

CONSOLIDATED FINANCIAL STATEMENTS

POPULATION CONNECTION

**POPULATION CONNECTION
ACTION FUND**

**POPULATION CONNECTION
ACTION FUND PAC**

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

**POPULATION CONNECTION
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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.

Opinion

We have audited the accompanying consolidated financial statements of Population Connection, Population Connection Action Fund and Population Connection Action Fund PAC (the Organizations), which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of December 31, 2021, and the consolidated change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organizations' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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 22, Consolidating Schedule of Activities on page 23 and Consolidating Schedule of Change in Net Assets on page 24 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.

Gelman Rosenberg & Friedman

May 26, 2022

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	ASSETS	
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,087,319	\$ 3,946,603
Accounts receivable	318,690	596,689
Grants receivable	16,143	727,020
Prepaid expenses	379,870	321,810
Inventory	6,968	12,007
Refundable advance	55,000	-
Total current assets	<u>7,863,990</u>	<u>5,604,129</u>
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of \$648,336	<u>499,363</u>	<u>628,945</u>
OTHER ASSETS		
Deposit	<u>33,720</u>	<u>33,720</u>
INVESTMENTS	<u>20,936,045</u>	<u>17,283,056</u>
TOTAL ASSETS	<u>\$ 29,333,118</u>	<u>\$ 23,549,850</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable	\$ -	\$ 638,083
Gift annuity liability	118,152	89,737
Accounts payable and accrued liabilities	686,721	572,246
Deferred rent	<u>27,604</u>	<u>27,604</u>
Total current liabilities	<u>832,477</u>	<u>1,327,670</u>
LONG-TERM LIABILITIES		
Loan payable, net of current portion	-	127,617
Gift annuity liability, net of current portion	864,319	895,647
Deferred rent, net of current portion	<u>329,678</u>	<u>331,816</u>
Total long-term liabilities	<u>1,193,997</u>	<u>1,355,080</u>
Total liabilities	<u>2,026,474</u>	<u>2,682,750</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	12,265,644	8,591,100
Board designated	<u>15,000,000</u>	<u>12,000,000</u>
Net assets without donor restrictions	27,265,644	20,591,100
With donor restrictions	<u>41,000</u>	<u>276,000</u>
Total net assets	<u>27,306,644</u>	<u>20,867,100</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,333,118</u>	<u>\$ 23,549,850</u>

See accompanying notes to consolidated financial statements.

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**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 11,192,848	\$ 140,000	\$ 11,332,848	\$ 7,510,727
Membership	794,023	-	794,023	731,547
Grants	10,000	-	10,000	23,000
Other revenue	38,024	-	38,024	78,590
Investment income, net	2,580,065	-	2,580,065	1,952,493
Contributed services	170,485	-	170,485	163,200
Net assets released from donor restrictions	<u>375,000</u>	<u>(375,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>15,160,445</u>	<u>(235,000)</u>	<u>14,925,445</u>	<u>10,459,557</u>
EXPENSES				
Program Services:				
Government Relations	632,923	-	632,923	705,603
Communications	2,175,398	-	2,175,398	2,165,507
Population Education	2,008,495	-	2,008,495	1,934,635
Field and Outreach	620,814	-	620,814	2,154,684
Membership Services	<u>1,939,851</u>	<u>-</u>	<u>1,939,851</u>	<u>1,859,470</u>
Total program services	<u>7,377,481</u>	<u>-</u>	<u>7,377,481</u>	<u>8,819,899</u>
Supporting Services:				
General and Administrative	786,208	-	786,208	750,948
Fundraising	<u>1,847,342</u>	<u>-</u>	<u>1,847,342</u>	<u>1,515,901</u>
Total supporting services	<u>2,633,550</u>	<u>-</u>	<u>2,633,550</u>	<u>2,266,849</u>
Total expenses	<u>10,011,031</u>	<u>-</u>	<u>10,011,031</u>	<u>11,086,748</u>
Change in net assets before other item	5,149,414	(235,000)	4,914,414	(627,191)
OTHER ITEM				
Forgiveness of debt	<u>1,525,130</u>	<u>-</u>	<u>1,525,130</u>	<u>-</u>
Change in net assets	6,674,544	(235,000)	6,439,544	(627,191)
Net assets at beginning of year	<u>20,591,100</u>	<u>276,000</u>	<u>20,867,100</u>	<u>21,494,291</u>
NET ASSETS AT END OF YEAR	<u>\$ 27,265,644</u>	<u>\$ 41,000</u>	<u>\$ 27,306,644</u>	<u>\$ 20,867,100</u>

See accompanying notes to consolidated financial statements.

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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

2021						
Program Services						Total
Government Relations	Communications	Population Education	Field and Outreach	Membership Services	Program Services	
Salaries, benefits and taxes	\$ 454,086	\$ 690,628	\$1,265,201	\$ 393,001	\$ 740,960	\$ 3,543,876
Occupancy	54,999	83,080	149,745	51,786	86,945	426,555
Printing and production	4,297	503,160	15,999	1,401	389,644	914,501
Postage and delivery	2,616	299,903	23,592	245	153,988	480,344
Telephone	3,029	4,965	9,936	2,617	5,719	26,266
Depreciation and amortization	12,416	18,909	34,867	11,299	20,227	97,718
Professional fees	57,422	502,384	344,970	143,006	392,260	1,440,042
Supplies and miscellaneous	13,290	42,015	61,144	11,328	106,860	234,637
Travel and representation	4	204	17,111	702	1,972	19,993
Contributions	<u>30,764</u>	<u>30,150</u>	<u>85,930</u>	<u>5,429</u>	<u>41,276</u>	<u>193,549</u>
TOTAL	\$ <u>632,923</u>	\$ <u>2,175,398</u>	\$ <u>2,008,495</u>	\$ <u>620,814</u>	\$ <u>1,939,851</u>	\$ <u>7,377,481</u>

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021 (Continued)			2020	
	Supporting Services				
	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries, benefits and taxes	\$ 570,113	\$ 1,098,529	\$ 1,668,642	\$ 5,212,518	\$ 4,642,530
Occupancy	65,342	125,175	190,517	617,072	606,388
Printing and production	940	88,543	89,483	1,003,984	911,171
Postage and delivery	601	54,858	55,459	535,803	581,714
Telephone	4,340	8,291	12,631	38,897	37,431
Depreciation and amortization	15,568	29,435	45,003	142,721	175,779
Professional fees	64,086	329,955	394,041	1,834,083	3,319,830
Supplies and miscellaneous	27,452	45,385	72,837	307,474	368,934
Travel and representation	1,592	4,724	6,316	26,309	82,497
Contributions	36,174	62,447	98,621	292,170	360,474
TOTAL	\$ 786,208	\$ 1,847,342	\$ 2,633,550	\$ 10,011,031	\$ 11,086,748

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,439,544	\$ (627,191)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	142,721	175,779
Net appreciation of investments	(2,123,231)	(1,487,200)
Change in value of annuity obligations	10,144	(121,833)
Forgiveness of debt	(1,525,130)	-
Loss on disposal of fixed assets	-	1,764
Decrease (increase) in:		
Accounts receivable	277,999	(282,937)
Grants receivable	710,877	(225,572)
Prepaid expenses	(58,060)	38,883
Inventory	5,039	7,509
Refundable advance	(55,000)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	114,475	(106,933)
Deferred rent	(2,138)	18,390
Net cash provided (used) by operating activities	<u>3,937,240</u>	<u>(2,609,341)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,376,229)	(9,040,636)
Proceeds from sale of investments	6,846,471	11,692,879
Purchase of furniture and equipment	(13,139)	(23,452)
Net cash (used) provided by investing activities	<u>(1,542,897)</u>	<u>2,628,791</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on annuity obligations	(104,641)	(88,360)
Proceeds from annuities	91,584	175,000
Proceeds from loan payable	759,430	765,700
Net cash provided by financing activities	<u>746,373</u>	<u>852,340</u>
Net increase in cash and cash equivalents	3,140,716	871,790
Cash and cash equivalents at beginning of year	<u>3,946,603</u>	<u>3,074,813</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,087,319</u>	<u>\$ 3,946,603</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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' consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

Principles of consolidation -

The accompanying consolidated financial statements include the accounts of the Organizations 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 Organizations 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, 2021**

**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 \$73,952 for the year ended December 31, 2021. 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 collectable. 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
DECEMBER 31, 2021**

**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
DECEMBER 31, 2021**

**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 \$170,485 for the year ended December 31, 2021, 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, 2021.

Uncertain tax positions -

For the year ended December 31, 2021, 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 uncollectable 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, 2021**

**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 \$55,000 in awards that were considered to be conditional as of December 31, 2021.

Membership -

Membership dues includes general member benefits that are a series of distinct obligations. The revenue is recognized ratably over the membership period. There are several benefits received that are individual distinct obligations such as discounted rates to conferences and meetings; however, they are immaterial in nature to the contract and thus are included with the general member benefits.

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 pronouncements (not yet adopted) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

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

The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 ASUs 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.

2. INVESTMENTS

Investments at December 31, 2021, at fair value, were comprised of the following:

Cash	\$ 73,952
Certificates of deposit	757,427
Stocks	14,605,532
Fixed income	<u>5,499,134</u>
TOTAL INVESTMENTS	<u>\$ 20,936,045</u>

Included in investment income are the following at December 31, 2021:

Interest and dividends	\$ 353,092
Net appreciation of investments	2,123,231
Gift annuity income	111,501
External investment expense	<u>(7,759)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 2,580,065</u>

**POPULATION CONNECTION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. FIXED ASSETS

Fixed assets at December 31, 2021 consisted of the following:

Furniture and equipment	\$ 357,836
Leasehold improvements	<u>789,863</u>
	1,147,699
Less: Accumulated depreciation and amortization	<u>(648,336)</u>
FIXED ASSETS, NET	<u>\$ 499,363</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.

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, 2021 are as follows:

Year Ending December 31,

2022	\$ 454,618
2023	349,679
2024	475,231
2025	487,112
2026	551,304
Thereafter	<u>1,128,035</u>
	<u>\$ 3,445,979</u>

For the year ended December 31, 2021, rent expense, including monthly operating costs for the aforementioned lease, totaled \$617,072. Deferred rent at December 31, 2021 totaled \$357,282.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2021:

Program support - Time Restricted	\$ 40,000
Endowed Contributions Restricted for Perpetuity	<u>1,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTION	<u>\$ 41,000</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, net assets released from donor restrictions consisted of the following:

Program support	\$ 100,000
Program support - Passage of Time	25,000
General support - Passage of Time	<u>250,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 375,000</u>

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 \$201,123, during the year ended December 31, 2021.

8. JOINT COSTS ACTIVITIES

For the year ended December 31, 2021, the Organizations incurred joint costs of \$1,463,299 for informational materials and activities that included direct mail fundraising appeals.

Joint costs were allocated as follows at December 31, 2021:

Communications	\$ 958,637
Lobbying (direct)	19,284
Fundraising	<u>485,378</u>
TOTAL JOINT COSTS ACTIVITIES	<u>\$ 1,463,299</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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. CHARITABLE GIFT ANNUITIES (Continued)

The following liabilities have been recorded in the Consolidated Statement of Financial Position at December 31, 2021:

Current liability to the beneficiaries	\$ 118,152
Long-term liability to the beneficiaries	<u>864,319</u>
TOTAL LIABILITY TO THE BENEFICIARIES	<u>\$ 982,471</u>

Gift annuity income from these agreements in the amount of of \$111,501 was recorded in the Consolidated Statement of Activities and Change in Net Assets in investment income for the year ended December 31, 2021.

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, 2021:

Cash and cash equivalents	\$ 7,087,319
Accounts receivable	318,690
Grants receivable	16,143
Investments	<u>20,936,045</u>
Subtotal	28,358,197
Less financial assets not available:	
Funds restricted in perpetuity	(1,000)
Board designated funds	<u>(15,000,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 13,357,197</u>

The Organizations have a policy to structure their financial assets to be available and liquid as obligations become due. As of December 31, 2021, the Organizations have financial assets equal to approximately 18 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 used the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds met the conditions for forgiveness of the loan.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. LOAN PAYABLE (Continued)

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.

Both of these loans were fully forgiven during the year ended December 31, 2021 and has been recorded as forgiveness of debt in the accompanying Consolidated Statement of Activities and Change in Net Assets.

12. RELATED PARTIES

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

During the year ended December 31, 2021, Population Connection made grant payments to Population Connection Action Fund in the amount of \$975,000. Population Connection Action Fund paid Population Connection \$2,064,844 during the year ended December 31, 2021.

As of December 31, 2021, Population Connection owed Population Connection Action Fund \$393,417. Population Connection Action Fund owes Population Connection \$168,373 and Population Connection Action Fund owes Population Connection \$335, respectively at December 31, 2021.

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

13. FAIR VALUE MEASUREMENT (Continued)

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, 2021. 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.
- *Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Cash	\$ 73,952	\$ -	\$ -	\$ 73,952
Certificates of deposit	757,427	-	-	757,427
Stocks	14,605,532	-	-	14,605,532
Fixed income	<u>-</u>	<u>5,499,134</u>	<u>-</u>	<u>5,499,134</u>
TOTAL	<u>\$ 15,436,911</u>	<u>\$ 5,499,134</u>	<u>\$ -</u>	<u>\$ 20,936,045</u>

14. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through May 26, 2022, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

**POPULATION CONNECTION
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**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021**

ASSETS					
	Population Connection	Action Fund	PAC	Eliminations	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 6,485,246	\$ 540,685	\$ 61,388	\$ -	\$ 7,087,319
Accounts receivable	318,690	-	-	-	318,690
Grants receivable	16,143	-	-	-	16,143
Due from related parties	1,443,918	281,272	-	(1,725,190)	-
Prepaid expenses	328,645	51,225	-	-	379,870
Inventory	6,968	-	-	-	6,968
Refundable advance	55,000	-	-	-	55,000
Total current assets	<u>8,654,610</u>	<u>873,182</u>	<u>61,388</u>	<u>(1,725,190)</u>	<u>7,863,990</u>
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of \$648,336					
	<u>499,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,363</u>
OTHER ASSETS					
Deposit	<u>33,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,720</u>
INVESTMENTS	<u>20,936,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,936,045</u>
TOTAL ASSETS	<u>\$ 30,123,738</u>	<u>\$ 873,182</u>	<u>\$ 61,388</u>	<u>\$ (1,725,190)</u>	<u>\$ 29,333,118</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Gift annuity liability	\$ 118,152	\$ -	\$ -	\$ -	\$ 118,152
Accounts payable and accrued liabilities	648,320	38,401	-	-	686,721
Deferred rent	27,604	-	-	-	27,604
Due to related parties	<u>281,167</u>	<u>1,443,373</u>	<u>650</u>	<u>(1,725,190)</u>	<u>-</u>
Total current liabilities	<u>1,075,243</u>	<u>1,481,774</u>	<u>650</u>	<u>(1,725,190)</u>	<u>832,477</u>
LONG-TERM LIABILITIES					
Gift annuity liability, net of current portion	864,319	-	-	-	864,319
Deferred rent, net of current portion	<u>329,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,678</u>
Total long-term liabilities	<u>1,193,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193,997</u>
Total liabilities	<u>2,269,240</u>	<u>1,481,774</u>	<u>650</u>	<u>(1,725,190)</u>	<u>2,026,474</u>
NET ASSETS					
Without donor restrictions	27,813,498	(608,592)	60,738	-	27,265,644
With donor restrictions	<u>41,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,000</u>
Total net assets	<u>27,854,498</u>	<u>(608,592)</u>	<u>60,738</u>	<u>-</u>	<u>27,306,644</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,123,738</u>	<u>\$ 873,182</u>	<u>\$ 61,388</u>	<u>\$ (1,725,190)</u>	<u>\$ 29,333,118</u>

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

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Population Connection</u>	<u>Action Fund</u>	<u>PAC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS					
Contributions	\$ 10,789,105	\$ 400,851	\$ 2,892	\$ -	\$ 11,192,848
Membership	794,023	-	-	-	794,023
Grants	10,000	-	-	-	10,000
Other revenue	37,924	100	-	-	38,024
Investment income, net	2,580,065	-	-	-	2,580,065
Contributed services	170,485	-	-	-	170,485
Net assets released from donor restrictions	<u>250,000</u>	<u>1,325,000</u>	<u>-</u>	<u>(1,200,000)</u>	<u>375,000</u>
Total revenue and support without donor restrictions	<u>14,631,602</u>	<u>1,725,951</u>	<u>2,892</u>	<u>(1,200,000)</u>	<u>15,160,445</u>
EXPENSES					
Program Services:					
Government Relations	290,707	325,680	16,536	-	632,923
Communications	2,090,505	319,142	-	(234,249)	2,175,398
Population Education	2,008,495	-	-	-	2,008,495
Field and Outreach	622,131	464,434	-	(465,751)	620,814
Membership Services	<u>1,802,055</u>	<u>137,796</u>	<u>-</u>	<u>-</u>	<u>1,939,851</u>
Total program services	<u>6,813,893</u>	<u>1,247,052</u>	<u>16,536</u>	<u>(700,000)</u>	<u>7,377,481</u>
Supporting Services:					
General and Administrative	717,067	69,141	-	-	786,208
Fundraising	<u>1,674,736</u>	<u>172,606</u>	<u>-</u>	<u>-</u>	<u>1,847,342</u>
Total supporting services	<u>2,391,803</u>	<u>241,747</u>	<u>-</u>	<u>-</u>	<u>2,633,550</u>
Total expenses	<u>9,205,696</u>	<u>1,488,799</u>	<u>16,536</u>	<u>(700,000)</u>	<u>10,011,031</u>
Change in net assets without restrictions before other item	5,425,906	237,152	(13,644)	(500,000)	5,149,414
OTHER ITEM					
Forgiveness of debt	<u>1,525,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,525,130</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 6,951,036</u>	<u>\$ 237,152</u>	<u>\$ (13,644)</u>	<u>\$ (500,000)</u>	<u>\$ 6,674,544</u>
REVENUE AND SUPPORT WITH DONOR RESTRICTIONS					
Contributions	\$ 140,000	\$ 700,000	\$ -	\$ (700,000)	\$ 140,000
Net assets released from donor restrictions	<u>(250,000)</u>	<u>(1,325,000)</u>	<u>-</u>	<u>1,200,000</u>	<u>(375,000)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ (110,000)</u>	<u>\$ (625,000)</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ (235,000)</u>

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**CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR DECEMBER 31, 2021**

	<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	\$ 20,862,462	\$ (845,744)	\$ 74,382	\$ 500,000	\$ 20,591,100
Change in net assets without restrictions	<u>6,951,036</u>	<u>237,152</u>	<u>(13,644)</u>	<u>(500,000)</u>	<u>6,674,544</u>
NET ASSETS AT END OF YEAR	<u>\$ 27,813,498</u>	<u>\$ (608,592)</u>	<u>\$ 60,738</u>	<u>\$ -</u>	<u>\$ 27,265,644</u>
NET ASSETS WITH RESTRICTIONS					
Net assets at beginning of year	\$ 151,000	\$ 625,000	\$ -	\$ (500,000)	\$ 276,000
Change in temporarily restricted net assets	<u>(110,000)</u>	<u>(625,000)</u>	<u>-</u>	<u>500,000</u>	<u>(235,000)</u>
NET ASSETS AT END OF YEAR	<u>\$ 41,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,000</u>
TOTAL NET ASSETS					
Net assets at beginning of year	\$ 21,013,462	\$ (220,744)	\$ 74,382	\$ -	\$ 20,867,100
Total change in net assets	<u>6,841,036</u>	<u>(387,848)</u>	<u>(13,644)</u>	<u>-</u>	<u>6,439,544</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 27,854,498</u>	<u>\$ (608,592)</u>	<u>\$ 60,738</u>	<u>\$ -</u>	<u>\$ 27,306,644</u>