

Environmental Defense Action Fund

Financial Statements

Year Ended September 30, 2020

Environmental Defense Action Fund

Financial Statements
Year Ended September 30, 2020

Environmental Defense Action Fund

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Environmental Defense Action Fund (The Action Fund), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Environmental Defense Action Fund as of September 30, 2020 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

January 27, 2021

Environmental Defense Action Fund

Statement of Financial Position

September 30, 2020

Assets

Cash and cash equivalents	\$	2,819,714
Temporary investments, at fair value		2,575,851
Prepaid expenses and other assets		268,549
Pledges receivable		1,317,750
Intercompany receivable		569,175

Total Assets	\$	7,551,039
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Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$	1,895,829
Other liabilities		55,000

Total Liabilities		1,950,829
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Commitments and Contingencies

Net Assets

Without donor restrictions		1,474,906
With donor restrictions		4,125,304

Total Net Assets		5,600,210
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Total Liabilities and Net Assets	\$	7,551,039
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See accompanying notes to financial statements.

Environmental Defense Action Fund

Statement of Activities

Year ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support:			
Contributions and membership	\$ 8,174,257	\$ 6,591,083	\$ 14,765,340
Foundations and other institutional giving	1,060,000	2,393,275	3,453,275
Grant from EDF	8,724,879	-	8,724,879
Bequests and other planned giving	12,096	-	12,096
Total Support	17,971,232	8,984,358	26,955,590
Revenue:			
Fees, royalties and other income	2,158	-	2,158
Total Revenue	2,158	-	2,158
Net assets released from restrictions	6,929,458	(6,929,458)	-
Total Operating Support and Revenue	24,902,848	2,054,900	26,957,748
Operating Expenses			
Program services:			
Scientific research, economic analysis, and policy development:			
Climate and energy	20,923,754	-	20,923,754
Oceans	1,363,127	-	1,363,127
Ecosystems	2,042,287	-	2,042,287
Health	198,444	-	198,444
Education	40,061	-	40,061
Total Program Services	24,567,673	-	24,567,673
Supporting services:			
Management and general	74,240	-	74,240
Fundraising	2,732,033	-	2,732,033
Total Supporting Services	2,806,273	-	2,806,273
Total Operating Expenses	27,373,946	-	27,373,946
Change in Net Assets from Operations	(2,471,098)	2,054,900	(416,198)
Change in Net Assets from Non-Operating Activities			
Net realized and unrealized loss	(196)	-	(196)
Change in Net Assets	(2,471,294)	2,054,900	(416,394)
Net Assets, beginning of year	3,946,200	2,070,404	6,016,604
Net Assets, end of year	\$ 1,474,906	\$ 4,125,304	\$ 5,600,210

See accompanying notes to financial statements.

Environmental Defense Action Fund

Statement of Functional Expenses

September 30, 2020

	Program Services					Supporting Services		
	Climate and Energy	Oceans	Ecosystems	Health	Education	Management and General	Fundraising	Total
Salaries and wages	\$ 4,375,655	\$ 370,723	\$ 41,532	\$ 45,997	\$ 27,510	\$ 31,871	\$ 73,032	\$ 4,966,320
Benefits and other employee costs	1,258,151	109,483	11,691	12,223	7,279	8,433	19,415	1,426,675
Total Personnel Expense	5,633,806	480,206	53,223	58,220	34,789	40,304	92,447	6,392,995
Professional and consulting fees	4,083,246	497,228	398,134	1,382	3,332	3,860	2,446,487	7,433,669
Grants and other contributions	5,765,800	303,510	1,300,500	3,500	-	-	-	7,373,310
Advertising and promotions	4,596,278	3,942	243,700	130,500	-	-	794	4,975,214
Subscriptions and dues	441,210	9,673	12,819	1,220	-	-	1,937	466,859
Printing	312,244	21,013	28,021	2,668	-	-	4,235	368,181
Other	17,543	1,148	1,571	150	26	27,859	145,811	194,108
Travel	30,899	23,675	299	12	-	-	3,167	58,052
Postage and delivery	23,038	1,554	2,003	191	-	-	10,154	36,940
Meetings and events	11,634	17,203	792	75	-	-	588	30,292
Office supplies and equipment	2,189	2,564	32	15	55	64	20,657	25,576
Database management	4,443	1,315	1,065	499	1,859	2,153	4,714	16,048
Telecommunications	1,424	96	128	12	-	-	1,042	2,702
Total Non-Personnel Expense	15,289,948	882,921	1,989,064	140,224	5,272	33,936	2,639,586	20,980,951
Total	\$ 20,923,754	\$ 1,363,127	\$ 2,042,287	\$ 198,444	\$ 40,061	\$ 74,240	\$ 2,732,033	\$ 27,373,946

See accompanying notes to financial statements.

Environmental Defense Action Fund

Statement of Cash Flows

Year ended September 30, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ (416,394)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Donated securities	(20,077)
Proceeds from donated securities	8,211
Net realized and unrealized losses on investments	196
Changes in:	
Prepaid expenses and other assets	(139,650)
Pledges receivable	(1,222,750)
Accounts payable and accrued expenses	910,464
Other liabilities	15,000
Intercompany receivable	(3,262,699)
Net Cash Used in Operating Activities	(4,127,699)
Cash Flows from Investing Activities	
Purchase of investments	(1,502,026)
Cash Used in Investing Activities	(1,502,026)
Net Decrease in Cash and Cash Equivalents	(5,629,725)
Cash and Cash Equivalents, beginning of year	8,449,439
Cash and Cash Equivalents, end of year	\$ 2,819,714

See accompanying notes to financial statements.

Environmental Defense Action Fund

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

The Environmental Defense Action Fund (The Action Fund), an advocacy partner of Environmental Defense Fund Incorporated (EDF), 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 has been 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.

The Action Fund builds political power to protect our environment and the health of American families. The Action Fund 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 our health and environment, and working to elect pro-environment candidates at every level.

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

Basis of Accounting

The accompanying financial statements of The Action Fund 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 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 The Action Fund. 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

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. The Action Fund 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 donor's stipulations. Currently, The Action Fund 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 The Action Fund. Those 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 to The Action Fund 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

The Action Fund 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

The Action Fund excludes from its measure of operations:

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

Cash and Cash Equivalents

For financial reporting purposes, The Action Fund 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, 2020 and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

Fair Value Measurements

The Action Fund 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.

Environmental Defense Action Fund

Notes to Financial Statements

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

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

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 The Action Fund's various investment managers in each fiscal year does not include those fees that are embedded in various other investment accounts and transactions.

Valuation Allowances

The Action Fund 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.

Accrued Vacation

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

Revenue Recognition

Contributions - Contributions and grants, including unconditional promises to give (pledges) to The Action Fund, 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.

Accounting for Uncertainty in Income Taxes

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

Environmental Defense Action Fund

Notes to Financial Statements

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

Recently Adopted Accounting Pronouncements

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the Financial Accounting Standards Board (FASB) issued 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*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for The Action Fund's fiscal year ended September 30, 2020, and the adoption of this update did not have a material impact on The Action Fund's financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2020-05, which deferred the effective date for The Action Fund until annual periods beginning after December 15, 2019. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

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Notes to Financial Statements

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019, and management of The Action Fund is currently evaluating the impact of this ASU on its financial statements.

Subsequent Events

The Action Fund 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 27, 2021, the date the financial statements were available for issuance. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein, except the following:

On December 27, 2020, The President signed the Consolidated Appropriations Act, 2021 (the Act), which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. The Action Fund is currently evaluating the impact of the Act.

2. Liquidity and Availability of Resources

The following table reflects The Action Fund'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, 2020

Cash and cash equivalents	\$	2,819,714
Temporary investments, at fair value		2,575,851
Pledges receivable		1,317,750
Intercompany receivable		569,175
Financial Assets		7,282,490
Less:		
Amounts unavailable for general expenditure within one year due to:		
Donor-imposed restrictions:		
Climate and energy		3,128,670
Oceans		956,634
Ecosystems		40,000
Total Amounts Unavailable for General Expenditure Within One Year		4,125,304
Total Financial Assets Available to Management to Meet Needs for General Expenditures Within One Year	\$	3,157,186

As part of The Action Fund'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.

Environmental Defense Action Fund

Notes to Financial Statements

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

3. Pledges Receivable

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

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

September 30, 2020

In one year or less	\$	1,282,750
Between one and two years		35,000
Pledges Receivable	\$	1,317,750

Since The Action Fund has an excellent record of collecting pledges receivable, management has not recorded a valuation allowance for uncollectible pledges as of September 30, 2020.

4. Temporary Investments, at Fair Value

The following table summarizes the investments of The Action Fund's assets at fiscal year-end, in accordance with the fair value valuation levels:

September 30, 2020

	Level 1		Total
Money market funds	\$	2,575,851	\$ 2,575,851
Total	\$	2,575,851	\$ 2,575,851

Money market funds are valued based on the net asset value (NAV) of the shares held by The Action Fund. NAV is based upon the fair value of the money market fund's underlying investments. The Action Fund'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, 2020.

The Action Fund'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, The Action Fund has an investment portfolio managed by independent investment managers under the terms of an Investment Policy Statement which is regularly reviewed by The Action Fund'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

Environmental Defense Action Fund

Notes to Financial Statements

transfer is reported at the beginning of the reporting period. During fiscal years 2020, there were no transfers between the fair value hierarchy levels.

5. Net Assets with Donor Restrictions

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

September 30, 2020

Restricted by purpose:	
Climate and energy	\$ 3,128,670
Oceans	956,634
Ecosystems	40,000
	<hr/>
	\$ 4,125,304

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

Year ended September 30, 2020

Climate and energy	\$ 5,705,575
Oceans	844,633
Ecosystems	259,250
	<hr/>
Subtotal	6,809,458
Time restrictions satisfied	120,000
	<hr/>
	\$ 6,929,458

6. Concentrations of Credit Risk

The Action Fund 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. The Action Fund may have cash deposits at financial institutions in excess of FDIC insurance limits. The Action Fund's investments are placed with high-credit-quality financial institutions with strong credit ratings, and management believes that credit risk related to these accounts is minimal. The Action Fund has not experienced any losses in such accounts, and management believes The Action Fund is not exposed to any significant credit risk.

7. Commitments and Contingency

Governmental Audits

Government-funded activities are subject to audit by the applicable granting agencies. At September 30, 2020, there were no material obligations outstanding as a result of such audits, and management believes that no material obligations will result from any future audits of such activities.

Environmental Defense Action Fund

Notes to Financial Statements

Litigation

The Action Fund is from time to time subject to legal actions in the normal course of business. In the opinion of The Action Fund management, as of September 30, 2020, the eventual resolution of these matters will not materially affect the financial position, cash flows, or change in net assets of The Action Fund.

Interpretation of Relevant Law

NYPMIFA is applicable to The Action Fund's donor-restricted endowment funds. Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. Under the terms of NYPMIFA, The Action Fund has no responsibility to restore such decrease in value. There were no such deficiencies in fiscal year 2020.

8. Risk and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on The Action Funds financial condition, liquidity and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce.

Although The Action Fund cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, or if it may have an adverse effect on the results of future operations, financial position, and liquidity in fiscal year 2021.

On March 27, 2020, The President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. The Action Fund did not apply for funding under the CARES Act.

The Action Fund continues to examine the impact that the CARES Act may have on its business.