

CONSOLIDATED FINANCIAL STATEMENTS

POPULATION CONNECTION

**POPULATION CONNECTION
ACTION FUND**

**POPULATION CONNECTION
ACTION FUND PAC**

**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

**POPULATION CONNECTION
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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 consolidated financial statements of Population Connection, Population Connection Action Fund and Population Connection Action Fund PAC (collectively, the Organizations), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organizations as of December 31, 2018, and the consolidated change in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Population Connection's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

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



July 16, 2019

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

ASSETS		<u>2018</u>	<u>2017</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,704,008	\$ 4,832,766
Accounts receivable		745,987	373,928
Contributions receivable		6,903	250,000
Prepaid expenses		282,509	313,319
Inventory		<u>27,040</u>	<u>11,053</u>
Total current assets		<u>3,766,447</u>	<u>5,781,066</u>
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of \$475,458		<u>802,122</u>	<u>375,462</u>
OTHER ASSET			
Deposit		<u>56,283</u>	<u>23,193</u>
INVESTMENTS		<u>18,566,207</u>	<u>16,614,550</u>
TOTAL ASSETS	\$	<u>23,191,059</u>	<u>22,794,271</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Gift annuity liability	\$	61,124	\$ 59,355
Accounts payable and accrued liabilities		1,045,630	563,481
Deferred rent		-	11,983
Agency liability		<u>116</u>	<u>416</u>
Total current liabilities		<u>1,106,870</u>	<u>635,235</u>
LONG-TERM LIABILITIES			
Gift annuity liability, net of current portion		874,349	882,409
Deferred rent		<u>278,341</u>	<u>129,575</u>
Total long-term liabilities		<u>1,152,690</u>	<u>1,011,984</u>
Total liabilities		<u>2,259,560</u>	<u>1,647,219</u>
NET ASSETS			
Without restrictions:			
Undesignated		8,930,499	10,871,052
Board designated		<u>12,000,000</u>	<u>10,000,000</u>
Total net assets without restrictions		20,930,499	20,871,052
With restrictions		<u>1,000</u>	<u>276,000</u>
Total net assets		<u>20,931,499</u>	<u>21,147,052</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>23,191,059</u>	<u>22,794,271</u>

See accompanying notes to consolidated financial statements.

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**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Restrictions	With Restrictions	Total	Total
REVENUE				
Contributions	\$ 11,072,263	\$ -	\$ 11,072,263	\$ 14,423,750
Membership	803,201	-	803,201	884,878
Grants	32,000	-	32,000	56,000
Other revenue	34,890	-	34,890	52,375
Investment (loss) income, net	(88,051)	-	(88,051)	738,446
Contributed services	389,400	-	389,400	349,400
Net assets released from donor restrictions	275,000	(275,000)	-	-
Total revenue	12,518,703	(275,000)	12,243,703	16,504,849
EXPENSES				
Program Services:				
Government Relations	935,261	-	935,261	921,368
Communications	2,856,311	-	2,856,311	2,275,876
Population Education	1,966,168	-	1,966,168	1,663,773
Field and Outreach	2,343,992	-	2,343,992	1,870,038
Membership Services	2,197,624	-	2,197,624	1,596,089
Total program services	10,299,356	-	10,299,356	8,327,144
Supporting Services:				
General and Administrative	644,431	-	644,431	335,586
Fundraising	1,515,469	-	1,515,469	1,116,369
Total supporting services	2,159,900	-	2,159,900	1,451,955
Total expenses	12,459,256	-	12,459,256	9,779,099
Change in net assets, before other item	59,447	(275,000)	(215,553)	6,725,750
OTHER ITEM				
Loss from theft	-	-	-	(10,000)
Change in net assets	59,447	(275,000)	(215,553)	6,715,750
Net assets at beginning of year	20,871,052	276,000	21,147,052	14,431,302
NET ASSETS AT END OF YEAR	\$ 20,930,499	\$ 1,000	\$ 20,931,499	\$ 21,147,052

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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	Program Services					2018
	Government Relations	Communications	Population Education	Field and Outreach	Membership Services	Total Program Services
Salaries, benefits and taxes	\$ 373,785	\$ 453,268	\$ 919,245	\$ 470,157	\$ 789,460	\$ 3,005,915
Occupancy	34,491	39,029	77,314	41,285	70,717	262,836
Printing and production	2,212	699,962	22,101	26,753	305,634	1,056,662
Postage and delivery	1,694	646,108	35,421	15,358	208,349	906,930
Telephone	1,947	13,254	4,797	4,259	4,094	28,351
Depreciation and amortization	13,095	15,165	31,444	16,255	27,368	103,327
Professional fees	77,465	785,528	671,567	1,323,833	552,599	3,410,992
Supplies and miscellaneous	28,044	165,897	43,171	61,601	196,347	495,060
Travel and representation	233,825	17,721	151,877	308,325	42,296	754,044
Contributions	168,703	20,379	9,231	76,166	760	275,239
TOTAL	\$ 935,261	\$ 2,856,311	\$ 1,966,168	\$ 2,343,992	\$ 2,197,624	\$ 10,299,356

Supporting Services					2017
General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 370,438	\$ 727,285	\$ 1,097,723	\$ 4,103,638	\$ 3,447,729	
21,027	68,888	89,915	352,751	403,904	
1,178	150,848	152,026	1,208,688	782,058	
2,801	87,530	90,331	997,261	929,851	
1,673	3,855	5,528	33,879	37,848	
11,934	25,081	37,015	140,342	112,561	
170,285	329,791	500,076	3,911,068	2,775,967	
49,515	73,483	122,998	618,058	341,130	
14,725	47,997	62,722	816,766	737,885	
855	711	1,566	276,805	210,166	
\$ 644,431	\$ 1,515,469	\$ 2,159,900	\$ 12,459,256	\$ 9,779,099	

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (215,553)	\$ 6,715,750
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	140,342	112,561
Net depreciation (appreciation) of investments	439,062	(563,735)
Change in value of annuity obligations	21,100	22,280
Loss on disposal of fixed assets	2,083	567
(Increase) decrease in:		
Accounts receivable	(372,059)	(38,843)
Contributions receivable	243,097	250,000
Prepaid expenses	30,810	(243,971)
Inventory	(15,987)	4,188
Other asset	-	495,000
Deposit	(33,090)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	482,149	235,164
Deferred rent	136,783	19,850
Agency liability	(300)	(1,197,532)
Net cash provided by operating activities	<u>858,437</u>	<u>5,811,279</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(18,407,193)	(20,592,467)
Proceeds from sale of investments	16,016,474	13,386,543
Purchase of furniture and equipment	(569,085)	(184,601)
Net cash used by investing activities	<u>(2,959,804)</u>	<u>(7,390,525)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on annuity obligations	(58,495)	(52,378)
Proceeds from annuities	31,104	33,683
Net cash used by financing activities	<u>(27,391)</u>	<u>(18,695)</u>
Net decrease in cash and cash equivalents	(2,128,758)	(1,597,941)
Cash and cash equivalents at beginning of year	<u>4,832,766</u>	<u>6,430,707</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,704,008</u>	<u>\$ 4,832,766</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Securities	<u>\$ 78,847</u>	<u>\$ 96,205</u>

See accompanying notes to consolidated financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

Principles of consolidation -

The accompanying consolidated financial statements include the accounts of the Organization pursuant to the criterion established by FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

Program and supporting services -

The following program and supporting services are included in the accompanying consolidated 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Program and supporting services (continued) -

Communications (continued) -

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.

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.

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 \$3,259,298 for the year ended December 31, 2018.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Cash and cash equivalents (continued) -

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.

Accounts and contributions receivable -

Accounts and contributions receivable are recorded at their net realizable value, which approximates 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 and is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Fixed assets -

Fixed assets in excess of \$2,500 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 (loss) income in the Consolidated Statement of Activities and Change in Net Assets. Interest and dividends are shown net of investment expenses provided by external investment advisors in the Consolidated 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 consolidated 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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Functional allocation of expenses (continued) -

Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organizations are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

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 \$389,400 for the year ended December 31, 2018, and is included in professional fees in the accompanying Consolidated Statement of Functional Expenses.

Use of estimates -

The preparation of the consolidated 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 consolidated 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, 2018.

Beginning January 1, 2018, the Organizations are subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial.

Uncertain tax positions -

For the year ended December 31, 2018, 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 consolidated financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions. Designated net assets of \$12,000,000 consisted of revenue received without restriction designated by the Board of Directors as an operating reserve.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Net assets restricted in perpetuity 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 -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying consolidated 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

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 consolidated financial statements.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$20,871,052 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of \$275,000 and \$1,000, respectively, are now classified as net assets with donor restrictions.

New accounting pronouncement (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states 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 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Organizations have not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Organizations has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement (not yet adopted) (continued) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organizations plan to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments at December 31, 2018, at fair value, were comprised of the following:

Cash and cash equivalents	\$ 3,259,298
Certificates of deposit	8,212,235
Exchange traded funds (ETF)	583,939
Insurance and annuity contracts	51,829
Mutual funds	<u>6,458,906</u>
TOTAL INVESTMENTS	<u>\$ 18,566,207</u>

Included in investment loss are the following at December 31, 2018:

Interest and dividends, net of investment fees	\$ 353,570
Net depreciation of investments	(439,062)
Gift annuity loss	<u>(2,559)</u>
TOTAL INVESTMENT LOSS	<u>\$ (88,051)</u>

3. FIXED ASSETS

Fixed assets at December 31, 2018, consisted of the following:

Furniture and equipment	\$ 417,475
Software	130,122
Leasehold improvements	554,733
Construction in progress	<u>175,250</u>
	1,277,580
Less: Accumulated depreciation and amortization	<u>(475,458)</u>
FIXED ASSETS, NET	<u>\$ 802,122</u>

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4. COMMITMENTS

During 2018, Population Connection amended their previous Washington D.C. lease to extend through June 30, 2028. The latest amendment provides for 30 months of discounted 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 approximately 1% each year.

During 2018, Population Connection also signed a new lease for their San Diego, California location to extend through April 2022 with fixed annual escalations.

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 Consolidated Statement of Financial Position.

Minimum future rental payments required under the above lease for the year ended December 31, 2018 are as follows:

Year Ending December 31,

2019	\$	411,092
2020		442,164
2021		495,000
2022		454,618
2023		349,679
Thereafter		<u>2,231,659</u>
		<u>\$ 4,384,212</u>

For the year ended December 31, 2018, rent expense, including monthly operating costs for the aforementioned lease, totaled \$352,751. Deferred rent at December 31, 2018 totaled \$278,341.

5. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at December 31, 2018:

Endowed Contributions Restricted for Perpetuity	\$	<u>1,000</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, 2018, net assets released from donor restrictions consisted of the following:

Field and Outreach	\$	25,000
General Support - Passage of Time		<u>250,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$	<u>275,000</u>

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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 \$145,083, during the year ended December 31, 2018.

8. JOINT COSTS ACTIVITIES

For the year ended December 31, 2018, the Organizations incurred joint costs of \$1,383,454 for informational materials and activities that included direct mail fundraising appeals.

Joint costs were allocated as follows at December 31, 2018:

Communications	\$ 924,061
Fundraising	<u>459,393</u>
TOTAL JOINT COSTS ACTIVITIES	<u>\$ 1,383,454</u>

9. CHARITABLE GIFT ANNUITIES

The Organizations administers various charitable gift annuity agreements that allow a donor to contribute assets to the Organizations in exchange for a promise to pay a fixed amount to the donor or to other designated beneficiaries over the agreements' term, usually the designated beneficiary's lifetime. At the end of the agreements' term, the remaining assets are available for the Organizations' use.

The portion of the agreement attributable to the future interest of the Organizations is recorded in the Consolidated Statement of Activities and Change in Net Assets as contributions without donor restrictions in the period the agreement is established. Assets are held in investments, which are recorded at readily determinable fair value in the Consolidated Statement of Financial Position.

On an annual basis, the Organizations revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate ranging from 1.8% to 5.5% and applicable mortality tables.

The following liabilities have been recorded in the Consolidated Statement of Financial Position at December 31, 2018:

Current liability to the beneficiaries	\$ 61,124
Long-term liability to the beneficiaries	<u>874,349</u>
TOTAL LIABILITY TO THE BENEFICIARIES	<u>\$ 935,473</u>

Gift annuity expense from these agreements in the amount of \$2,559 was recorded in the Consolidated Statement of Activities and Change in Net Assets for the year ended December 31, 2018.

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10. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position, comprise the following at December 31, 2018:

Cash and cash equivalents	\$ 2,704,008
Accounts receivable	745,987
Contributions receivable	6,903
Investments	18,566,207
Less financial assets not available:	
Funds restricted in perpetuity	(1,000)
Board designated funds	<u>(12,000,000)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 10,022,105</u>
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The Organizations have a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, the Organizations have financial assets equal to approximately 11 months of operating expenses. In an event of need the Board designated funds could be undesignated by the Board of Directors.

11. 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, 2018, Population Connection has incurred no additional expenses on behalf of the estate. All estate expenses were paid directly from the estate bank account. During the year, there were \$300 of disbursements made on behalf of the estate.

12. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations has categorized its 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 Consolidated 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.

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.

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12. FAIR VALUE MEASUREMENT (Continued)

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 were no transfers between levels in the fair value hierarchy during the years ended December 31, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Cash and cash equivalents* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end funds that are registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.
- *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.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organizations are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. Mutual funds held by the Organizations are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2018:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,259,298	\$ -	\$ -	\$ 3,259,298
Certificates of deposit	-	8,212,235	-	8,212,235
Exchange traded funds (ETF)	583,939	-	-	583,939
Insurance and annuity contracts	-	51,829	-	51,829
Mutual funds	<u>6,458,906</u>	<u>-</u>	<u>-</u>	<u>6,458,906</u>
TOTAL	<u>\$ 10,302,143</u>	<u>\$ 8,264,064</u>	<u>\$ -</u>	<u>\$ 18,566,207</u>

13. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through July 16, 2019, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

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**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018**

ASSETS					
	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,639,648	\$ 1,006,279	\$ 58,081	\$ -	\$ 2,704,008
Accounts receivable	740,322	5,665	-	-	745,987
Contributions receivable	-	6,903	-	-	6,903
Due from related parties	372,352	3,591,956	-	(3,964,308)	-
Prepaid expenses	268,294	14,215	-	-	282,509
Inventory	27,040	-	-	-	27,040
Total current assets	<u>3,047,656</u>	<u>4,625,018</u>	<u>58,081</u>	<u>(3,964,308)</u>	<u>3,766,447</u>
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of \$475,458	<u>802,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,122</u>
OTHER ASSET					
Deposit	56,283	-	-	-	56,283
INVESTMENTS	<u>18,566,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,566,207</u>
TOTAL ASSETS	<u>\$ 22,472,268</u>	<u>\$ 4,625,018</u>	<u>\$ 58,081</u>	<u>\$ (3,964,308)</u>	<u>\$ 23,191,059</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	\$ 61,124	\$ -	\$ -	\$ -	\$ 61,124
Accounts payable and accrued liabilities	973,632	71,948	50	-	1,045,630
Agency liability	116	-	-	-	116
Due to related parties	3,591,574	372,043	691	(3,964,308)	-
Total current liabilities	<u>4,626,446</u>	<u>443,991</u>	<u>741</u>	<u>(3,964,308)</u>	<u>1,106,870</u>
LONG-TERM LIABILITIES					
Gift annuity liability, net of current portion	874,349	-	-	-	874,349
Deferred rent	278,341	-	-	-	278,341
Total long-term liabilities	<u>1,152,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,152,690</u>
Total liabilities	<u>5,779,136</u>	<u>443,991</u>	<u>741</u>	<u>(3,964,308)</u>	<u>2,259,560</u>
NET ASSETS					
Without restrictions	16,692,132	4,181,027	57,340	-	20,930,499
With restrictions	1,000	-	-	-	1,000
Total net assets	<u>16,693,132</u>	<u>4,181,027</u>	<u>57,340</u>	<u>-</u>	<u>20,931,499</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,472,268</u>	<u>\$ 4,625,018</u>	<u>\$ 58,081</u>	<u>\$ (3,964,308)</u>	<u>\$ 23,191,059</u>

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**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
CHANGE IN NET ASSETS WITHOUT RESTRICTIONS					
REVENUE					
Contributions	\$ 10,797,599	\$ 1,787,384	\$ 137,280	\$ (1,650,000)	\$ 11,072,263
Membership	803,201	-	-	-	803,201
Grants	32,000	-	-	-	32,000
Other revenue	34,890	-	-	-	34,890
Investment (loss) income, net	(96,412)	8,361	-	-	(88,051)
Contributed services	389,400	-	-	-	389,400
Net assets released from donor restrictions	<u>150,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>275,000</u>
Total revenue	<u>12,110,678</u>	<u>1,920,745</u>	<u>137,280</u>	<u>(1,650,000)</u>	<u>12,518,703</u>
EXPENSES					
Program Services:					
Government Relations	842,379	461,172	131,710	(500,000)	935,261
Communications	2,236,618	619,693	-	-	2,856,311
Population Education	1,966,168	-	-	-	1,966,168
Field and Outreach	1,671,693	1,822,299	-	(1,150,000)	2,343,992
Membership Services	<u>2,095,258</u>	<u>102,366</u>	<u>-</u>	<u>-</u>	<u>2,197,624</u>
Total program services	<u>8,812,116</u>	<u>3,005,530</u>	<u>131,710</u>	<u>(1,650,000)</u>	<u>10,299,356</u>
Supporting Services:					
General and Administrative	571,881	72,550	-	-	644,431
Fundraising	<u>1,441,146</u>	<u>74,323</u>	<u>-</u>	<u>-</u>	<u>1,515,469</u>
Total supporting services	<u>2,013,027</u>	<u>146,873</u>	<u>-</u>	<u>-</u>	<u>2,159,900</u>
Total expenses	<u>10,825,143</u>	<u>3,152,403</u>	<u>131,710</u>	<u>(1,650,000)</u>	<u>12,459,256</u>
CHANGE IN NET ASSETS WITHOUT RESTRICTIONS	<u>\$ 1,285,535</u>	<u>\$ (1,231,658)</u>	<u>\$ 5,570</u>	<u>\$ -</u>	<u>\$ 59,447</u>
CHANGE IN NET ASSETS WITH RESTRICTIONS					
Net assets released from donor restrictions	\$ <u>(150,000)</u>	\$ <u>(125,000)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(275,000)</u>
CHANGE IN NET ASSETS WITH RESTRICTIONS	<u>\$ (150,000)</u>	<u>\$ (125,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (275,000)</u>

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**CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR DECEMBER 31, 2018**

	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT RESTRICTIONS					
Net assets at beginning of year	\$ 15,406,597	\$ 5,412,685	\$ 51,770	\$ -	\$ 20,871,052
Change in net assets without restrictions	<u>1,285,535</u>	<u>(1,231,658)</u>	<u>5,570</u>	<u>-</u>	<u>59,447</u>
NET ASSETS AT END OF YEAR	<u>\$ 16,692,132</u>	<u>\$ 4,181,027</u>	<u>\$ 57,340</u>	<u>\$ -</u>	<u>\$ 20,930,499</u>
NET ASSETS WITH RESTRICTIONS					
Net assets at beginning of year	\$ 151,000	\$ 125,000	\$ -	\$ -	\$ 276,000
Change in temporarily restricted net assets	<u>(150,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>(275,000)</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>