

COMBINED FINANCIAL STATEMENTS

POPULATION CONNECTION

**POPULATION CONNECTION
ACTION FUND**

**POPULATION CONNECTION
ACTION FUND PAC**

**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

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

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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 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, 2017, 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.

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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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Population Connection's 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated June 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 21 - 22, Combining Schedule of Activities on page 23 and Combining Schedule of Change in Net Assets on page 24 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.



September 27, 2018

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

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,832,766	\$ 6,430,707
Accounts receivable	373,928	335,085
Contributions receivable	250,000	500,000
Prepaid expenses	313,319	69,348
Inventory	11,053	15,241
Other assets	<u>-</u>	<u>495,000</u>
Total current assets	<u>5,781,066</u>	<u>7,845,381</u>
FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION OF \$471,071	<u>375,462</u>	<u>303,989</u>
OTHER ASSET		
Deposit	<u>23,193</u>	<u>23,193</u>
INVESTMENTS	<u>16,614,550</u>	<u>8,844,891</u>
TOTAL ASSETS	<u>\$ 22,794,271</u>	<u>\$ 17,017,454</u>

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Gift annuity liability	\$ 59,355	\$ 52,378
Accounts payable and accrued liabilities	563,481	328,317
Deferred rent	11,983	7,909
Agency liability	<u>416</u>	<u>1,197,948</u>
Total current liabilities	<u>635,235</u>	<u>1,586,552</u>
LONG-TERM LIABILITIES		
Gift annuity liability, net of current portion	882,409	885,801
Deferred rent, net of current portion	<u>129,575</u>	<u>113,799</u>
Total long-term liabilities	<u>1,011,984</u>	<u>999,600</u>
Total liabilities	<u>1,647,219</u>	<u>2,586,152</u>
NET ASSETS		
Unrestricted:		
Undesignated	10,871,052	7,930,302
Board designated	<u>10,000,000</u>	<u>6,000,000</u>
Total unrestricted	20,871,052	13,930,302
Temporarily restricted	275,000	500,000
Permanently restricted	<u>1,000</u>	<u>1,000</u>
Total net assets	<u>21,147,052</u>	<u>14,431,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,794,271</u>	<u>\$ 17,017,454</u>

**POPULATION CONNECTION
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**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>			<u>2016</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE					
Contributions	\$ 14,423,750	\$ -	\$ -	\$ 14,423,750	\$ 10,734,226
Membership	884,878	-	-	884,878	763,284
Grants	31,000	25,000	-	56,000	369,500
Other revenue	52,375	-	-	52,375	57,847
Investment income	738,446	-	-	738,446	551,834
Contributed services	349,400	-	-	349,400	356,000
Net assets released from donor restrictions	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>16,729,849</u>	<u>(225,000)</u>	<u>-</u>	<u>16,504,849</u>	<u>12,832,691</u>
EXPENSES					
Program Services:					
Government Relations	921,368	-	-	921,368	871,818
Communications	2,275,877	-	-	2,275,877	2,230,140
Population Education	1,663,772	-	-	1,663,772	1,650,891
Field and Outreach	1,870,038	-	-	1,870,038	1,205,373
Membership Services	<u>1,596,089</u>	<u>-</u>	<u>-</u>	<u>1,596,089</u>	<u>1,084,425</u>
Total program services	<u>8,327,144</u>	<u>-</u>	<u>-</u>	<u>8,327,144</u>	<u>7,042,647</u>
Supporting Services:					
General and Administrative	335,586	-	-	335,586	394,895
Fundraising	<u>1,116,369</u>	<u>-</u>	<u>-</u>	<u>1,116,369</u>	<u>929,569</u>
Total supporting services	<u>1,451,955</u>	<u>-</u>	<u>-</u>	<u>1,451,955</u>	<u>1,324,464</u>
Total expenses	<u>9,779,099</u>	<u>-</u>	<u>-</u>	<u>9,779,099</u>	<u>8,367,111</u>
Change in net assets, before other item	6,950,750	(225,000)	-	6,725,750	4,465,580
OTHER ITEM					
Loss from theft	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Change in net assets	6,940,750	(225,000)	-	6,715,750	4,465,580
Net assets at beginning 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>
NET ASSETS AT END OF YEAR	<u>\$ 20,871,052</u>	<u>\$ 275,000</u>	<u>\$ 1,000</u>	<u>\$ 21,147,052</u>	<u>\$ 14,431,302</u>

**POPULATION CONNECTION
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**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</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	\$ 420,753	\$ 298,761	\$ 757,302	\$ 699,230
Occupancy	49,041	36,867	89,484	78,201
Printing and production	7,341	402,344	50,436	20,818
Postage and delivery	18,910	578,878	37,138	3,194
Telephone	3,589	10,801	5,598	4,398
Depreciation and amortization	13,919	10,454	24,938	23,194
Mechanical services	113	12,204	3,601	490
Professional fees	70,150	826,284	533,295	663,457
Supplies and miscellaneous	11,607	40,083	22,670	44,573
Travel and representation	191,944	34,111	131,035	289,983
Contributions	<u>134,001</u>	<u>25,090</u>	<u>8,275</u>	<u>42,500</u>
TOTAL	<u>\$ 921,368</u>	<u>\$ 2,275,877</u>	<u>\$ 1,663,772</u>	<u>\$ 1,870,038</u>

						2016
		Supporting Services				
Membership Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$ 489,853	\$ 2,665,899	\$ 208,080	\$ 573,750	\$ 781,830	\$ 3,447,729	\$ 2,964,452
53,860	307,453	27,518	68,933	96,451	403,904	471,233
210,395	691,334	1,743	88,981	90,724	782,058	719,048
201,173	839,293	1,063	89,495	90,558	929,851	454,136
6,893	31,279	1,688	4,881	6,569	37,848	33,952
15,700	88,205	5,490	18,866	24,356	112,561	105,561
65,842	82,250	24,769	829	25,598	107,848	657,847
453,803	2,546,989	42,583	186,395	228,978	2,775,967	2,134,157
62,488	181,421	10,825	41,036	51,861	233,282	131,720
36,082	683,155	11,527	43,203	54,730	737,885	457,805
-	209,866	300	-	300	210,166	237,200
<u>\$ 1,596,089</u>	<u>\$ 8,327,144</u>	<u>\$ 335,586</u>	<u>\$ 1,116,369</u>	<u>\$ 1,451,955</u>	<u>\$ 9,779,099</u>	<u>\$ 8,367,111</u>

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**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,715,750	\$ 4,465,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	112,561	105,561
Net appreciation of investments	(563,735)	(213,504)
Change in value of annuity obligations	22,280	(199,863)
Loss on disposal of fixed assets	567	1,131
(Increase) decrease in:		
Accounts receivable	(38,843)	80,422
Contributions receivable	250,000	(500,000)
Tenant improvement receivable	-	60,597
Prepaid expenses	(243,971)	35,474
Inventory	4,188	(113)
Other asset	495,000	(495,000)
Increase (decrease) in:		
Accounts payable and accrued liabilities	235,164	60,067
Deferred rent	19,850	26,443
Agency liability	<u>(1,197,532)</u>	<u>52,033</u>
Net cash provided by operating activities	<u>5,811,279</u>	<u>3,478,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(20,592,467)	(13,982,845)
Proceeds from sale of investments	13,386,543	12,446,781
Purchase of furniture and equipment	<u>(184,601)</u>	<u>(45,142)</u>
Net cash used by investing activities	<u>(7,390,525)</u>	<u>(1,581,206)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on annuity obligations	(52,378)	(41,266)
Proceeds from annuities	<u>33,683</u>	<u>701,077</u>
Net cash (used) provided by financing activities	<u>(18,695)</u>	<u>659,811</u>
Net (decrease) increase in cash and cash equivalents	(1,597,941)	2,557,433
Cash and cash equivalents at beginning of year	<u>6,430,707</u>	<u>3,873,274</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,832,766</u>	<u>\$ 6,430,707</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	<u>\$ 96,205</u>	<u>\$ 52,867</u>

See accompanying notes to combined financial statements.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 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 combined 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, 2016, 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.

Program and supporting 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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Program and supporting services (continued) -

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.

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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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 \$5,226,176 for the year ended December 31, 2017.

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. For the year ended December 31, 2017, The Organizations adopted FASB ASU 2015-11 *Simplifying the Measurement of Inventory*, and as such, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory. The ASU is applied prospectively.

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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Gift annuity liability (continued) -

As of December 31, 2016, Population Connection received a parcel of land as a contribution which is included in other current assets. In May 2017, Population Connection sold the parcel of land for approximately \$487,000.

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.

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 \$349,400 for the year ended December 31, 2017, and is included in professional fees in the accompanying Combined Statement of Functional Expenses.

Use of estimates -

The preparation of the combined 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 combined 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, 2017.

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, 2017.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Uncertain tax positions -

For the year ended December 31, 2017, 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 \$10,000,000 consisted of unrestricted funds designated by the Board of Directors as an operating reserve.
- **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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Fair value measurement (continued) -

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.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncement (not yet adopted) -

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. 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.

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 combined financial statements.

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 Combined Statement of Financial Position and disclosing key information about leasing arrangements.

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

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

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, 2017, at fair value, were comprised of the following:

Cash and cash equivalents	\$ 5,226,176
Certificates of deposit	5,497,885
Insurance and annuity contracts	65,826
Mutual fund	<u>5,824,663</u>
TOTAL INVESTMENTS	<u>\$ 16,614,550</u>

Included in investment income are the following at December 31, 2017:

Interest and dividends	\$ 175,266
Net appreciation of investments	563,735
Gift annuity loss	<u>(555)</u>
TOTAL INVESTMENT INCOME	<u>\$ 738,446</u>

3. FIXED ASSETS

Fixed assets at December 31, 2017, consisted of the following:

Furniture and equipment	\$ 423,490
Software	156,163
Leasehold improvements	<u>266,880</u>
	846,533
Less: Accumulated depreciation and amortization	<u>(471,071)</u>
FIXED ASSETS, NET	<u>\$ 375,462</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
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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 Combined Statement of Financial Position.

Minimum future rental payments required under the above lease for the year ended December 31, 2017, are as follows:

Year Ending December 31,

2018	\$	302,158
2019		309,712
2020		317,455
2021		325,391
2022		333,526
Thereafter		<u>28,370</u>
		<u>\$ 1,616,612</u>

For the year ended December 31, 2017, rent expense, including monthly operating costs for the aforementioned lease, totaled \$403,904. Deferred rent at December 31, 2017 totaled \$141,558.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

Field and Outreach	\$	25,000
Restricted For Time		<u>250,000</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS		<u>\$ 275,000</u>

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, 2017, net assets released from donor restrictions consisted of the following:

General Support - Passage of Time	\$	<u>250,000</u>
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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 \$135,336, during the year ended December 31, 2017.

8. JOINT COSTS ACTIVITIES

For the year ended December 31, 2017, the Organizations incurred joint costs of \$1,073,473 for informational materials and activities that included direct mail fundraising appeals.

Joint costs were allocated as follows at December 31, 2017:

Communications	\$ 764,684
Fundraising	<u>308,789</u>
TOTAL JOINT COSTS ACTIVITIES	<u>\$ 1,073,473</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, 2017, 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 \$1,197,532 of disbursements made on behalf of the estate.

10. LOSS FROM THEFT

Subsequent to year-end, management discovered that an employee had misappropriated assets in the amount of \$122,971 that spanned a timeframe from fiscal years 2016 - 2018. As a result of the investigation, the Organizations filed a claim with their insurance company and have recorded an accounts receivable in the amount of \$112,971 as of December 31, 2017. The remaining \$10,000 is recorded as a loss from theft in the Combined Statement of Activities and Change in Net Assets for the year ended December 31, 2017.

11. 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).

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**NOTES TO COMBINED FINANCIAL STATEMENTS
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11. FAIR VALUE MEASUREMENT (Continued)

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.

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, 2017.

- *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, 2017:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,226,176	\$ -	\$ -	\$ 5,226,176
Certificates of deposit	-	5,497,885	-	5,497,885
Insurance and annuity contracts	-	65,826	-	65,826
Mutual fund	<u>5,824,663</u>	<u>-</u>	<u>-</u>	<u>5,824,663</u>
TOTAL	<u>\$ 11,050,839</u>	<u>\$ 5,563,711</u>	<u>\$ -</u>	<u>\$ 16,614,550</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
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11. FAIR VALUE MEASUREMENT (Continued)

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through September 27, 2018, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

**POPULATION CONNECTION
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**COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017**

ASSETS					
	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,875,246	\$ 901,505	\$ 56,015	\$ -	\$ 4,832,766
Accounts receivable	368,602	5,005,326	-	(5,000,000)	373,928
Contributions receivable	125,000	125,000	-	-	250,000
Due from related parties	434,808	24,767	-	(459,575)	-
Prepaid expenses	251,349	61,970	-	-	313,319
Inventory	<u>11,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,053</u>
Total current assets	<u>5,066,058</u>	<u>6,118,568</u>	<u>56,015</u>	<u>(5,459,575)</u>	<u>5,781,066</u>
FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION OF \$471,071					
	<u>375,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,462</u>
OTHER ASSET					
Deposit	<u>23,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,193</u>
INVESTMENTS					
	<u>16,614,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,614,550</u>
TOTAL ASSETS	<u>\$ 22,079,263</u>	<u>\$ 6,118,568</u>	<u>\$ 56,015</u>	<u>\$ (5,459,575)</u>	<u>\$22,794,271</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	\$ 59,355	\$ -	\$ -	\$ -	\$ 59,355
Grants payable	5,000,000	-	-	(5,000,000)	-
Accounts payable and accrued liabilities	416,653	146,828	-	-	563,481
Deferred rent	11,983	-	-	-	11,983
Agency liability	416	-	-	-	416
Due to related parties	<u>21,275</u>	<u>434,055</u>	<u>4,245</u>	<u>(459,575)</u>	<u>-</u>
Total current liabilities	<u>5,509,682</u>	<u>580,883</u>	<u>4,245</u>	<u>(5,459,575)</u>	<u>635,235</u>
LONG-TERM LIABILITIES					
Gift annuity liability, net of current portion	882,409	-	-	-	882,409
Deferred rent, net of current portion	<u>129,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,575</u>
Total long-term liabilities	<u>1,011,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,011,984</u>
Total liabilities	<u>6,521,666</u>	<u>580,883</u>	<u>4,245</u>	<u>(5,459,575)</u>	<u>1,647,219</u>
NET ASSETS					
Unrestricted	15,406,597	5,412,685	51,770	-	20,871,052
Temporarily restricted	150,000	125,000	-	-	275,000
Permanently restricted	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total net assets	<u>15,557,597</u>	<u>5,537,685</u>	<u>51,770</u>	<u>-</u>	<u>21,147,052</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,079,263</u>	<u>\$ 6,118,568</u>	<u>\$ 56,015</u>	<u>\$ (5,459,575)</u>	<u>\$22,794,271</u>

**POPULATION CONNECTION
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**COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED REVENUE					
Contributions	\$ 14,179,799	\$ 5,240,696	\$ 3,255	\$ (5,000,000)	\$ 14,423,750
Membership	884,878	-	-	-	884,878
Grants	31,000	-	-	-	31,000
Other revenue	52,375	-	-	-	52,375
Investment income	735,227	3,219	-	-	738,446
Contributed services	349,400	-	-	-	349,400
Net assets released from donor restrictions	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Total unrestricted revenue	<u>16,357,679</u>	<u>5,368,915</u>	<u>3,255</u>	<u>(5,000,000)</u>	<u>16,729,849</u>
EXPENSES					
Program Services:					
Government Relations	527,208	385,632	8,528	-	921,368
Communications	3,659,499	616,378	-	(2,000,000)	2,275,877
Population Education	1,663,772	-	-	-	1,663,772
Field and Outreach	3,507,390	1,362,648	-	(3,000,000)	1,870,038
Membership Services	<u>1,508,644</u>	<u>87,445</u>	<u>-</u>	<u>-</u>	<u>1,596,089</u>
Total program services	<u>10,866,513</u>	<u>2,452,103</u>	<u>8,528</u>	<u>(5,000,000)</u>	<u>8,327,144</u>
Supporting Services:					
General and Administrative	300,508	35,078	-	-	335,586
Fundraising	<u>1,050,365</u>	<u>66,004</u>	<u>-</u>	<u>-</u>	<u>1,116,369</u>
Total supporting services	<u>1,350,873</u>	<u>101,082</u>	<u>-</u>	<u>-</u>	<u>1,451,955</u>
Total expenses	<u>12,217,386</u>	<u>2,553,185</u>	<u>8,528</u>	<u>(5,000,000)</u>	<u>9,779,099</u>
Change in unrestricted net assets before other item	4,140,293	2,815,730	(5,273)	-	6,950,750
OTHER ITEM					
Loss from theft	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>\$ 4,130,293</u>	<u>\$ 2,815,730</u>	<u>\$ (5,273)</u>	<u>\$ -</u>	<u>\$ 6,940,750</u>
TEMPORARILY RESTRICTED REVENUE					
Grants	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Net assets released from donor restrictions	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>\$ (100,000)</u>	<u>\$ (125,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (225,000)</u>

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

**COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR DECEMBER 31, 2017**

	<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	\$ 11,276,304	\$ 2,596,955	\$ 57,043	\$ -	\$ 13,930,302
Change in unrestricted net assets	<u>4,130,293</u>	<u>2,815,730</u>	<u>(5,273)</u>	<u>-</u>	<u>6,940,750</u>
NET ASSETS AT END OF YEAR	<u>\$ 15,406,597</u>	<u>\$ 5,412,685</u>	<u>\$ 51,770</u>	<u>\$ -</u>	<u>\$ 20,871,052</u>
TEMPORARILY RESTRICTED NET ASSETS					
Net assets at beginning of year	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ 500,000
Change in temporarily restricted net assets	<u>(100,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>(225,000)</u>
NET ASSETS AT END OF YEAR	<u>\$ 150,000</u>	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,000</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>