

CONSOLIDATED FINANCIAL STATEMENTS

POPULATION CONNECTION

**POPULATION CONNECTION
ACTION FUND**

**POPULATION CONNECTION
ACTION FUND PAC**

**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

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

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CPAs & ADVISORS

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, 2020, 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, 2020, 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 21, Consolidating Schedule of Activities on page 22 and Consolidating Schedule of Change in Net Assets on page 23 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.



June 30, 2021

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,946,603	\$ 3,074,813
Accounts receivable	596,689	313,752
Grants receivable	727,020	251,448
Prepaid expenses	321,810	360,693
Inventory	12,007	19,516
Total current assets	5,604,129	4,020,222
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of \$782,765	628,945	783,036
OTHER ASSETS		
Deposit	33,720	33,720
Grants receivable, net of current portion	-	250,000
Total other assets	33,720	283,720
INVESTMENTS		
	17,283,056	18,448,099
TOTAL ASSETS	\$ 23,549,850	\$ 23,535,077
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable	\$ 638,083	\$ -
Gift annuity liability	89,737	88,360
Accounts payable and accrued liabilities	572,246	679,179
Deferred rent	27,604	27,604
Total current liabilities	1,327,670	795,143
LONG-TERM LIABILITIES		
Loan payable, net of current portion	127,617	-
Gift annuity liability, net of current portion	895,647	932,217
Deferred rent, net of current portion	331,816	313,426
Total long-term liabilities	1,355,080	1,245,643
Total liabilities	2,682,750	2,040,786
NET ASSETS		
Without donor restrictions:		
Undesignated	8,591,100	8,848,291
Board designated	12,000,000	12,000,000
Net assets without donor restrictions	20,591,100	20,848,291
With donor restrictions	276,000	646,000
Total net assets	20,867,100	21,494,291
TOTAL LIABILITIES AND NET ASSETS	\$ 23,549,850	\$ 23,535,077

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, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 6,946,352	\$ 564,375	\$ 7,510,727	\$ 10,139,660
Membership	731,547	-	731,547	805,672
Grants	23,000	-	23,000	22,000
Other revenue	78,590	-	78,590	45,591
Investment income, net	1,952,493	-	1,952,493	1,990,870
Contributed services	163,200	-	163,200	368,400
Net assets released from donor restrictions	<u>934,375</u>	<u>(934,375)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>10,829,557</u>	<u>(370,000)</u>	<u>10,459,557</u>	<u>13,372,193</u>
EXPENSES				
Program Services:				
Government Relations	705,603	-	705,603	803,385
Communications	2,165,507	-	2,165,507	2,868,233
Population Education	1,934,635	-	1,934,635	2,115,672
Field and Outreach	2,154,684	-	2,154,684	2,671,214
Membership Services	<u>1,859,470</u>	<u>-</u>	<u>1,859,470</u>	<u>2,079,245</u>
Total program services	<u>8,819,899</u>	<u>-</u>	<u>8,819,899</u>	<u>10,537,749</u>
Supporting Services:				
General and Administrative	750,948	-	750,948	732,203
Fundraising	<u>1,515,901</u>	<u>-</u>	<u>1,515,901</u>	<u>1,539,449</u>
Total supporting services	<u>2,266,849</u>	<u>-</u>	<u>2,266,849</u>	<u>2,271,652</u>
Total expenses	<u>11,086,748</u>	<u>-</u>	<u>11,086,748</u>	<u>12,809,401</u>
Change in net assets	(257,191)	(370,000)	(627,191)	562,792
Net assets at beginning of year	<u>20,848,291</u>	<u>646,000</u>	<u>21,494,291</u>	<u>20,931,499</u>
NET ASSETS AT END OF YEAR	<u>\$ 20,591,100</u>	<u>\$ 276,000</u>	<u>\$ 20,867,100</u>	<u>\$ 21,494,291</u>

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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	Program Services					2020
	Government Relations	Communications	Population Education	Field and Outreach	Membership Services	Total Program Services
Salaries, benefits and taxes	\$ 371,760	\$ 518,364	\$ 1,175,404	\$ 435,625	\$ 755,684	\$ 3,256,837
Occupancy	50,352	66,762	152,043	57,760	100,946	427,863
Printing and production	620	490,250	10,441	5,514	291,060	797,885
Postage and delivery	194	357,097	7,387	12,017	155,552	532,247
Telephone	2,665	4,022	9,994	3,133	6,572	26,386
Depreciation and amortization	14,228	19,650	44,851	16,388	28,826	123,943
Professional fees	66,229	646,901	377,843	1,546,684	365,225	3,002,882
Supplies and miscellaneous	16,289	38,335	63,321	55,127	111,299	284,371
Travel and representation	23,509	3,242	22,059	8,437	7,407	64,654
Contributions	<u>159,757</u>	<u>20,884</u>	<u>71,292</u>	<u>13,999</u>	<u>36,899</u>	<u>302,831</u>
TOTAL	<u>\$ 705,603</u>	<u>\$ 2,165,507</u>	<u>\$ 1,934,635</u>	<u>\$ 2,154,684</u>	<u>\$ 1,859,470</u>	<u>\$ 8,819,899</u>

Supporting Services					2019
General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 554,860	\$ 830,833	\$ 1,385,693	\$ 4,642,530	\$ 4,728,613	
71,501	107,024	178,525	606,388	594,451	
881	112,405	113,286	911,171	1,131,782	
987	48,480	49,467	581,714	849,039	
4,497	6,548	11,045	37,431	39,321	
20,611	31,225	51,836	175,779	198,421	
42,303	274,645	316,948	3,319,830	3,806,594	
30,945	53,618	84,563	368,934	531,097	
1,986	15,857	17,843	82,497	803,208	
<u>22,377</u>	<u>35,266</u>	<u>57,643</u>	<u>360,474</u>	<u>126,875</u>	
\$ 750,948	\$ 1,515,901	\$ 2,266,849	\$ 11,086,748	\$ 12,809,401	

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (627,191)	\$ 562,792
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	175,779	198,421
Net appreciation of investments	(1,487,200)	(1,557,830)
Change in value of annuity obligations	(121,833)	7,840
Cash receipts from sale of donated equities	-	168,250
Loss on disposal of fixed assets	1,764	119
(Increase) decrease in:		
Accounts receivable	(282,937)	432,235
Grants receivable	(225,572)	(494,545)
Prepaid expenses	38,883	(78,184)
Inventory	7,509	7,524
Deposit	-	22,563
(Decrease) increase in:		
Accounts payable and accrued liabilities	(106,933)	(366,567)
Deferred rent	<u>18,390</u>	<u>62,689</u>
Net cash used by operating activities	<u>(2,609,341)</u>	<u>(1,034,693)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,040,636)	(10,423,545)
Proceeds from sale of investments	11,692,879	11,931,233
Purchase of furniture and equipment	<u>(23,452)</u>	<u>(179,454)</u>
Net cash provided by investing activities	<u>2,628,791</u>	<u>1,328,234</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on annuity obligations	(88,360)	(61,124)
Proceeds from annuities	175,000	138,388
Proceeds from loan payable	<u>765,700</u>	<u>-</u>
Net cash provided by financing activities	<u>852,340</u>	<u>77,264</u>
Net increase in cash and cash equivalents	871,790	370,805
Cash and cash equivalents at beginning of year	<u>3,074,813</u>	<u>2,704,008</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,946,603</u>	<u>\$ 3,074,813</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors 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.

The consolidated 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's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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. 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. The 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. The Population Connection Action Fund will organize and provide training, technical assistance, and funding to supporters and activists. The Population Connection Action Fund will also represent Population Connection in coalitions focused on grassroots action at public presentations and exhibitions as needed.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Program and supporting services (continued) -

Membership Services -

Informing the public population on issues at local community events, hosting film screenings, distributing our magazine, writing letters to the editor of local newspapers, signing and gathering signatures for petitions. Support members by providing materials for their distribution, paying registration and logistical fees for local events such as Earth Day, holding training and information sessions, responding to their correspondence to their correspondence and requests for information, and orders for our products and/or publications. During the pandemic, in-person events were cancelled, and we shifted to all virtual events for our members and the public, including expert speaker series, a four-part course on climate change and population, a population book club, and online film screenings.

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 \$209,568 for the year ended December 31, 2020. 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 grants receivable -

Accounts and grants 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*.

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

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.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment 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. 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.

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

Contributed services -

The Organizations recognize revenue and expenses from contributed services received for the Government Relations, Population Education, Field and Outreach and Communications Programs. The amounts reported consist primarily of teachers' services and are based on the estimated fair value of professional teachers' services rendered at workshops and other donated services. The amount of in-kind contributed services expenses totaled \$163,200 for the year ended December 31, 2020, 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.

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

The 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, 2020.

Uncertain tax positions -

For the year ended December 31, 2020, 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.

Contributions and grants -

Gifts, including pledges and grants are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Pledges receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. The Organizations perform an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Contributions and grants (continued) -

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return from obligation provision that limits how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. The Organizations recognize revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. The Organizations had \$1,000,000 in awards that were considered to be conditional as of December 31, 2020. These funds are from a related party and are eliminated in consolidation.

Membership -

Membership dues includes general member benefits. The revenue is recognized as a contribution and recognized upon receipt.

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.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Organizations plan to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying 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)**

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Organizations' operations. The overall potential impact is unknown at this time.

2. INVESTMENTS

Investments at December 31, 2020, at fair value, were comprised of the following:

Cash	\$ 209,568
Certificates of deposit	3,547,357
Stocks	8,782,561
Fixed income	4,693,434
Insurance and annuity contracts	<u>50,136</u>
TOTAL INVESTMENTS	<u>\$ 17,283,056</u>

Included in investment income are the following at December 31, 2020:

Interest and dividends	\$ 356,400
Net appreciation of investments	1,487,200
Gift annuity income	122,843
External investment expense	<u>(13,950)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 1,952,493</u>

3. FIXED ASSETS

Fixed assets at December 31, 2020 consisted of the following:

Furniture and equipment	\$ 545,566
Software	76,281
Leasehold improvements	<u>789,863</u>
	1,411,710
Less: Accumulated depreciation and amortization	<u>(782,765)</u>
FIXED ASSETS, NET	<u>\$ 628,945</u>

4. COMMITMENTS

Population Connection amended its 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.

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4. COMMITMENTS (Continued)

Population Connection also signed a 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, 2020 are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 495,000
2022	454,618
2023	349,679
2024	475,231
2025	487,112
Thereafter	<u>1,269,317</u>
	<u>\$ 3,530,957</u>

For the year ended December 31, 2020, rent expense, including monthly operating costs for the aforementioned lease, totaled \$606,388. Deferred rent at December 31, 2020 totaled \$359,420.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2020:

General Support - Time Restricted	\$ 250,000
Program support - Time Restricted	25,000
Endowed Contributions Restricted for Perpetuity	<u>1,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTION	<u>\$ 276,000</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, 2020, net assets released from donor restrictions consisted of the following:

Program support	\$ 539,375
Program support - Passage of Time	145,000
General Support - Passage of Time	<u>250,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 934,375</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 \$197,107, during the year ended December 31, 2020.

8. JOINT COSTS ACTIVITIES

For the year ended December 31, 2020, the Organizations incurred joint costs of \$1,394,011 for informational materials and activities that included direct mail fundraising appeals.

Joint costs were allocated as follows at December 31, 2020:

Communications	\$ 942,960
Fundraising	<u>451,051</u>
TOTAL JOINT COSTS ACTIVITIES	<u>\$ 1,394,011</u>

9. CHARITABLE GIFT ANNUITIES

The Organizations administer 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, 2020:

Current liability to the beneficiaries	\$ 89,737
Long-term liability to the beneficiaries	<u>895,647</u>
TOTAL LIABILITY TO THE BENEFICIARIES	<u>\$ 985,384</u>

Gift annuity income from these agreements in the amount of \$122,843 was recorded in the Consolidated Statement of Activities and Change in Net Assets in investment income for the year ended December 31, 2020.

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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, 2020:

Cash and cash equivalents	\$ 3,946,603
Accounts receivable	596,689
Grants receivable	727,020
Investments	<u>17,283,056</u>
	22,553,368
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>\$ 10,552,368</u>

The Organizations have a policy to structure their financial assets to be available and liquid as obligations become due. As of December 31, 2020, the Organizations have financial assets equal to approximately 12 months of operating expenses. In an event of need, the Board designated funds could be undesignated by the Board of Directors.

11. LOAN PAYABLE

On April 17, 2020, Population Connection received loan proceeds in the amount of \$765,700 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. Population Connection intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. Population Connection intends to apply for forgiveness after completing the 24-week period. If forgiveness is granted, Population Connection will record revenue from debt extinguishments during the period that forgiveness is approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

<u>Year Ending December 31,</u>	
2021	\$ 638,083
2022	<u>127,617</u>
	<u>\$ 765,700</u>

12. RELATED PARTIES

Population Connection, Population Connection Action Fund and Population Connection Action Fund PAC share overlapping management and Board members.

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12. RELATED PARTIES (Continued)

During the year ended December 31, 2020, Population Connection made grant payments to Population Connection Action Fund in the amount of \$3,650,000. Population Connection Action Fund paid Population Connection Action Fund \$1,032,231 during the year ended December 31, 2020.

As of December 31, 2020, Population Connection owed Population Connection Action Fund \$22,064. Population Connection Action Fund owes Population Connection \$498,252 and Population Connection Action Fund owes Population Connection \$335, respectively at December 31, 2020.

13. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have 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.

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 as of December 31, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Cash* - Valued at the daily closing price as reported by the fund. The money market fund is 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.
- *Securities* - Valued at the closing price reported on the active market in which the individual securities are traded.

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13. FAIR VALUE MEASUREMENT (Continued)

- *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.
- *Fixed income* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Cash	\$ 209,568	\$ -	\$ -	\$ 209,568
Certificates of deposit	3,547,357	-	-	3,547,357
Stocks	8,782,561	-	-	8,782,561
Fixed income	-	4,693,434	-	4,693,434
Insurance and annuity contracts	<u>50,136</u>	<u>-</u>	<u>-</u>	<u>50,136</u>
TOTAL	<u>\$ 12,589,622</u>	<u>\$ 4,693,434</u>	<u>\$ -</u>	<u>\$ 17,283,056</u>

14. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through June 30, 2021, the date the consolidated financial statements were issued.

On February 9, 2021, Population Connection entered into a five-year promissory note agreement in the amount of \$759,430 with a 1% fixed interest rate under the Paycheck Protection Program's second tranche. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.

SUPPLEMENTAL INFORMATION

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**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020**

ASSETS					
	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,600,032	\$ 1,271,754	\$ 74,817	\$ -	\$ 3,946,603
Accounts receivable	596,689	-	-	-	596,689
Grants receivable	439,355	287,665	-	-	727,020
Due from related parties	1,778,874	22,164	-	(1,801,038)	-
Prepaid expenses	301,230	20,580	-	-	321,810
Inventory	12,007	-	-	-	12,007
	<u>5,728,187</u>	<u>1,602,163</u>	<u>74,817</u>	<u>(1,801,038)</u>	<u>5,604,129</u>
Total current assets					
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of \$782,765	<u>628,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>628,945</u>
OTHER ASSETS					
Deposit	<u>33,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,720</u>
INVESTMENTS	<u>17,283,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,283,056</u>
TOTAL ASSETS	<u>\$ 23,673,908</u>	<u>\$ 1,602,163</u>	<u>\$ 74,817</u>	<u>\$ (1,801,038)</u>	<u>\$ 23,549,850</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Loan payable	\$ 638,083	\$ -	\$ -	\$ -	\$ 638,083
Gift annuity liability	89,737	-	-	-	89,737
Accounts payable and accrued liabilities	527,878	44,368	-	-	572,246
Deferred rent	27,604	-	-	-	27,604
Due to related parties	22,064	1,778,539	435	(1,801,038)	-
	<u>1,305,366</u>	<u>1,822,907</u>	<u>435</u>	<u>(1,801,038)</u>	<u>1,327,670</u>
Total current liabilities					
LONG-TERM LIABILITIES					
Loan payable, net of current portion	127,617	-	-	-	127,617
Gift annuity liability, net of current portion	895,647	-	-	-	895,647
Deferred rent, net of current portion	331,816	-	-	-	331,816
	<u>1,355,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,355,080</u>
Total long-term liabilities					
Total liabilities	<u>2,660,446</u>	<u>1,822,907</u>	<u>435</u>	<u>(1,801,038)</u>	<u>2,682,750</u>
NET ASSETS					
Without donor restrictions	20,862,462	(845,744)	74,382	500,000	20,591,100
With donor restrictions	151,000	625,000	-	(500,000)	276,000
	<u>21,013,462</u>	<u>(220,744)</u>	<u>74,382</u>	<u>-</u>	<u>20,867,100</u>
Total net assets					
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,673,908</u>	<u>\$ 1,602,163</u>	<u>\$ 74,817</u>	<u>\$ (1,801,038)</u>	<u>\$ 23,549,850</u>

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**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS					
Contributions	\$ 6,708,457	\$ 97,520	\$ 140,375	\$ -	\$ 6,946,352
Membership	731,497	50	-	-	731,547
Grants	23,000	-	-	-	23,000
Other revenue	78,590	-	-	-	78,590
Investment income, net	1,952,493	-	-	-	1,952,493
Contributed services	163,200	-	-	-	163,200
Net assets released from donor restrictions	<u>809,375</u>	<u>1,625,000</u>	<u>-</u>	<u>(1,500,000)</u>	<u>934,375</u>
Total revenue and support without donor restrictions	<u>10,466,612</u>	<u>1,722,570</u>	<u>140,375</u>	<u>(1,500,000)</u>	<u>10,829,557</u>
EXPENSES					
Program Services:					
Government Relations	265,786	307,559	132,258	-	705,603
Communications	2,004,100	630,107	-	(468,700)	2,165,507
Population Education	1,934,635	-	-	-	1,934,635
Field and Outreach	1,729,534	1,956,450	-	(1,531,300)	2,154,684
Membership Services	<u>1,683,877</u>	<u>175,593</u>	<u>-</u>	<u>-</u>	<u>1,859,470</u>
Total program services	<u>7,617,932</u>	<u>3,069,709</u>	<u>132,258</u>	<u>(2,000,000)</u>	<u>8,819,899</u>
Supporting Services:					
General and Administrative	687,575	63,373	-	-	750,948
Fundraising	<u>1,317,853</u>	<u>198,048</u>	<u>-</u>	<u>-</u>	<u>1,515,901</u>
Total supporting services	<u>2,005,428</u>	<u>261,421</u>	<u>-</u>	<u>-</u>	<u>2,266,849</u>
Total expenses	<u>9,623,360</u>	<u>3,331,130</u>	<u>132,258</u>	<u>(2,000,000)</u>	<u>11,086,748</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 843,252</u>	<u>\$ (1,608,560)</u>	<u>\$ 8,117</u>	<u>\$ 500,000</u>	<u>\$ (257,191)</u>
REVENUE AND SUPPORT WITH DONOR RESTRICTIONS					
Contributions	\$ 564,375	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ 564,375
Net assets released from donor restrictions	<u>(809,375)</u>	<u>(1,625,000)</u>	<u>-</u>	<u>1,500,000</u>	<u>(934,375)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ (245,000)</u>	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ (500,000)</u>	<u>\$ (370,000)</u>

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**CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR DECEMBER 31, 2020**

	<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	\$ 20,019,210	\$ 762,816	\$ 66,265	\$ -	\$ 20,848,291
Change in net assets without restrictions	<u>843,252</u>	<u>(1,608,560)</u>	<u>8,117</u>	<u>500,000</u>	<u>(257,191)</u>
NET ASSETS AT END OF YEAR	<u>\$ 20,862,462</u>	<u>\$ (845,744)</u>	<u>\$ 74,382</u>	<u>\$ 500,000</u>	<u>\$ 20,591,100</u>
NET ASSETS WITH RESTRICTIONS					
Net assets at beginning of year	\$ 396,000	\$ 250,000	\$ -	\$ -	\$ 646,000
Change in temporarily restricted net assets	<u>(245,000)</u>	<u>375,000</u>	<u>-</u>	<u>(500,000)</u>	<u>(370,000)</u>
NET ASSETS AT END OF YEAR	<u>\$ 151,000</u>	<u>\$ 625,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,000</u>
TOTAL NET ASSETS					
Net assets at beginning of year	\$ 20,415,210	\$ 1,012,816	\$ 66,265	\$ -	\$ 21,494,291
Total change in net assets	<u>598,252</u>	<u>(1,233,560)</u>	<u>8,117</u>	<u>-</u>	<u>(627,191)</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 21,013,462</u>	<u>\$ (220,744)</u>	<u>\$ 74,382</u>	<u>\$ -</u>	<u>\$ 20,867,100</u>