

# **Environmental Defense Action Fund**

**Financial Statements**  
Year Ended September 30, 2022

# **Environmental Defense Action Fund**

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Financial Statements  
Year Ended September 30, 2022

# Environmental Defense Action Fund

## Contents

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Independent Auditor's Report	3-4
<b>Financial Statements</b>	
Statement of Financial Position as of September 30, 2022	5
Statement of Activities for the Year Ended September 30, 2022	6
Statement of Functional Expenses for the Year Ended September 30, 2022	7
Statement of Cash Flows for the Year Ended September 30, 2022	8
Notes to Financial Statements	9-17



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## **Independent Auditor's Report**

The Board of Trustees  
Environmental Defense Action Fund  
New York, New York

### ***Opinion***

We have audited the financial statements of the Environmental Defense Action Fund (EDF Action), which comprise the statement of financial position as of September 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EDF Action as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. 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 EDF Action 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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

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is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. 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 financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 EDF Action'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EDF Action'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.

#### **Report on Summarized Comparative Information**

We have previously audited EDF Action's September 30, 2021 financial statements, and our report dated January 28, 2022 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BDO USA, LLP*  
January 26, 2023

# Environmental Defense Action Fund

## Statement of Financial Position (with comparative totals for 2021)

<i>September 30,</i>	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 4,558,505	\$ 2,944,926
Investments	1,084,641	1,082,778
Prepaid expenses and other assets	106,343	566,128
Pledges receivable	725,000	1,250,000
<b>Total Assets</b>	<b>\$ 6,474,489</b>	<b>\$ 5,843,832</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 903,739	\$ 362,311
Other liabilities	51,500	174,000
Payable due to EDF Inc.	1,589,826	680,495
<b>Total Liabilities</b>	<b>2,545,065</b>	<b>1,216,806</b>
<b>Commitments and Contingencies</b>		
<b>Net Assets</b>		
Without donor restrictions	2,483,840	2,213,457
With donor restrictions	1,445,584	2,413,569
<b>Total Net Assets</b>	<b>3,929,424</b>	<b>4,627,026</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,474,489</b>	<b>\$ 5,843,832</b>

*See accompanying notes to financial statements.*

# Environmental Defense Action Fund

## Statement of Activities (with comparative totals for 2021)

Year ended September 30,

	Without Donor Restrictions	With Donor Restrictions	2022	2021
<b>Operating Support and Revenue</b>				
Support:				
Contributions and membership	\$ 15,925,043	\$ 3,790,851	\$ 19,715,894	\$ 9,004,144
Grant from EDF Inc.	6,236,104	-	6,236,104	6,651,598
Foundations and other institutional giving	-	3,018,826	3,018,826	3,767,374
Government grants and other giving	16,971	-	16,971	
Bequests and other planned giving	15,000	-	15,000	5,000
Net assets released from restrictions	7,777,662	(7,777,662)	-	-
<b>Total Support</b>	<b>29,970,780</b>	<b>(967,985)</b>	<b>29,002,795</b>	<b>19,428,116</b>
Revenue:				
Fees, royalties, and other income	22,299	-	22,299	169,702
<b>Total Operating Support and Revenue</b>	<b>29,993,079</b>	<b>(967,985)</b>	<b>29,025,094</b>	<b>19,597,818</b>
<b>Operating Expenses</b>				
Program services	26,251,762	-	26,251,762	18,838,075
<b>Total Program Services</b>	<b>26,251,762</b>	<b>-</b>	<b>26,251,762</b>	<b>18,838,075</b>
Supporting services:				
Management and general	2,125,013	-	2,125,013	58,892
Fundraising	1,345,434	-	1,345,434	1,674,809
<b>Total Supporting Services</b>	<b>3,470,447</b>	<b>-</b>	<b>3,470,447</b>	<b>1,733,701</b>
<b>Total Operating Expenses</b>	<b>29,722,209</b>	<b>-</b>	<b>29,722,209</b>	<b>20,571,776</b>
<b>Change in Net Assets from Operations</b>	<b>270,870</b>	<b>(967,985)</b>	<b>(697,115)</b>	<b>(973,958)</b>
<b>Change in Net Assets from Non-Operating Activities</b>				
Net realized and unrealized (loss) gain	(487)	-	(487)	774
<b>Change in Net Assets</b>	<b>270,383</b>	<b>(967,985)</b>	<b>(697,602)</b>	<b>(973,184)</b>
<b>Net Assets, beginning of year</b>	<b>2,213,457</b>	<b>2,413,569</b>	<b>4,627,026</b>	<b>5,600,210</b>
<b>Net Assets, end of year</b>	<b>\$ 2,483,840</b>	<b>\$ 1,445,584</b>	<b>\$ 3,929,424</b>	<b>\$ 4,627,026</b>

*See accompanying notes to financial statements.*

# Environmental Defense Action Fund

## Statement of Functional Expenses (with comparative totals for 2021)

Year ended September 30,

	Program Services					Supporting Services		Total 2022	Total 2021
	Energy Transition	Healthy Communities	People and Nature	Regions	Research and Education	Management and General	Fundraising		
Salaries and wages	\$ 11,747	\$ 8,983	\$ 103,436	\$ 2,920,911	\$ 51,826	\$ 65,991	\$ 83,612	\$ 3,246,506	\$ 4,868,594
Benefits and other employee costs	5,336	4,081	37,486	853,227	23,542	29,976	37,981	991,629	1,402,529
<b>Total Personnel Expense</b>	<b>17,083</b>	<b>13,064</b>	<b>140,922</b>	<b>3,774,138</b>	<b>75,368</b>	<b>95,967</b>	<b>121,593</b>	<b>4,238,135</b>	<b>6,271,123</b>
Grants and other contributions	187	143	48,470	10,031,609	827	1,053	1,334	10,083,623	2,070,981
Professional and consulting fees	43,496	-	1,265,880	4,820,781	-	1,899,723	1,022,928	9,052,808	7,252,433
Advertising and promotions	3,740	3,055	14,739	5,329,335	16,498	21,008	28,005	5,416,380	4,212,431
Printing	14,333	10,961	56,489	104,556	63,234	80,518	102,018	432,109	280,272
Subscriptions and dues	2,215	1,694	13,728	209,139	9,771	12,441	15,763	264,751	312,139
Other	2,546	1,947	26,834	123,749	11,231	14,303	53,793	234,403	172,397
<b>Total Non-Personnel Expense</b>	<b>66,517</b>	<b>17,800</b>	<b>1,426,140</b>	<b>20,619,169</b>	<b>101,561</b>	<b>2,029,046</b>	<b>1,223,841</b>	<b>25,484,074</b>	<b>14,300,653</b>
<b>Total</b>	<b>\$ 83,600</b>	<b>\$ 30,864</b>	<b>\$ 1,567,062</b>	<b>\$ 24,393,307</b>	<b>\$ 176,929</b>	<b>\$ 2,125,013</b>	<b>\$ 1,345,434</b>	<b>\$29,722,209</b>	<b>\$ 20,571,776</b>

*See accompanying notes to financial statements.*



# Environmental Defense Action Fund

## Statement of Cash Flows (with comparative totals for 2021)

<i>Year ended September 30,</i>	2022	2021
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (697,602)	\$ (973,184)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated securities	-	(6,124)
Net realized and unrealized losses on investments	-	(774)
Changes in:		
Prepaid expenses and other assets	459,785	(297,579)
Pledges receivable	525,000	67,750
Accounts payable and accrued expenses	541,428	(1,533,518)
Other liabilities	(122,500)	119,000
Intercompany receivable	909,331	1,249,670
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,615,442</b>	<b>(1,374,759)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	-	1,500,000
Purchase of investments	(1,863)	(29)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(1,863)</b>	<b>1,499,971</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,613,579</b>	<b>125,212</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,944,926</b>	<b>2,819,714</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 4,558,505</b>	<b>\$ 2,944,926</b>

*See accompanying notes to financial statements.*

# Environmental Defense Action Fund

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

#### *Organization*

The Environmental Defense Action Fund (EDF Action), an advocacy partner of Environmental Defense Fund Incorporated (EDF Inc.), was incorporated in Delaware to educate the public about sound environmental policy and to advocate for effective laws to protect the environmental rights of all people. It is classified as exempt from federal income taxes under Section 501(c)4 of the Internal Revenue Code. It receives support from individuals and other contributors.

EDF Action builds political power to protect the environment and the health of American families. EDF Action works with allies across the country to combat climate change, reduce pollution, and promote sustainable prosperity. This means educating legislators about new innovative solutions, working across the aisle to build political momentum, mobilizing constituents to advocate for elected officials at every level to stand up for the health and environment of American families, and working to elect pro-environment candidates at every level.

EDF Action established the Environmental Defense Action Fund Political Action Committee (EDF Action PAC) to facilitate political contributions by EDF Action's members, officers, and designated staff to help support candidate committees and other political committees that merit the support of EDF Action and its members. Maintaining EDF Action's reputation for objective, bipartisan advocacy, EDF Action PAC was established to support candidates who promote environmental progress and protection, regardless of their political party affiliation. Since EDF Action PAC is not a separate legal entity, its assets and liabilities are included in these financial statements as part of EDF Action.

#### *Basis of Accounting*

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

#### *Financial Statement Presentation*

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

These classes are defined as follows:

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

# Environmental Defense Action Fund

## Notes to Financial Statements

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

Net assets with donor restrictions may include the corpus of gifts, which must be maintained in perpetuity, but allow for the expenditure of net investment income and gains on investments earned on the corpus for either specified or unspecified purposes, in accordance with the donors' stipulations. Currently, EDF Action has no net assets with donor restrictions to be held in perpetuity.

### ***Functional Allocation of Expenses***

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities.

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

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of EDF Action. The categories of expenses include depreciation and amortization, the finance department, the human resources department, the communications department, and the information technology department.

Depreciation is allocated based on square footage, the finance department is allocated based on estimates of time and effort, certain costs of the communications department are allocated based on estimates of time and effort, and the information technology department is allocated based on estimates of time and costs of specific technology utilized. Certain expenses are allocated by EDF Inc. to EDF Action based on usage or allocation methods determined by management.

### ***Use of Estimates***

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### ***Measure of Operations***

EDF Action includes in its measure of operations:

- All revenues and expenses that are an integral part of its programs and supporting activities.
- Net assets released from restrictions to support operating expenditures.
- An annual amount appropriated for expenditure from donor-restricted endowment assets and assets designated for long-term investment.

# Environmental Defense Action Fund

## Notes to Financial Statements

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EDF Action excludes from its measure of operations:

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

### ***Program Activities***

EDF Action's financial statements are comprised of six impact areas across the United States.

*Stabilize the climate* - Methane works with elected officials, staff, and agencies to bolster support for strong methane rules and methane mitigation. Transportation works to help ensure freight (medium- and heavy-duty) trucks and buses sold in the U.S are zero-emitting and deployed most rapidly in communities that suffer the most from air pollution. Driving Innovation works to accelerate the equitable deployment of proven climate innovations and solutions, including Carbon Dioxide Removal, hydrogen, and carbon capture technology. Decarbonizing U.S. Power works to secure cuts in carbon dioxide pollution from the electric power sector.

*Strengthen people's and nature's ability to thrive in a changing climate* - Climate Resilient Food Systems advocates for Congress to set strong, national standards on offshore aquaculture by first directing studies and establishing programs that will address knowledge gaps on farming seafood in federal U.S. waters. Climate Resilient Fisheries & Oceans works to generate political support, enact policy change, and increase federal funding to ensure a healthy ocean and support sustainable wild-caught U.S. fisheries and fishing communities. Resilient Water Systems works to lead a coalition of conservation NGOs and businesses, with allies among cities, agricultural districts, tribes, and counties, to promote local solutions to groundwater over-pumping in rural areas, protect existing groundwater laws, and help address the crisis on the Colorado River through conservation and new, flexible management tools. Sustainable agriculture builds climate resilience in agriculture. Climate Resilient Coasts & Watersheds works to build resilience for coasts and watersheds into public policies and programs, harnessing the power of nature through restored wetlands, barrier islands, and other natural features.

*Support people's health* - Safer Chemicals works to protect the public health from the impact of toxic chemicals. Clean Air works to secure air quality monitoring resources and infrastructure that fully captures community impacts of pollution on health, particularly in disproportionately impacted communities, and that supports the ability of communities, cities, Tribes states, businesses, and investors to use this information to advance clean air and climate solutions.

*Environmental justice and equity* - Justice and Equity works to determine how centering environmental justice and equity should show up in our legislative strategy and interactions with Congress and the Administration.

*Influencing government policy* - Climate Advocacy and Lobbying works with various workstreams within EDF to develop and implement federal policies that will reduce emissions and meet other environmental goals in an equitable and sustainable manner. Clean Air Moms Action builds political power to protect our environment and the health of American families. Defend Our Future engages and mobilizes young people to advocate for solutions to the climate crisis, build political power, and hold policymakers accountable to secure a healthier, climate stable future.

# Environmental Defense Action Fund

## Notes to Financial Statements

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*Political activity* - Independent Expenditures uses direct political advocacy to advance our policy goals through strategic engagement in targeted races. Grassroots Engagement works to build durable political power by growing and activating a strong network of volunteers who will take meaningful action to advance EDF Action's policy goals, political priorities and brand awareness.

### ***Cash and Cash Equivalents***

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

### ***Long-Lived Assets***

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2022, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

### ***Fair Value Measurements***

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

### ***Investments***

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

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

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

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

Net investment income is included in the statement of activities and is recorded as without donor restrictions unless specifically restricted by the donors. Unrealized appreciation or depreciation of

# Environmental Defense Action Fund

## Notes to Financial Statements

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investments is included in the accompanying statement of activities. Realized gains and losses are accounted for on the specific identification method.

Investment income is net of direct investment expense, which includes the services of bank trustees, investment managers, and custodians. The balance of investment management fees charged by EDF Action's various investment managers in each fiscal year does not include those fees that are embedded in various other investment accounts and transactions.

It is EDF Action's policy to sell donated equity securities upon receipt.

### ***Valuation Allowances***

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

### ***Revenue Recognition***

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

*Bequests* - Unconditional bequests are reported as revenues when notification of the bequest is received, the amount is reasonably determinable, and the probate court declares the will valid.

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

A number of volunteers, including members of the Board, have made significant contributions of their time in furtherance of EDF Action's mission. The value of this contributed time does not meet the criteria for recognition as contributed services, in accordance with U.S. GAAP, and therefore are not reflected in the accompanying financial statements.

### ***Accounting for Uncertainty in Income Taxes***

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

### ***With Donor Restrictions - Permanently Restricted***

New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). This law, which is a modified version of the Uniform Prudent Management of Institutional Funds Act

# Environmental Defense Action Fund

## Notes to Financial Statements

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(UPMIFA), made significant changes to the rules governing how New York not-for-profit organizations may manage, invest, and spend their endowment funds. The law was designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. It also expanded the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable, or wasteful. NYPMIFA applies to New York not-for-profit, education, and religious corporations; associations organized and operated exclusively for charitable purposes; and certain trusts.

### ***Recently Adopted Accounting Pronouncements***

#### *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021. The provisions of ASU 2020-07 were adopted by EDF Action for all periods presented. The adoption of ASU 2020-07 did not have a material impact on the financial statements.

### ***Accounting Pronouncements Issued but Not Yet Adopted***

#### *Leases*

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The FASB also issued ASU 2020-05, which deferred the effective date for EDF Action until annual periods beginning after December 15, 2021. EDF Action is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements and does not believe it will have a material effect.

#### *Financial Instruments - Credit Losses*

In June 2016, the FASB issued ASU 2016-03, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying FASB Accounting Standards Codification (ASC) 606, loans, and certain other instruments, entities will be required to use a new forward-looking "expected-loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. ASU 2016-03 is effective for annual periods beginning after December 31, 2022. EDF Action is currently evaluating the impact of the adoption of ASU 2016-03 on its financial statements and does not believe it will have a material effect.

### ***Comparative Financial Information***

The financial statements include certain prior-year summarized information. With respect to the statement of activities, the prior-year information is presented in total, not by net asset class. Such

# Environmental Defense Action Fund

## Notes to Financial Statements

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information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with EDF Action's financial statements for the year ended September 30, 2021 from which the summarized information was derived.

### *Reclassifications*

Certain 2021 amounts have been reclassified to conform to the 2022 presentation.

### *Subsequent Events*

EDF Action considers the accounting treatment, and the related disclosures in the current fiscal year's financial statements, which may be required as the result of all events or transactions through January 26, 2023, the date the financial statements were available for issuance. There were no subsequent events requiring adjustment to the financial statements or disclosures.

## 2. Liquidity and Availability of Resources

The following table reflects EDF Action's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

### *September 30, 2022*

Cash and cash equivalents	\$	4,558,505
Pledges receivable		725,000
Investments		1,084,641
<b>Financial Assets</b>		<b>6,368,146</b>
Less: amounts unavailable for general expenditure within one year due to:		
Donor-imposed restrictions		1,445,584
<b>Total Financial Assets Available to Management to Meet Needs for General Expenditures Within One Year</b>	<b>\$</b>	<b>4,922,562</b>

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

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

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# Environmental Defense Action Fund

## Notes to Financial Statements

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### 3. Pledges Receivable

Unconditional amounts promised to EDF Action, but not yet collected, have been recorded as pledges receivable.

At fiscal year-end, pledges receivable are estimated to be collected as follows:

*September 30, 2022*

In one year or less	\$	725,000
<b>Pledges Receivable</b>	<b>\$</b>	<b>725,000</b>

Since EDF Action has an excellent record of collecting pledges receivable, management has not recorded a valuation allowance for uncollectible pledges as of September 30, 2022.

### 4. Investments, at Fair Value

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

*September 30, 2022*

	Level 1		Total
Money market funds	\$	1,084,641	\$ 1,084,641
<b>Total</b>	<b>\$</b>	<b>1,084,641</b>	<b>\$ 1,084,641</b>

Money market funds are valued based on the net asset value (NAV) of the shares held by EDF Action. NAV is based upon the fair value of the money market fund's underlying investments. EDF Action's investments in the money market funds can be redeemed immediately at the current NAV per share. There were no unfunded commitments as of September 30, 2022.

EDF Action's investments are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near-term and that such changes could materially affect the amounts reported in the accompanying financial statements. To manage such risks, EDF Action has an investment portfolio managed by independent investment managers under the terms of an Investment Policy Statement, which is regularly reviewed by EDF Action's Investment Committee. Due to inherent risks and potential volatility in investment valuations, the amounts reported on the accompanying financial statements can vary substantially from year to year.

The available market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During fiscal year 2022, there were no transfers between the fair value hierarchy levels.

# Environmental Defense Action Fund

## Notes to Financial Statements

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### 5. Net Assets with Donor Restrictions and Releases from with Donor Restrictions

At fiscal year-end, donor-restricted net assets (including allocation of investment gains and losses) included Specific donor program purposes and Time restricted was \$1,445,584. During fiscal year, net assets released from restrictions were for \$7,777,662.

### 6. Concentrations of Credit Risk

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

### 7. Related Parties

EDF Action received grants of \$6,236,104 for the year ended September 30, 2022 from EDF Inc., representing a portion of the grassroots lobbying and the direct lobbying allowances permitted by EDF Inc. as a 501(c)(3) organization.

EDF Action includes among its activity, intercompany payables of \$1,589,826 as of September 30, 2022; the amount is payable to EDF Inc. on demand.

### 8. Commitments and Contingency

#### *Litigation*

EDF Action is, from time-to-time, subject to legal actions in the normal course of business. In the opinion of EDF Action's management, as of September 30, 2022, the eventual resolution of these matters will not materially affect the financial position, cash flows, or change in net assets of EDF Action.