

COMBINED FINANCIAL STATEMENTS

POPULATION CONNECTION

**POPULATION CONNECTION
ACTION FUND**

**POPULATION CONNECTION
ACTION FUND PAC**

**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

**POPULATION CONNECTION
POPULATION CONNECTION ACTION FUND
POPULATION CONNECTION ACTION FUND PAC**

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Population Connection
Population Connection Action Fund
Population Connection Action Fund PAC
Washington, D.C.

We have audited the accompanying combined financial statements of Population Connection, Population Connection Action Fund and Population Connection Action Fund PAC (collectively, the Organizations), which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2016, and the combined change in their net assets and their combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited Population Connection's 2015 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedule of Financial Position on pages 19 - 20, Combining Schedule of Activities on page 21 and Combining Schedule of Change in Net Assets on page 22 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



June 5, 2017

**POPULATION CONNECTION
POPULATION CONNECTION ACTION FUND
POPULATION CONNECTION ACTION FUND PAC**

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,430,707	\$ 3,873,274
Accounts receivable	335,085	415,507
Contributions receivable	500,000	-
Tenant improvement receivable	-	60,597
Prepaid expenses	69,348	104,822
Inventory	15,241	15,128
Other assets	495,000	-
Total current assets	7,845,381	4,469,328
INVESTMENTS	8,844,891	7,095,323
FIXED ASSETS		
Fixed assets, net of accumulated depreciation and amortization of \$426,956	303,989	365,539
OTHER ASSET		
Deposits	23,193	23,193
TOTAL ASSETS	\$ 17,017,454	\$ 11,953,383

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Gift annuity liability	\$ 52,378	\$ 41,297
Accounts payable and accrued liabilities	328,317	268,250
Deferred rent	7,909	7,345
Agency liability	<u>1,197,948</u>	<u>1,145,915</u>
Total current liabilities	<u>1,586,552</u>	<u>1,462,807</u>
LONG-TERM LIABILITIES		
Gift annuity liability, net of current portion	885,801	436,934
Deferred rent, net of current portion	<u>113,799</u>	<u>87,920</u>
Total long-term liabilities	<u>999,600</u>	<u>524,854</u>
Total liabilities	<u>2,586,152</u>	<u>1,987,661</u>
NET ASSETS		
Unrestricted:		
Undesignated	7,930,302	4,705,722
Board designated	<u>6,000,000</u>	<u>5,000,000</u>
Total unrestricted	13,930,302	9,705,722
Temporarily restricted	500,000	259,000
Permanently restricted	<u>1,000</u>	<u>1,000</u>
Total net assets	<u>14,431,302</u>	<u>9,965,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,017,454</u>	<u>\$ 11,953,383</u>

**POPULATION CONNECTION
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**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>			<u>2015</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE					
Contributions	\$ 10,484,226	\$ 250,000	\$ -	\$ 10,734,226	\$ 7,426,903
Membership	763,284	-	-	763,284	912,970
Grants	74,500	295,000	-	369,500	72,000
Other revenue	57,847	-	-	57,847	264,510
Investment income	551,834	-	-	551,834	79,829
Contributed services	356,000	-	-	356,000	301,000
Net assets released from donor restrictions	<u>304,000</u>	<u>(304,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>12,591,691</u>	<u>241,000</u>	<u>-</u>	<u>12,832,691</u>	<u>9,057,212</u>
EXPENSES					
Program Services:					
Government Relations	871,818	-	-	871,818	856,371
Communications	2,230,140	-	-	2,230,140	2,673,188
Population Education	1,650,891	-	-	1,650,891	1,542,520
Field and Outreach	1,205,373	-	-	1,205,373	1,009,149
Membership Services	<u>1,084,425</u>	<u>-</u>	<u>-</u>	<u>1,084,425</u>	<u>1,197,249</u>
Total program services	<u>7,042,647</u>	<u>-</u>	<u>-</u>	<u>7,042,647</u>	<u>7,278,477</u>
Supporting Services:					
General and Administrative	394,895	-	-	394,895	352,122
Fundraising	<u>929,569</u>	<u>-</u>	<u>-</u>	<u>929,569</u>	<u>720,590</u>
Total supporting services	<u>1,324,464</u>	<u>-</u>	<u>-</u>	<u>1,324,464</u>	<u>1,072,712</u>
Total expenses	<u>8,367,111</u>	<u>-</u>	<u>-</u>	<u>8,367,111</u>	<u>8,351,189</u>
Change in net assets	4,224,580	241,000	-	4,465,580	706,023
Net assets at beginning of year	<u>9,705,722</u>	<u>259,000</u>	<u>1,000</u>	<u>9,965,722</u>	<u>9,259,699</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,930,302</u>	<u>\$ 500,000</u>	<u>\$ 1,000</u>	<u>\$ 14,431,302</u>	<u>\$ 9,965,722</u>

**POPULATION CONNECTION
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**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>			
	<u>Program Services</u>			
	<u>Government Relations</u>	<u>Communications</u>	<u>Population Education</u>	<u>Field and Outreach</u>
Salaries, benefits and taxes	\$ 376,966	\$ 396,512	\$ 750,767	\$ 476,154
Occupancy	49,321	70,114	89,689	53,275
Printing and production	22,496	381,129	17,703	5,984
Postage and delivery	16,870	248,416	29,660	10,291
Telephone	3,532	10,828	6,066	3,922
Depreciation and amortization	13,835	11,995	26,678	14,222
Mechanical services	42,275	178,433	21,151	55,372
Professional fees	98,659	866,844	514,139	367,793
Supplies and miscellaneous	15,979	43,095	42,352	27,530
Travel and representation	81,326	18,441	152,513	190,830
Meetings and conventions	809	333	173	-
Advertising and promotion	-	-	-	-
Contributions	149,750	4,000	-	-
TOTAL	<u>\$ 871,818</u>	<u>\$ 2,230,140</u>	<u>\$ 1,650,891</u>	<u>\$ 1,205,373</u>

							2015
		Supporting Services					
Membership Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 331,828	\$ 2,332,227	\$ 184,483	\$ 441,947	\$ 626,430	\$ 2,958,657	\$ 2,693,145	
50,293	312,692	22,371	70,676	93,047	405,739	344,646	
241,392	668,704	74	50,271	50,345	719,049	772,970	
134,317	439,554	2,339	12,380	14,719	454,273	1,181,932	
3,265	27,613	2,109	4,230	6,339	33,952	28,040	
9,505	76,235	13,024	16,302	29,326	105,561	80,100	
237,263	534,494	33,950	85,142	119,092	653,586	878,148	
55,253	1,902,688	48,514	173,656	222,170	2,124,858	1,641,204	
15,610	144,566	26,807	38,580	65,387	209,953	180,256	
5,102	448,212	60,927	35,086	96,013	544,225	534,748	
483	1,798	297	1,151	1,448	3,246	-	
114	114	-	148	148	262	-	
-	153,750	-	-	-	153,750	16,000	
<u>\$ 1,084,425</u>	<u>\$ 7,042,647</u>	<u>\$ 394,895</u>	<u>\$ 929,569</u>	<u>\$ 1,324,464</u>	<u>\$ 8,367,111</u>	<u>\$ 8,351,189</u>	

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**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,465,580	\$ 706,023
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	105,561	80,100
Net (appreciation) depreciation of investments	(213,504)	56,757
Change in value of annuity obligations	(199,863)	(37,269)
Loss on disposal of fixed assets	1,131	625
(Increase) decrease in:		
Accounts receivable	80,422	(234,161)
Contributions receivable	(500,000)	-
Tenant improvement receivable	60,597	-
Prepaid expenses	35,474	3,670
Inventory	(113)	3,639
Other asset	(495,000)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	60,067	30,145
Deferred rent	26,443	32,875
Agency liability	<u>52,033</u>	<u>449,651</u>
Net cash provided by operating activities	<u>3,478,828</u>	<u>1,092,055</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(13,982,845)	(11,447,942)
Proceeds from sale of investments	12,446,781	7,368,764
Purchase of furniture and equipment	<u>(45,142)</u>	<u>(241,622)</u>
Net cash used by investing activities	<u>(1,581,206)</u>	<u>(4,320,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on annuity obligations	(41,266)	(45,410)
Proceeds from annuities	<u>701,077</u>	<u>237,037</u>
Net cash provided by financing activities	<u>659,811</u>	<u>191,627</u>
Net increase (decrease) in cash and cash equivalents	2,557,433	(3,037,118)
Cash and cash equivalents at beginning of year	<u>3,873,274</u>	<u>6,910,392</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,430,707</u>	<u>\$ 3,873,274</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	<u>\$ 52,867</u>	<u>\$ 329,966</u>

**POPULATION CONNECTION
POPULATION CONNECTION ACTION FUND
POPULATION CONNECTION ACTION FUND PAC**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Population Connection is a not-for-profit corporation engaged in promoting social welfare by educating opinion leaders and the general public about population and growth issues, as well as promoting adoption of public policies, which will bring human population and activities into balance with Earth's environmental and natural resource base.

The Population Connection Action Fund is the political arm of Population Connection, and is organized for social welfare purposes and specifically to support the mission of Population Connection to educate the American people and advocate progressive action to stabilize world population at a level that can be sustained by Earth's resources.

The Population Connection Action Fund PAC provides financial support to Federal candidates and federal committees registered with the Federal Election Commission that demonstrate support for improving global access to reproductive health and family planning services.

The following program and supporting services are included in the accompanying combined financial statements:

Government Relations -

To inform Congress and the Administration about population issues and advocate the adoption of measures to move the U.S. and the world towards stabilizing population. The Organizations will also lobby in support of population related legislation and engage elected officials to promote solutions to empower women around the world. These activities will enable the Organizations to seek enactment of legislation related to their mission.

Communications -

To keep the Organizations' members, public officials, media representatives and others up-to-date on U.S. and global population issues by publishing informational material, including hosting a website that will include news about particular population related legislation and particular legislators who are either supporting or not supporting the legislation. This is intended to educate the public about relevant issues.

Population Education -

To promote population literacy among American youth by (1) providing teachers with information about population dynamics and their impacts and demonstrating ways that these concepts can be incorporated into classroom activities; and (2) preparing a number of educators to offer training to other teachers through the Organizations' Population Education Training Program Network (PETNet). To provide follow-up assistance and information enabling former trainees of the Organizations to apply their training most effectively.

Field and Outreach -

The Organization will assist activists nationwide in lobbying on behalf of population-related legislation. Population Connection Action Fund will bring visibility, education, and grassroots advocacy to call for population stabilization, with the Field Program organizing and mobilizing influential voters and supporters. Population Connection Action Fund will organize and provide training, technical assistance, and funding to supporters and activists. Population Connection Action Fund will also represent Population Connection in coalitions focused on grassroots action at public presentations and exhibitions as needed.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Organization (continued) -

The following program and supporting services are included in the accompanying combined financial statements (continued):

Membership Services -

To respond to correspondence, requests and inquiries from members and the general public in a timely manner.

General and Administrative -

This supporting service category includes the functions necessary to secure proper administrative functioning of the Organizations' governing Boards, maintain an adequate working environment and manage financial responsibilities of the Organizations.

Fundraising -

This supporting service category includes expenditures, which provide the structure necessary to encourage and secure private financial support.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-010, *Not-for-Profit Entities Consolidation*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' combined financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Basis of consolidation -

The accompanying combined financial statements reflect the activity of Population Connection, Population Connection Action Fund and Population Connection Action Fund PAC (collectively, the Organizations). Because of their common management, the financial statements of the three organizations have been combined. All intercompany transactions have been eliminated during combination.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$208,816 for the year ended December 31, 2016.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organizations maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Accounts and contributions receivable -

Accounts and contributions receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Inventory -

Inventory consists of books, videos, t-shirts and various other items. Inventory is stated at the lower of cost or market and is valued using the first-in, first-out method of inventory valuation.

Fixed assets -

Fixed assets in excess of \$500 are recorded at cost, or if donated, at the estimated fair value at the date of receipt. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from three to five years, or, for leasehold improvements, the lesser of the life of the lease or the service life of the improvements.

When assets are sold or otherwise disposed of, the asset and related accumulated depreciation or amortization are removed from the accounts and any remaining gain or loss is included in operations. Repairs and maintenance are expensed when incurred.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Combined Statement of Activities and Change in Net Assets.

Gift annuity liability -

Population Connection entered into charitable Gift Annuity Agreements in which the donor receives payments during their lifetime, with any remainder reverting to Population Connection. The liability is determined based on actuarial assumptions and is included in the liability section of the accompanying combined financial statements. The amount of the contribution recorded by Population Connection is the fair value of the assets, less the present value of the estimated annuity payments.

As of December 31, 2016, Population Connection received a parcel of land as a contribution which is included in other current assets. Population Connection will sell the parcel of land and use the proceeds to purchase a charitable Gift Annuity Agreement. The land has not been sold as of the date of this report.

Functional allocation of expenses -

The costs of the Organizations' various programs and supporting activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributed services -

The Organizations recognize revenue and expenses from contributed services received for the Government Relations, Population Education, Field and Outreach and Communications Programs. The amounts reported consist primarily of teachers' services and are based on the estimated fair value of professional teachers' services rendered at workshops and other donated services.

The amount of in-kind contributed services expenses totaled \$356,000 for the year ended December 31, 2016, and is included in professional fees in the accompanying Combined Statement of Functional Expenses.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income taxes -

Population Connection is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined by the Internal Revenue Service not to be a private foundation.

Population Connection Action Fund is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

Population Connection Action Fund PAC is exempt from Federal income taxes under Section 527 of the Internal Revenue Code. This section does not exempt taxation of investment income. No income taxes were payable as of December 31, 2016.

The Organizations are required to report unrelated business income to the Internal Revenue Service and the District of Columbia taxing authorities. There was no liability for unrelated business income tax as of December 31, 2016.

Uncertain tax positions -

For the year ended December 31, 2016, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources. Undesignated net assets are funds which are currently available to support the Organizations's daily operations. Designated net assets of \$6,000,000 consist of unrestricted funds designated by the Board of Directors as an operating reserve.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Population Connection and Population Connection Action Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations. Permanently restricted net assets represent the Les Corsa Fund established in 1988. The income earned on the investment of the original contributions is to be used to provide an annual award for the Organizations member who has made outstanding contributions in the field of Population Policy and Family Planning.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Membership -

Membership dues are earned when received.

Fair value measurement -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organizations account for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement (continued) -

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organizations' combined financial statements, it is not expected to alter the Organizations' reported financial position.

2. INVESTMENTS

Investments at December 31, 2016, at fair value, were comprised of the following:

Cash and cash equivalents	\$ 208,816
Certificates of deposit	4,197,357
Securities	4,242,500
Insurance and annuity contracts	66,261
Bonds - Federal	<u>129,957</u>
TOTAL INVESTMENTS	<u>\$ 8,844,891</u>

Included in investment income are the following at December 31, 2016:

Interest and dividends	\$ 105,196
Net appreciation of investments	213,504
Gift annuity income	<u>233,134</u>
TOTAL INVESTMENT INCOME	<u>\$ 551,834</u>

3. FIXED ASSETS

Fixed assets at December 31, 2016, consisted of the following:

Furniture and equipment	\$ 339,897
Software	124,168
Leasehold improvements	<u>266,880</u>
	730,945
Less: Accumulated depreciation and amortization	<u>(426,956)</u>
FIXED ASSETS, NET	<u>\$ 303,989</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

4. COMMITMENTS

During 2011, Population Connection amended their previous lease to extend through January 31, 2018. In 2014, the lease was extended again through January 31, 2023. The latest amendment provides for three months of abated rent, a tenant improvement allowance, fixed annual escalations in base rent and a pro-rata share of real estate taxes and operating expenses. The rent increases by 2.5% each year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

Minimum future rental payments required under the above lease for the year ended December 31, 2016 are as follows:

Year Ending December 31,

2017		\$ 270,325
2018		302,158
2019		309,712
2020		317,455
2021		325,391
Thereafter		<u>361,896</u>
		<u>\$ 1,886,937</u>

For the year ended December 31, 2016, rent expense, including monthly operating costs for the aforementioned lease, totaled \$405,739.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Restricted For Time		<u>\$ 500,000</u>
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6. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released included donations which were released from donor-imposed restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors and the passage of time.

At December 31, 2016, net assets released from donor restrictions consisted of the following:

Population Education		\$ 24,000
Government Relations		30,000
General Support - Passage of time		<u>250,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS		<u>\$ 304,000</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
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7. DEFINED CONTRIBUTION PLAN

Effective January 30, 1999, Population Connection established a 401(k) retirement plan for all employees, which was implemented in August 1999.

Population Connection matches the employee contribution up to the first 6% of salary. There is a three-year graduated vesting schedule for employer contributions to the plan.

Population Connection made contributions to the plan totaling \$110,075, during the year ended December 31, 2016.

8. JOINT COSTS ACTIVITIES

For the year ended December 31, 2016, the Organizations incurred joint costs of \$1,036,294 for informational materials and activities that included direct mail fundraising appeals.

Joint costs were allocated as follows at December 31, 2016:

Communications	\$ 673,024
Government Relations	104,270
Fundraising	<u>259,000</u>
TOTAL JOINT COSTS ACTIVITIES	<u>\$ 1,036,294</u>

9. AGENCY ACTIVITY

During 2014, the President and CEO of Population Connection had officially been assigned as the court appointed administrator of an estate. It is anticipated that there are two beneficiaries who will share equally in the net proceeds. Population Connection will assist in disposing of several assets, establishing values and getting court approval for various actions, including the sale of a house.

As of December 31, 2016, Population Connection has incurred expenses on the estate's behalf of \$85,985. In addition, included in the accompanying financial statements is a cash and corresponding agency liability account in the amount of \$1,197,948 as of December 31, 2016.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

10. FAIR VALUE MEASUREMENT (Continued)

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

- *Cash and cash equivalents* - Fair value is equal to the reported net asset value of the fund.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Insurance and annuity contracts* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Bonds - Federal* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2016:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 208,816	\$ -	\$ -	\$ 208,816
Certificates of deposit	-	4,197,357	-	4,197,357
Securities	4,242,500	-	-	4,242,500
Insurance and annuity contracts	-	66,261	-	66,261
Bonds - Federal	-	129,957	-	129,957
TOTAL	<u>\$4,451,316</u>	<u>\$4,393,575</u>	<u>\$ -</u>	<u>\$ 8,844,891</u>

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through June 5, 2017, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

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**COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016**

ASSETS

	Population Connection	Action Fund	PAC	Eliminations	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,232,371	\$ 3,139,471	\$ 58,865	\$ -	\$ 6,430,707
Accounts receivable	335,085	-	-	-	335,085
Contributions receivable	250,000	250,000	-	-	500,000
Due from related parties	496,455	3,493	-	(499,948)	-
Prepaid expenses	55,754	13,594	-	-	69,348
Inventory	15,241	-	-	-	15,241
Other assets	<u>495,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,000</u>
Total current assets	<u>4,879,906</u>	<u>3,406,558</u>	<u>58,865</u>	<u>(499,948)</u>	<u>7,845,381</u>
INVESTMENTS	<u>8,844,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,844,891</u>
FIXED ASSETS					
Fixed assets, net of accumulated depreciation and amortization of \$426,956	<u>303,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,989</u>
OTHER ASSET					
Deposits	<u>23,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,193</u>
 TOTAL ASSETS	 <u>\$ 14,051,979</u>	 <u>\$ 3,406,558</u>	 <u>\$ 58,865</u>	 <u>\$ (499,948)</u>	 <u>\$ 17,017,454</u>

LIABILITIES AND NET ASSETS

	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT LIABILITIES					
Gift annuity liability	\$ 52,378	\$ -	\$ -	\$ -	\$ 52,378
Accounts payable and accrued liabilities	266,840	61,477	-	-	328,317
Deferred rent	7,909	-	-	-	7,909
Agency liability	1,197,948	-	-	-	1,197,948
Due to related parties	<u>-</u>	<u>498,126</u>	<u>1,822</u>	<u>(499,948)</u>	<u>-</u>
Total current liabilities	<u>1,525,075</u>	<u>559,603</u>	<u>1,822</u>	<u>(499,948)</u>	<u>1,586,552</u>
LONG-TERM LIABILITIES					
Gift annuity liability, net of current portion	885,801	-	-	-	885,801
Deferred rent, net of current portion	<u>113,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,799</u>
Total long-term liabilities	<u>999,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>999,600</u>
Total liabilities	<u>2,524,675</u>	<u>559,603</u>	<u>1,822</u>	<u>(499,948)</u>	<u>2,586,152</u>
NET ASSETS					
Unrestricted	11,276,304	2,596,955	57,043	-	13,930,302
Temporarily restricted	250,000	250,000	-	-	500,000
Permanently restricted	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total net assets	<u>11,527,304</u>	<u>2,846,955</u>	<u>57,043</u>	<u>-</u>	<u>14,431,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,051,979</u>	<u>\$ 3,406,558</u>	<u>\$ 58,865</u>	<u>\$ (499,948)</u>	<u>\$ 17,017,454</u>

**POPULATION CONNECTION
POPULATION CONNECTION ACTION FUND
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**COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED REVENUE					
Contributions	\$ 10,027,807	\$ 3,398,973	\$ 107,446	\$ (3,050,000)	\$10,484,226
Membership	763,284	-	-	-	763,284
Grants	74,500	-	-	-	74,500
Other revenue	57,847	-	-	-	57,847
Investment income	551,834	-	-	-	551,834
Contributed services	356,000	-	-	-	356,000
Net assets released from donor restrictions	<u>179,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>304,000</u>
Total unrestricted revenue	<u>12,010,272</u>	<u>3,523,973</u>	<u>107,446</u>	<u>(3,050,000)</u>	<u>12,591,691</u>
EXPENSES					
Program Services:					
Government Relations	1,050,923	231,895	89,000	(500,000)	871,818
Communications	1,614,505	615,635	-	-	2,230,140
Population Education	1,650,891	-	-	-	1,650,891
Field and Outreach	2,896,798	858,575	-	(2,550,000)	1,205,373
Membership Services	<u>996,470</u>	<u>87,955</u>	<u>-</u>	<u>-</u>	<u>1,084,425</u>
Total program services	<u>8,209,587</u>	<u>1,794,060</u>	<u>89,000</u>	<u>(3,050,000)</u>	<u>7,042,647</u>
Supporting Services:					
General and Administrative	355,770	39,125	-	-	394,895
Fundraising	<u>810,148</u>	<u>119,421</u>	<u>-</u>	<u>-</u>	<u>929,569</u>
Total supporting services	<u>1,165,918</u>	<u>158,546</u>	<u>-</u>	<u>-</u>	<u>1,324,464</u>
Total expenses	<u>9,375,505</u>	<u>1,952,606</u>	<u>89,000</u>	<u>(3,050,000)</u>	<u>8,367,111</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>\$ 2,634,767</u>	<u>\$ 1,571,367</u>	<u>\$ 18,446</u>	<u>\$ -</u>	<u>\$ 4,224,580</u>
TEMPORARILY RESTRICTED REVENUE					
Contributions	\$ -	\$ 250,000	\$ -	\$ -	\$ 250,000
Grants	295,000	-	-	-	295,000
Net assets released from donor restrictions	<u>(179,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>(304,000)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 116,000</u>	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,000</u>

**POPULATION CONNECTION
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**COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR DECEMBER 31, 2016**

	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED NET ASSETS					
Net assets at beginning of year	\$ 8,641,537	\$ 1,025,588	\$ 38,597	\$ -	\$ 9,705,722
Change in unrestricted net assets	<u>2,634,767</u>	<u>1,571,367</u>	<u>18,446</u>	<u>-</u>	<u>4,224,580</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,276,304</u>	<u>\$ 2,596,955</u>	<u>\$ 57,043</u>	<u>\$ -</u>	<u>\$ 13,930,302</u>
TEMPORARILY RESTRICTED NET ASSETS					
Net assets at beginning of year	\$ 134,000	\$ 125,000	\$ -	\$ -	\$ 259,000
Change in temporarily restricted net assets	<u>116,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>241,000</u>
NET ASSETS AT END OF YEAR	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>
PERMANENTLY RESTRICTED NET ASSETS					
Net assets at beginning of year	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
NET ASSETS AT END OF YEAR	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>