spending policy	(1,552,782)	(1,350,356)	-	(2,903,138)
Appropriation of endowment net assets – capital - related expenditures	<u>(1,200,000)</u>	-	-	<u>(1,200,000)</u>
Endowment net assets, end of year	<u>\$ 264,329,421</u>	<u>\$ 13,790,290</u>	<u>\$ 30,521,119</u>	<u>\$ 308,640,830</u>

In 2022, the Board approved additional appropriations from the without donor-restricted portion of the endowment totaling \$1,200,000 to reimburse operating funds which were utilized to fund capital-related expense outlays during fiscal 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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	2021			Total
	Without Donor Restrictions	Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ 215,918,348	\$ 12,813,409	\$ 29,521,119	\$ 258,252,876
Investment return:				
Dividends and interest	335,999	58,366	-	394,365
Investment fees	(4,976,310)	(861,019)	-	(5,837,328)
Net realized and unrealized gains	56,573,892	9,774,315	-	66,348,207
Total investment return	51,933,582	8,971,662	-	60,905,244
Collection of pledges receivable and other	-	-	1,000,000	1,000,000
Additions to quasi-endowment	22,820,811	-	-	22,820,811
Terminations of planned giving arrangements	-	-	-	-
Appropriation of endowment net assets for expenditure - spending policy	(533,169)	(1,216,797)	-	(1,749,966)
Appropriation of endowment net assets to operations for capital-related expenditures and pension expense	(4,400,000)	-	-	(4,400,000)
Endowment net assets, end of year	\$ 285,739,572	\$ 20,568,274	\$ 30,521,119	\$ 336,828,965

In 2021, the Board approved additional appropriations from the without donor-restricted portion of the endowment totaling \$4,400,000 to reimburse operating funds which were utilized to fund capital-related and pension expense outlays during fiscal 2021.

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NOTE 5 - INVESTMENTS

As of June 30, 2022 and 2021, NRDC's investments, at fair value, consist of the following:

	Level 1	2022 NAV ^(a)	Total
Endowment:			
Cash and money market funds	\$ 40,141,386	\$ -	\$ 40,141,386
Equity mutual funds	94,759,040	-	94,759,040
U.S. Government bonds ^(c)	31,457,761	-	31,457,761
Common stocks	55,882,211	-	55,882,211
Venture capital	-	14,463	14,463
Hedge funds	-	71,148,733	71,148,733
Private equities	-	15,237,236	15,237,236
	<u>222,240,398</u>	<u>86,400,432</u>	<u>308,640,830</u>
Board-designated - President's fund:			
Cash and money market funds	3,377,977	-	3,377,977
Corporate bonds	619,434	-	619,434
	<u>3,997,411</u>	<u>-</u>	<u>3,997,411</u>
Strategic reserve for program initiatives and operational reserves:			
Cash and money market funds	106,599,565	-	106,599,565
Corporate bonds	19,547,604	-	19,547,604
	<u>126,147,169</u>	<u>-</u>	<u>126,147,169</u>
 Total investments, at fair value	<u>\$ 352,384,978</u>	<u>\$ 86,400,432</u>	<u>\$ 438,785,410</u>

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	2021		Total
	Level 1	NAV ^(a)	
Endowment:			
Cash and money market funds	\$ 29,392,810	\$ -	\$ 29,392,810
Equity mutual funds	108,353,019	-	108,353,019
U.S. Government bonds ^(c)	31,823,758	-	31,823,758
Common stocks	71,878,984	-	71,878,984
Venture capital	-	17,907	17,907
Hedge funds	-	82,606,170	82,606,170
Private equities	-	12,756,317	12,756,317
	<u>241,448,571</u>	<u>95,380,394</u>	<u>336,828,965</u>
Board-designated - President's fund:			
Cash and money market funds	5,168,408	-	5,168,408
Corporate bonds	598,399	-	598,399
	<u>5,766,807</u>	<u>-</u>	<u>5,766,807</u>
Strategic reserve for program initiatives and operational reserves:			
Cash and money market funds	170,031,864	-	170,031,864
Corporate bonds	19,686,305	-	19,686,305
	<u>189,718,169</u>	<u>-</u>	<u>189,718,169</u>
Total investments, at fair value	<u>\$ 436,933,547</u>	<u>\$ 95,380,394</u>	<u>\$ 532,313,941</u>
Investment transfer pending - endowment ^(b)			<u>323,113</u>
Total investments			<u>\$ 532,637,054</u>

(a) In accordance with ASC Subtopic 820-10, investments measured at fair value using net asset value ("NAV") per share as a practical expedient have not been categorized in the fair value hierarchy.

(b) Amounts presented above as pending investment purchase reflects cash disbursed to investment funds that have not yet been credited to NRDC's capital account as of June 30th. Once NRDC's capital account is credited for the pending purchase, it will be reflected as part of endowment investments.

(c) U.S. Government bonds — Bonds issued by the U.S. Treasury, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Federal National Mortgage Association. The fair values of U.S. treasury bonds are based on quoted market prices in active markets, and are included in the Level 1 fair value hierarchy.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NRDC uses, as a practical expedient, for fair value a reported NAV per share or its equivalent for purposes of valuing its non-exchange traded alternative investments within its investment portfolio as of June 30, 2022 and 2021, as detailed below.

2022							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Venture Capital	Investments in venture funds.	1	\$ 14,463	N/A	\$ -	No liquidity	No liquidity
Hedge Funds	Engages in multiple strategies, including investing both long and short in global equity markets, as well as domestic, global credit and event-driven investing.	10	71,148,733	N/A	-	8 funds quarterly, 1 fund semi-annual and 1 fund monthly	9 funds have gates
Private Equities	Private equity across a diversified set of strategies including buyout, secondaries, and private debt.	7	15,237,236	N/A	6,554,530	No liquidity	No liquidity
Total		18	\$ 86,400,432		\$ 6,554,530		
2021							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Venture Capital	Investments in venture funds.	1	\$ 17,907	N/A	\$ 62,500	No liquidity	No liquidity
Hedge Funds	Engages in multiple strategies, including investing both long and short in global equity markets, as well as domestic, global credit and event-driven investing.	10	82,606,170	N/A	-	8 funds quarterly, 1 fund semi-annual and 1 fund monthly	9 funds have gates
Private Equities	Private equity with a focus on renewables and alternative energy.	7	12,756,317	N/A	7,878,535	No liquidity	No liquidity
Total		18	\$ 95,380,394		\$ 7,941,035		

NRDC has committed to investing additional amounts with certain private equity and venture capital funds. As of June 30, 2022, NRDC has a remaining commitment to invest an additional \$6,554,530. Such commitments are expected to be fulfilled over the next three years.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 6 – SPLIT-INTEREST AGREEMENTS

NRDC is the beneficiary of various split-interest agreements with donors. NRDC may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement (usually upon death of the donor or the donor's designee(s)) at which time the remaining assets, if any, are generally unrestricted for NRDC's use. Under NRDC's charitable remainder trust and pooled life income fund programs, where NRDC is the trustee, NRDC has elected the fair value reporting option under ASC 825 which requires the obligation due under split-interest agreements to be measured at fair value annually based upon changes in the life expectancy of the donor or beneficiary and the discount rate at the date of measurement. Under NRDC's charitable gift annuities program, where NRDC is the trustee, NRDC has not elected the fair value reporting option under ASC 825 and reports the charitable gift annuity obligations using the original discount rate assigned at the date of the gift.

The discount rates used in the calculation of obligations due to annuitants under charitable remainder trust and pooled life income fund programs at June 30, 2022 and 2021 were 3.6% and 1.2%, respectively. Discount rates used to value the charitable gift annuity split-interest agreements ranged from 0.4% to 11.6% for fiscal 2022 and 2021. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

The following tables prioritize the inputs used to measure and report the fair value of NRDC's obligations due under charitable remainder trust and pooled life income fund programs, which are recurring fair value measurements due to changes in discount rates and certain other assumptions, at June 30, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Obligations due under charitable remainder trusts	\$ -	\$ 1,899,821	\$ -	\$ 1,899,821
Obligations due under pooled life income funds	-	448,499	-	448,499
	<u>\$ -</u>	<u>\$ 2,348,320</u>	<u>\$ -</u>	<u>\$ 2,348,320</u>
	2021			
	Level 1	Level 2	Level 3	Total
Obligations due under charitable remainder trusts	\$ -	\$ 2,257,745	\$ -	\$ 2,257,745
Obligations due under pooled life income funds	-	227,363	-	227,363
	<u>\$ -</u>	<u>\$ 2,485,108</u>	<u>\$ -</u>	<u>\$ 2,485,108</u>

The amounts reported above are included on the accompanying consolidated balance sheets as part of liabilities due under split-interest agreements.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The following table prioritizes the inputs used to report the fair value of NRDC's investments in split-interest agreements within the fair value hierarchy as of June 30, 2022:

	2022			Total
	Level 1	Level 2	NAV ^(a)	
Charitable gift annuities:				
Cash and cash equivalents	\$ 233,386	\$ -	\$ -	\$ 233,386
U.S. government and agency debt obligations	-	6,733,302	-	6,733,302
Corporate and other debt obligations	-	2,975,738	-	2,975,738
Common trust funds	-	-	6,961,615	6,961,615
Total	<u>233,386</u>	<u>9,709,040</u>	<u>6,961,615</u>	<u>16,904,041</u>
Charitable remainder trusts:				
Cash and cash equivalents	175,046	-	-	175,046
Equity mutual funds	2,162,536	-	-	2,162,536
Charitable bond common trust fund	-	-	552,073	552,073
Total	<u>2,337,582</u>	<u>-</u>	<u>552,073</u>	<u>2,889,655</u>
Pooled life income funds:				
Cash equivalents	21,277	-	-	21,277
Exchange traded fund	1,252,232	-	-	1,252,232
Total	<u>1,273,509</u>	<u>-</u>	<u>-</u>	<u>1,273,509</u>
Total investments	<u>\$ 3,844,477</u>	<u>\$ 9,709,040</u>	<u>\$ 7,513,688</u>	<u>\$ 21,067,205</u>

(a) In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The following table prioritizes the inputs used to report the fair value of NRDC's investments in split-interest agreements within the fair value hierarchy as of June 30, 2021:

	2021			Total
	Level 1	Level 2	NAV ^(a)	
Charitable gift annuities:				
Cash and cash equivalents	\$ 362,840	\$ -	\$ -	\$ 362,840
U.S. government and agency debt obligations	-	7,250,417	-	7,250,417
Corporate and other debt obligations	-	3,909,863	-	3,909,863
Common trust funds	-	-	8,488,457	8,488,457
Total	<u>362,840</u>	<u>11,160,280</u>	<u>8,488,457</u>	<u>20,011,577</u>
Charitable remainder trusts:				
Cash and cash equivalents	176,014	-	-	176,014
Equity mutual funds	2,638,055	-	-	2,638,055
Charitable bond common trust fund	-	-	629,043	629,043
Total	<u>2,814,069</u>	<u>-</u>	<u>629,043</u>	<u>3,443,112</u>
Pooled life income funds:				
Cash equivalents	24,796	-	-	24,796
Exchange traded fund	1,481,366	-	-	1,481,366
Total	<u>1,506,162</u>	<u>-</u>	<u>-</u>	<u>1,506,162</u>
Total investments	<u>\$ 4,683,071</u>	<u>\$ 11,160,280</u>	<u>\$ 9,117,500</u>	<u>\$ 24,960,851</u>

(a) In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NRDC uses, as a practical expedient, for fair value a reported NAV per share or its equivalent for purposes of valuing certain investments included within its split-interest investment portfolio as of June 30, 2022 and 2021, as detailed below:

		2022					
Investment Type	Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Charitable Bond Common Trust Fund	Investing primarily in fixed-income securities.	1	\$ 552,073	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF – ECTF	Approximates overall performance of the MSCI EAFE Index.	1	1,783,558	N/A	-	Monthly	None
Common Trust Fund: Non-Lending Fund Emerging Markets MSCI Non-Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index.	1	1,004,432	N/A	-	Monthly	None
Common Trust Fund: U.S. Total Market Index CTF	Approximates overall performance of the Dow Jones U.S. Total Stock Market Index.	1	4,173,625	N/A	-	Daily	None
		<u>4</u>	<u>\$ 7,513,688</u>		<u>\$ -</u>		
		2021					
Investment Type	Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Charitable Bond Common Trust Fund	Investing primarily in fixed-income securities.	1	\$ 629,043	N/A	\$ -	Monthly	None
Common Trust Fund: EAFE Index CTF – ECTF	Approximates overall performance of the MSCI EAFE Index.	1	2,202,396	N/A	-	Monthly	None
Common Trust Fund: Non-Lending Fund Emerging Markets MSCI Non-Lending Fund	Approximates overall performance of the MSCI Emerging Markets Index.	1	1,198,137	N/A	-	Monthly	None
Common Trust Fund: U.S. Total Market Index CTF	Approximates overall performance of the Dow Jones U.S. Total Stock Market Index.	1	5,087,924	N/A	-	Daily	None
		<u>4</u>	<u>\$ 9,117,500</u>		<u>\$ -</u>		

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The following tables summarize the changes in split-interest agreement obligations for the years ended June 30, 2022 and 2021:

	2022		2021	
	Charitable Gift Annuities and CRUT	Pooled Life Income Funds	Charitable Gift Annuities and CRUT	Pooled Life Income Funds
Beginning of the year	\$ 14,515,648	\$ 227,363	\$ 14,760,938	\$ 107,846
New agreements – CGA	1,582,673	-	1,145,659	-
New agreements – CRUT's	61,581	-	73,658	-
Payments to annuitants	(1,384,074)	(43,913)	(1,447,669)	(56,083)
Change in value due to actuarial valuations	928,623	430,117	(591,447)	(91,749)
Investment income	-	(146,503)	-	276,145
Fees	-	(18,565)	-	(8,796)
Other charitable remainder trust activity	(776,410)	-	574,509	-
End of the year	<u>\$ 14,928,041</u>	<u>\$ 448,499</u>	<u>\$ 14,515,648</u>	<u>\$ 227,363</u>

NOTE 7 – FIXED ASSETS, NET

Fixed assets, net, consist of the following at June 30, 2022 and 2021:

	2022	2021
Buildings and improvements	\$ 47,639,493	\$ 47,639,493
Furniture and equipment	7,999,982	7,999,982
Computer and software	7,554,903	7,554,903
Leasehold improvements	5,114,960	5,114,959
	68,309,338	68,309,337
Less: accumulated depreciation and amortization	(40,524,111)	(38,083,857)
	27,785,227	30,225,480
Work-in-progress	8,112,632	6,170,944
	<u>\$ 35,897,859</u>	<u>\$ 36,396,424</u>

Work-in-progress principally represents costs incurred for renovations in the New York City, Washington, DC, Santa Monica, Beijing, and San Francisco offices.

Depreciation and amortization for the years ended June 30, 2022 and 2021 totaled \$2,440,254 and \$3,049,228, respectively.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 8 – EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

Prior to June 30, 2007, NRDC provided a defined benefit pension plan (the “Plan”) covering salaried permanent employees. Benefits were based on years of service and the employee’s compensation during the last five years of employment. Effective June 30, 2007, NRDC froze the Plan. Following June 30, 2007, employees will no longer become eligible to participate in the Plan and vested employees in the Plan prior to June 30, 2007 will no longer accrue additional benefits. NRDC’s funding policy is to contribute annually at least the minimum contributions required by applicable regulations.

The following table provides the funded status of the Plan at June 30, 2022 and 2021 and related actuarial assumptions and other information for the years then ended:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 28,429,652	\$ 29,826,197
Interest cost	684,653	657,685
Assumption change	(5,355,895)	(828,418)
Actuarial loss (gain)	422,626	(39,691)
Benefits paid	<u>(1,123,295)</u>	<u>(1,186,121)</u>
Projected benefit obligation, end of year	<u>\$ 23,057,741</u>	<u>\$ 28,429,652</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ 24,225,886	\$ 25,239,543
Actual (loss) gain on assets	(3,967,608)	359,605
Employer contributions	2,500,000	-
Plan expenses	(173,429)	(187,141)
Benefits paid	<u>(1,123,295)</u>	<u>(1,186,121)</u>
Fair value of plan assets, end of year	<u>21,461,554</u>	<u>24,225,886</u>
Funded status (unfunded)	<u>\$ (1,596,187)</u>	<u>\$ (4,203,766)</u>
Accumulated benefit obligation	<u>\$ 23,057,741</u>	<u>\$ 28,429,652</u>
Accumulated net loss recognized in net assets	<u>\$ 9,746,421</u>	<u>\$ 11,165,830</u>
Components of net periodic pension cost:		
Interest cost	684,653	657,685
Expected loss on assets	(425,902)	(368,773)
Amortization of actuarial loss	<u>1,053,079</u>	<u>1,236,409</u>
Net periodic pension cost	<u>\$ 1,311,830</u>	<u>\$ 1,525,321</u>
Other changes recognized in net assets without donor restrictions:		
Actuarial loss	\$ (366,330)	\$ (671,800)
Amortization of actuarial loss	<u>(1,053,079)</u>	<u>(1,236,409)</u>
Pension-related activity, other than net periodic pension cost	<u>\$ (1,419,409)</u>	<u>\$ (1,908,209)</u>

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The amount reflected above as assumption change, which served to decrease the fiscal 2022 benefit obligation by (\$5,355,895), is primarily due to an increase in the discount rate (i.e., from 2.47% to 4.31%).

Weighted-average assumptions used to determine benefit obligations at June 30, 2022 and 2021 follow:

	2022	2021
Discount rate	4.31%	2.47%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2022 and 2021 follow:

	2022	2021
Discount rate	2.47%	2.29%
Expected return on plan assets	2.47%	2.29%
Rate of compensation increase	N/A	N/A

Benefit payments are expected to be paid as follows:

Year Ending June 30,	
2023	\$ 1,621,000
2024	1,623,000
2025	1,655,000
2026	1,681,000
2027	1,687,000
2028-2032	8,145,000
	\$ 16,412,000

NRDC does not expect to have to contribute to the Plan during fiscal 2023.

The estimated actuarial loss that will be amortized into net periodic pension cost during fiscal 2023 is \$975,183.

Plan Assets

NRDC determines its assumptions for the expected rate of return on plan assets for its pension plan based on ranges of anticipated rates of return for each asset class. A weighted range of nominal rates is then determined based on target allocations for each asset class. Market performance over a number of earlier years is evaluated covering a wide range of economic conditions to determine whether there are reliable reasons for projecting forward any past trends.

Third-party investment professionals manage NRDC's pension plan assets, rebalancing assets as NRDC deems appropriate. NRDC's investment strategy with respect to its pension plan assets is to minimize the volatility in the plan's funded status by maintaining a diversified fixed income portfolio that exhibits similar characteristics to the Plan's liabilities. To develop the expected rate of return on assets assumption, NRDC considered the historical returns and the future expectations for returns for each fixed income asset class, as well as the target asset allocation of the pension plan portfolio.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NRDC's pension plan investment strategy is to invest in a prudent manner for the exclusive purpose of providing benefits to participants. The investment strategy is targeted to produce a total return that, when combined with NRDC's contributions to the pension fund, will maintain the funds' ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in fixed income.

The following tables prioritize the inputs used to report the fair value of the Plan's investments within the fair value hierarchy as of June 30, 2022 and 2021:

	2022		
	Level 1	NAV ^(a)	Total
Fixed-income funds	\$ 17,687,903	\$ -	\$ 17,687,903
Short-term money market fund	3,773,651	-	3,773,651
Total pension plan investments	\$ 21,461,554	\$ -	\$ 21,461,554
	2021		
	Level 1	NAV ^(a)	Total
Fixed-income funds	\$ 15,758,470	\$ -	\$ 15,758,470
Short-term money market fund	8,467,416	-	8,467,416
Total pension plan investments	\$ 24,225,886	\$ -	\$ 24,225,886

(a) In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

The percentages of the fair value of total plan assets by asset category are as follows at June 30, 2022 and 2021:

	2022	2021
Fixed income	82%	65%
Short-term money market fund	18	35
	100%	100%

Tax-Deferred Annuity 403(b) Plan

In addition to the defined benefit pension plan, NRDC has a group tax-deferred annuity 403(b) plan covering substantially all employees. NRDC made employer contributions under a "Graduated Service Schedule" to its 403(b) Plan. The funds are held for each employee in an individual account maintained by an investment firm. Plan costs aggregated \$7,891,636 and \$7,528,016 for the years ended June 30, 2022 and 2021, respectively.

Deferred Compensation 457(b) Plan

In addition to the defined benefit pension plan and tax-deferred annuity 403(b) plan, NRDC implemented a 457(b) plan, effective September 1, 2002, for certain highly compensated employees who were former members of the pension plan. These employees (and anyone who is new to NRDC that meets specific eligibility requirements) can defer compensation up to the maximum dollar amount under Section 457(e)(15) of the IRC of 1986, as amended. As of June 30, 2022 and 2021, NRDC's obligations under the 457(b) plan

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

totaled \$2,124,831 and \$3,255,131, respectively, and are reported separately as part of both investments and obligations under deferred compensation plan on the accompanying consolidated balance sheets. The funds are held for each employee in an individual account maintained by an investment firm.

As of June 30, 2022 and 2021, NRDC's investments pertaining to its deferred compensation plan consist of the following investments, all of which are categorized as Level 1 within the fair value hierarchy.

	2022	2021
Fixed-income mutual funds	\$ 372,680	\$ 356,465
Equity mutual funds	803,865	1,492,096
Blended mutual funds	948,286	1,406,570
	\$ 2,124,831	\$ 3,255,131

NOTE 9 - DEBT OBLIGATIONS

Bank Loans

During fiscal 2022, NRDC entered into two new bank loan agreements which served to refinance the existing bank line of credit and the tax-exempt bonds issued for NRDC by Build NYC Capital Resource Corporation.

The first loan provided \$18,500,000 of proceeds which were primarily used to (a) repay the tax-exempt bonds, (b) repay the line of credit, (c) reimburse NRDC for the cost of terminating the interest-rate swap agreement, and (d) pay for the costs of issuance and other capital needs. The loan bears interest at a rate of 2.41% per year with monthly payments of principal and interest based on a 25-year amortization schedule until April 1, 2037, at which time all outstanding principal and accrued interest will be due.

The second loan provided \$15,000,000 of proceeds for various anticipated capital expenditures and other working capital needs. NRDC may draw down balances as desired between April 1, 2022 and April 1, 2024, at which time any undrawn portion of the \$15,000,000 will be drawn. During this drawdown period, the loan bears interest at a variable interest rate based on the Bloomberg Short-Term Bank Yield (BSBY) index plus a spread. Beginning in April 2024, the loan will bear interest at a fixed rate of 2.52%, with monthly payments of principal and interest based on a 25-year amortization schedule until April 1, 2037 at which time all remaining principal and accrued interest will be due. At June 30, 2022, principal outstanding on the two loans totaled \$20,810,937 at an effective rate of 2.30%.

Bank Line of Credit

NRDC converted its Bank Revolving Credit Loan into a line of credit during fiscal 2019, payable July 2022. This line of credit was repaid and closed as part of the refinancing described above. At June 30, 2021, borrowings bore interest at a rate of 0.44%, which is calculated using the 1-month London Interbank Offered Rate ("LIBOR") plus an applicable margin of 0.35%. The line of credit, if not renewed, would have expired on July 31, 2022. At June 30, 2021, NRDC had a balance of \$7,213,262 due under this line of credit.

NRDC established a bank revolving credit facility for \$30,000,000 on June 3, 2020, which was subsequently reduced to \$2,000,000. The facility has an unused commitment fee of 0.15%, determined on the basis of the unused amount. There were no amounts drawn on the facility at June 30, 2022. The line of credit expires June 1, 2023 unless renewed.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Bonds Payable, Net

During fiscal 2008, NRDC and Build NYC Capital Resource Corporation (formerly known as New York City Capital Resource Corporation, a local development corporation) created pursuant to the Not-for-Profit Corporation Law of the State of New York, entered into an agreement to issue \$12,730,000 of variable rate demand revenue bonds to refinance a portion of NRDC's taxable debt and to provide funding for the renovation of 53,500 square feet of its main office building located at 40 West 20th Street, New York, New York. These bonds were fully repaid on April 1, 2022 with the proceeds of the bank loan described above.

Bonds payable consist of the following at June 30, 2022 and 2021:

	2022	2021
New York City Capital Resource Corporation Variable Rate Demand Revenue Bonds Series 2008A dated January 24, 2008 due serially on March 31 from 2008 through 2038 (net of unamortized bond issuance costs of \$325,126 in 2021)	\$ -	\$ 8,744,873

Pursuant to the terms of the bond indenture and the letter of credit and reimbursement agreement supporting the bonds, NRDC was subject to certain covenants including both operational restrictions and financial covenants. NRDC was compliant with all such covenants at June 30, 2021.

Interest expense totaling \$339,100 and \$376,967 for the years ended June 30, 2022 and 2021, respectively, has been allocated to program and supporting services on the accompanying consolidated statements of activities. NRDC incurred \$360,472 of bond issuance costs in 2008 which have been capitalized and are being amortized over 30 years and are offset against bonds payable on the accompanying 2021 consolidated balance sheet. Moreover, NRDC incurred an additional \$180,977 of bond issuance costs in 2020, which have been capitalized and are being amortized over five years and are offset against bonds payable on the accompanying 2021 consolidated balance sheet. At June 30, 2022 and June 30, 2021, the unamortized debt restructuring cost/bond discounts were \$98,874 and \$325,127, respectively.

Interest-Rate Swap Agreements

During fiscal 2008, NRDC entered into two interest-rate swap agreements to effectively convert its \$10,910,816 variable-rate borrowings to a fixed rate of 4.025% through 2018 and its \$12,730,000 variable rate demand revenue bonds to a fixed rate of 3.639% through 2038. One of the swaps matured in fiscal 2018. The swap notional amortized at the same rate as the related debt principal. The swap was terminated on January 12, 2022 in anticipation of the retirement of the related bonds, as described above and funded by the proceeds of the bank term loan. Prior to termination, the details relating to the swap were as follows:

	2021					
Counterparty	Issue Date	Effective Date	Expiration Date	Remaining Notional Amount	Swap Fixed Rate	Fair Value of Swap at June 30, 2021
Bank of America, N.A.	1/17/2008	1/24/2008	3/1/2038	\$ 9,070,000	3.639%	\$ (2,116,558)

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires the recognition of rights and obligations arising from lease contracts – existing and new arrangements – as right-of-use assets and lease liabilities on the balance sheet.

NRDC adopted ASU 2016-02, *Leases (Topic 842)*, as amended, as of July 1, 2020, using a modified retrospective transition method. In adopting Topic 842, NRDC elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed NRDC to not reassess the definition of a lease, lease classification, and initial direct costs. Adoption of the new standard resulted in the recording of right-of-use assets and lease liabilities totaling \$49,975,010 and \$57,100,368, respectively, as of July 1, 2020. The lease standard did not materially impact NRDC's consolidated changes in net assets and had no impact on cash flows for the year ended June 30, 2021.

Lease Obligations

NRDC predominantly enters into operating leases for the right to use office buildings and equipment.

During the year ended June 30, 2022, NRDC incurred total operating lease costs in the amount of \$5,650,845 and paid \$4,398,218 for amounts included in the measurement of operating lease liabilities. The total weighted-average remaining lease term is 10.06 years, and the weighted-average discount rate used to calculate the present value of future minimum lease payments is 0.80%. NRDC elected to use the practical expedient available to nonpublic entities to use a risk-free rate to discount the lease payments.

NRDC elected the option to combine lease and non-lease components for the class of all underlying assets. NRDC has two leases that contain renewal options, which NRDC is reasonably certain to exercise to extend the lease term, such that the renewal options are included in the determination of the lease term.

At June 30, 2022, future lease payments pursuant to the Washington, D.C., San Francisco, Chicago and Beijing non-cancellable office lease agreements and other operating space and equipment leases, all classified as operating leases, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 5,189,261
2024	5,267,515
2025	5,618,720
2026	5,183,404
2027	5,100,078
Thereafter	25,890,738
	\$ 52,249,716
<u>Reconciliation</u>	
Undiscounted lease payments as of June 30, 2022	\$ 52,249,716
Less: discounting of the lease payments	(2,286,336)
Lease liability as of June 30, 2022	\$ 49,963,380

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Total operating rent expense for the years ended June 30, 2022 and 2021 totaled \$5,650,845 and \$5,465,142, respectively.

Legal matters

NRDC is a defendant in various legal matters arising from the normal conduct of its affairs. Management believes that the settlement, if any, of such matters is either subject to insurance coverage or not expected to have a material adverse effect on the consolidated financial statements of NRDC.

NOTE 11 - NET ASSETS

Net assets with donor restrictions consist of the following at June 30, 2022 and 2021:

	2022	2021
Specific environmental programs	\$ 112,279,666	\$ 141,864,163
NRDC Action Fund, Inc.	13,210,090	16,077,962
NRDC Action Votes	45,465	20,508
Pledges receivable - upon collection will be added to the permanent endowment	2,000,000	2,000,000
Amounts held in the permanent endowment - investments	30,521,119	30,521,119
Awaiting board-appropriation for program services	13,790,290	20,568,274
Donor restricted, only as to the passage of time	1,782,293	1,567,720
	\$ 173,628,923	\$ 212,619,746

Net assets totaling \$121,946,431 and \$93,765,948 were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purposes specified by the donors during the years ended June 30, 2022 and 2021, respectively. The details of the net assets released from restrictions are as follows:

	2022	2021
Memberships and individual contributions - program services	\$ 56,901,098	\$ 31,380,839
Foundation grant - program services	42,604,576	43,969,572
NRDC Action Fund, Inc.	18,285,266	14,259,311
NRDC Action Votes	405,135	2,571,857
Investment return appropriated for program services	2,400,000	1,216,797
Court awarded fees and settlements	1,350,356	1,224,097
Adjustment to charitable gift annuity obligation	-	(856,525)
	\$ 121,946,431	\$ 93,765,948

Restricted Net Assets

Net assets held in perpetuity at June 30, 2022 and 2021 consist of endowment funds, the investment return from which is restricted for specific purposes and is recorded as part of net assets with donor restrictions (accumulated gains) until appropriated for expenditure by NRDC's Board of Trustees. Net assets held in perpetuity also include pledges receivable totaling \$2,000,000 and \$2,000,000 as of June 30, 2022 and 2021, respectively.

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 12 - IN-KIND CONTRIBUTIONS

During fiscal 2022 and 2021, NRDC received donated legal, consulting, and other services and goods at fair value as follows:

	<u>2022</u>	<u>2021</u>
Legal services	\$ 2,102,708	\$ 2,507,339
Consulting services	298,042	48,167
Goods and other services	<u>536,606</u>	<u>531,539</u>
	<u>\$ 2,937,356</u>	<u>\$ 3,087,045</u>

These contributed services are recorded as in-kind contributions and expenses of various programs and supporting services in the accompanying consolidated statements of activities.

<u>Description of Services and Goods Received</u>	<u>For the Year Ended June 30, 2022</u>	<u>For the Year Ended June 30, 2021</u>	<u>Utilization in Program/ Fundraising</u>	<u>Donor restrictions</u>	<u>Valuation Technique and Inputs</u>
Legal services	\$ 2,102,708	\$ 2,507,339	Program, General and Administration and Fundraising	None; used in operations	Valued at the lawyers' hourly rates, fair value.
Consulting	298,042	48,167	Program	None; used in operations	Valued at the invoice amount, fair value.
Good and services	<u>536,606</u>	<u>531,539</u>	Program	None; used in operations	Fair value
	<u>\$ 2,937,356</u>	<u>\$ 3,087,045</u>			

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 13 - JOINT COSTS

NRDC relies on a robust direct mail program to recruit and maintain its large membership that gives it standing in court to bring legal action in defense of our environment. NRDC communicates by postal mail and other channels to generate income and to mobilize the public in direct action campaigns. These campaigns have produced millions of petitions to corporations and government agencies, thereby advancing NRDC's environmental mission. Accordingly, NRDC allocates a portion of direct mail costs to program services and to fundraising in the accompanying consolidated statements of activities.

During the years ended June 30, 2022 and 2021, NRDC allocated joint costs for such informational materials and activities as follows:

	<u>2022</u>	<u>2021</u>
Clean energy future	\$ 757,559	\$ 779,967
International	93,403	57,195
Sustainable communities	196,808	134,591
Wildlife and wildlands	3,355,112	1,708,963
Membership services	-	7,881
Fundraising	<u>2,173,571</u>	<u>1,645,487</u>
	<u>\$ 6,576,453</u>	<u>\$ 4,334,084</u>

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 14 - NRDC ACTION FUND, INC.

Included in the accompanying consolidated balance sheets at June 30, 2022 and 2021 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to NRDC Action Fund, Inc.:

	2022	2021
Balance sheets as of June 30:		
Assets	\$ 14,186,683	\$ 18,821,881
Liabilities	(976,593)	(2,743,919)
	\$ 13,210,090	\$ 16,077,962
Net assets with donor restrictions		
	\$ 13,210,090	\$ 16,077,962
Statements of activities for years ended June 30:		
Revenues - contributions	\$ 15,602,944	\$ 21,594,413
Revenues - in-kind donations	56,290	52,968
	15,659,234	21,647,381
Total revenue		
	15,659,234	21,647,381
Expenses:		
Program services:		
Clean energy future	6,748,873	7,079,070
Wildlife and wildlands	1,021,122	762,749
Sustainable communities	8,301,978	4,892,210
	16,071,973	12,734,029
Total program services		
	16,071,973	12,734,029
Supporting services:		
Management and general	788,669	912,746
Fundraising	1,679,619	1,789,710
	2,468,288	2,702,456
Total supporting services		
	2,468,288	2,702,456
Total expenses	18,540,261	15,436,485
Change in net assets before non-operating activities	(2,881,027)	6,210,896
Non-operating activities:		
Investment gains, net of amounts used for operations	13,155	1,462
	13,155	1,462
Change in net assets	(2,867,872)	6,212,358
Net assets with donor restrictions, beginning of year	16,077,962	9,865,604
Net assets with donor restrictions, end of year	\$ 13,210,090	\$ 16,077,962

Natural Resources Defense Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 15 - NRDC ACTION VOTES

Included in the accompanying consolidated balance sheets at June 30, 2022 and 2021 and the accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to NRDC Action Votes:

	2022	2021
Balance sheets as of June 30:		
Assets	\$ 45,466	\$ 20,508
Liabilities	-	-
Net assets with donor restrictions	\$ 45,466	\$ 20,508
Statements of activities for years ended June 30:		
Revenues - contributions	\$ 51,000	\$ 813,572
Revenues - in-kind donations	379,092	103,798
Total revenue	430,092	917,370
Expenses:		
Program services:		
Clean energy future	344,159	2,467,990
Total program services	344,159	2,467,990
Supporting services:		
Management and general	60,975	103,867
Total supporting services	60,975	103,867
Total expenses	405,134	2,571,857
Change in net assets	24,958	(1,654,487)
Net assets with donor restrictions, beginning of year	20,508	1,674,995
Net assets with donor restrictions, end of year	\$ 45,466	\$ 20,508

SUPPLEMENTAL SCHEDULES

Natural Resources Defense Council, Inc.

SUPPLEMENTAL SCHEDULE - UNCONSOLIDATED SCHEDULE OF ACTIVITIES
(EXCLUDING NRDC ACTION FUND, INC. AND NRDC ACTION VOTES)

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Memberships and individual contributions	\$ 92,004,838	\$ 22,379,780	\$ 114,384,618
Foundation grants	1,141,438	50,387,761	51,529,199
Bequests	13,051,743	-	13,051,743
In-kind contributions	2,501,974	-	2,501,974
Awarded attorneys fees	756,825	2,501,333	3,258,158
Allocation of endowment spending	1,552,782	1,350,356	2,903,138
Other revenue	311,933	-	311,933
Net assets released from restrictions	105,081,034	(105,081,034)	-
Total revenues	<u>216,402,567</u>	<u>(28,461,804)</u>	<u>187,940,763</u>
Expenses			
Program services:			
Clean energy future	61,131,865	-	61,131,865
International	24,132,771	-	24,132,771
Wildlife and wildlands	33,157,097	-	33,157,097
Sustainable communities	50,850,080	-	50,850,080
Membership services	3,007,521	-	3,007,521
Total program services	<u>172,279,334</u>	<u>-</u>	<u>172,279,334</u>
Supporting services:			
Management and general	18,674,010	-	18,674,010
Fundraising	19,188,074	-	19,188,074
Member recruitment	3,337,282	-	3,337,282
Total supporting services	<u>41,199,366</u>	<u>-</u>	<u>41,199,366</u>
Total expenses	<u>213,478,700</u>	<u>-</u>	<u>213,478,700</u>
Changes in net assets from operating activities, before transfers	<u>2,923,867</u>	<u>(28,461,804)</u>	<u>(25,537,937)</u>
Transfer from operations to Non-Operations for Board Designated Endowment	(12,738,626)	-	(12,738,626)
Transfer to operations from board-designated endowment for capital-related expenditures	1,200,000	-	1,200,000
Transfers other reserve funds to operation	5,703,804	-	5,703,804
Changes in net assets from operating activities, after transfers	<u>(2,910,955)</u>	<u>(28,461,804)</u>	<u>(31,372,759)</u>
Non-operating activities			
Investment losses, net of amounts appropriated for operations	(39,988,156)	(7,030,998)	(47,019,154)
Change in value of interest-rate swap agreement	479,358	-	479,358
Transfer to operations from Board-designated endowment	12,738,626	-	12,738,626
Pension related activity other than net periodic pension expense and service costs	107,579	-	107,579
Transfer to Board-designated endowment for capital-related expenditures	(1,200,000)	-	(1,200,000)
Change in value of split-interest agreements	(2,623,934)	(641,955)	(3,265,889)
Changes in net assets	<u>(33,397,482)</u>	<u>(36,134,757)</u>	<u>(69,532,239)</u>
Net assets, beginning of year	<u>348,990,266</u>	<u>196,521,277</u>	<u>545,511,543</u>
Net assets, end of year	<u>\$ 315,592,784</u>	<u>\$ 160,386,520</u>	<u>\$ 475,979,304</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.

Natural Resources Defense Council, Inc.

SUPPLEMENTAL SCHEDULE - CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended June 30, 2022

	NRDC (standalone)	NRDC Action Fund	NRDC Action Votes	Subtotal	Eliminations	Total
Revenues						
Memberships and individual contributions	\$ 114,384,618	\$ 7,735,856	\$ 51,000	\$ 122,171,474	\$ (2,079,998)	\$ 120,091,476
Foundation grants	51,529,199	7,867,088	-	59,396,287	-	59,396,287
Bequests	13,051,743	-	-	13,051,743	-	13,051,743
In-kind contributions	2,501,974	56,290	379,092	2,937,356	-	2,937,356
Awarded attorneys fees	3,258,158	-	-	3,258,158	-	3,258,158
Allocation of endowment spending	2,903,138	-	-	2,903,138	-	2,903,138
Other revenue	311,933	-	-	311,933	-	311,933
	<u>187,940,763</u>	<u>15,659,234</u>	<u>430,092</u>	<u>204,030,089</u>	<u>(2,079,998)</u>	<u>201,950,091</u>
Expenses						
Program services:						
Clean energy future	61,131,865	6,748,873	344,159	68,224,897	(775,088)	67,449,809
International	24,132,771	-	-	24,132,771	(260,187)	23,872,584
Wildlife and wildlands	33,157,097	1,021,122	-	34,178,219	(470,657)	33,707,562
Sustainable communities	50,850,080	8,301,978	-	59,152,058	(574,066)	58,577,992
Membership services	3,007,521	-	-	3,007,521	-	3,007,521
Total program services	<u>172,279,334</u>	<u>16,071,973</u>	<u>344,159</u>	<u>188,695,466</u>	<u>(2,079,998)</u>	<u>186,615,468</u>
Supporting services:						
Management and general	18,674,010	788,669	60,975	19,523,654	-	19,523,654
Fundraising	19,188,074	1,679,619	-	20,867,693	-	20,867,693
Member recruitment	3,337,282	-	-	3,337,282	-	3,337,282
Total supporting services	<u>41,199,366</u>	<u>2,468,288</u>	<u>60,975</u>	<u>43,728,629</u>	<u>-</u>	<u>43,728,629</u>
Total expenses	<u>213,478,700</u>	<u>18,540,261</u>	<u>405,134</u>	<u>232,424,095</u>	<u>(2,079,998)</u>	<u>230,344,097</u>
Changes in net assets from operating activities, before transfers	<u>(25,537,937)</u>	<u>(2,881,027)</u>	<u>24,958</u>	<u>(28,394,006)</u>	<u>-</u>	<u>(28,394,006)</u>
Transfer from operations to non-operations for Board-designated Endowment	(12,738,626)	-	-	(12,738,626)	-	(12,738,626)
Transfer to operations from board-designated endowment for capital-related expenditures	1,200,000	-	-	1,200,000	-	1,200,000
Transfers other reserve funds to operation	5,703,804	-	-	5,703,804	-	5,703,804
Changes in net assets before non-operating activities, after transfers	<u>(31,372,759)</u>	<u>(2,881,027)</u>	<u>24,958</u>	<u>(34,228,828)</u>	<u>-</u>	<u>(34,228,828)</u>
Non-operating activities						
Investment (losses) gains, net of amounts appropriated for operations	(47,019,154)	13,155	-	(47,005,999)	-	(47,005,999)
Change in value of interest-rate swap agreement	479,358	-	-	479,358	-	479,358
Transfer from operations to Non-Operations for Board-designated endowment	12,738,626	-	-	12,738,626	-	12,738,626
Pension related activity other than net periodic pension expense and service costs	107,579	-	-	107,579	-	107,579
Transfer from Board-designated endowment to operations for capital-related expenditures	(1,200,000)	-	-	(1,200,000)	-	(1,200,000)
Change in value of split-interest agreements	(3,265,889)	-	-	(3,265,889)	-	(3,265,889)
Total non-operating activities	<u>(38,159,480)</u>	<u>13,155</u>	<u>-</u>	<u>(38,146,325)</u>	<u>-</u>	<u>(38,146,325)</u>
Changes in net assets	(69,532,239)	(2,867,872)	24,958	(72,375,153)	-	(72,375,153)
Net assets, beginning of year	<u>545,511,543</u>	<u>16,077,962</u>	<u>20,508</u>	<u>561,610,013</u>	<u>-</u>	<u>561,610,013</u>
Net assets, end of year	<u>\$ 475,979,304</u>	<u>\$ 13,210,090</u>	<u>\$ 45,466</u>	<u>\$ 489,234,860</u>	<u>\$ -</u>	<u>\$ 489,234,860</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.