

**COMBINED FINANCIAL STATEMENTS**

**POPULATION CONNECTION**

**POPULATION CONNECTION  
ACTION FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2012**

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of Population Connection and the Population Connection Action Fund (collectively, the Organizations), which comprise the combined statement of financial position as of December 31, 2013, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2013, and the combined change in their net assets and their combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

## Report on Summarized Comparative Information

We have previously audited Population Connection's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedule of Financial Position on pages 18 - 19, Combining Schedule of Activities on page 20 and Combining Schedule of Change in Net Assets on page 21, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



June 2, 2014

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**COMBINED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

**ASSETS**

|   | <u>2013</u>                    | <u>2012</u>                    |
|---|--------------------------------|--------------------------------|
| <b>CURRENT ASSETS</b>   |                                |                                |
| Cash and cash equivalents   | \$ 2,381,712                   | \$ 1,478,790                   |
| Accounts receivable   | 674,617                        | 104,800                        |
| Grants receivable   | 3,000                          | 15,000                         |
| Prepaid expenses  | 132,079                        | 138,157                        |
| Inventory   | <u>11,574</u>                  | <u>16,870</u>                  |
| Total current assets  | <u>3,202,982</u>               | <u>1,753,617</u>               |
| <b>INVESTMENTS (Notes 2 and 9)</b>  | <u>1,019,098</u>               | <u>1,027,808</u>               |
| <b>FIXED ASSETS (Note 3)</b>  |                                |                                |
| Furniture and equipment, net of accumulated depreciation and<br>amortization of \$304,568 | <u>98,018</u>                  | <u>23,113</u>                  |
| <b>OTHER ASSETS</b>   |                                |                                |
| Deposits  | <u>17,202</u>                  | <u>17,202</u>                  |
| <br><b>TOTAL ASSETS</b>   | <br><b><u>\$ 4,337,300</u></b> | <br><b><u>\$ 2,821,740</u></b> |

See accompanying notes to combined financial statements.

## LIABILITIES AND NET ASSETS

|  | <u>2013</u>                | <u>2012</u>                |
|--|----------------------------|----------------------------|
| <b>CURRENT LIABILITIES</b>                     |                            |                            |
| Gift annuity liability                         | \$ 44,059                  | \$ 41,191                  |
| Accounts payable and accrued liabilities       | 257,895                    | 175,356                    |
| Current portion of deferred rent (Note 4)      | <u>-</u>                   | <u>2,742</u>               |
| Total current liabilities                      | <u>301,954</u>             | <u>219,289</u>             |
| <b>LONG-TERM LIABILITIES</b>                   |                            |                            |
| Gift annuity liability, net of current portion | 269,284                    | 204,631                    |
| Deferred rent, long-term portion (Note 4)      | <u>40,693</u>              | <u>32,976</u>              |
| Total long-term liabilities                    | <u>309,977</u>             | <u>237,607</u>             |
| Total liabilities                              | <u>611,931</u>             | <u>456,896</u>             |
| <b>NET ASSETS</b>                              |                            |                            |
| Unrestricted:                                  |                            |                            |
| Undesignated                                   | 2,484,369                  | 1,748,844                  |
| Board-designated                               | <u>1,200,000</u>           | <u>600,000</u>             |
| Total unrestricted                             | 3,684,369                  | 2,348,844                  |
| Temporarily restricted (Note 5)                | 40,000                     | 15,000                     |
| Permanently restricted                         | <u>1,000</u>               | <u>1,000</u>               |
| Total net assets                               | <u>3,725,369</u>           | <u>2,364,844</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>        | <b><u>\$ 4,337,300</u></b> | <b><u>\$ 2,821,740</u></b> |

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

|  | <u>2013</u>                |                                   |                                   | <u>2012</u>                |                            |
|--|----------------------------|-----------------------------------|-----------------------------------|----------------------------|----------------------------|
|  | <u>Unrestricted</u>        | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>               | <u>Total</u>               |
| <b>REVENUE</b>                                       |                            |                                   |                                   |                            |                            |
| Contributions  | \$ 4,806,237               | \$ -                              | \$ -                              | \$ 4,806,237               | \$ 3,060,054               |
| Membership   | 690,015                    | -                                 | -                                 | 690,015                    | 760,342                    |
| Foundation grants                                    | 79,000                     | 62,500                            | -                                 | 141,500                    | 129,025                    |
| Other revenue  | 26,053                     | -                                 | -                                 | 26,053                     | 27,843                     |
| Investment income (Note 2)                           | 75,184                     | -                                 | -                                 | 75,184                     | 26,186                     |
| Contributed services and materials                   | 266,800                    | -                                 | -                                 | 266,800                    | 258,254                    |
| Net assets released from donor restrictions (Note 6) | <u>37,500</u>              | <u>(37,500)</u>                   | <u>-</u>                          | <u>-</u>                   | <u>-</u>                   |
| Total revenue  | <u>5,980,789</u>           | <u>25,000</u>                     | <u>-</u>                          | <u>6,005,789</u>           | <u>4,261,704</u>           |
| <b>EXPENSES</b>                                      |                            |                                   |                                   |                            |                            |
| Program Services:                                    |                            |                                   |                                   |                            |                            |
| Government Relations                                 | 426,183                    | -                                 | -                                 | 426,183                    | 375,855                    |
| Communications                                       | 1,475,052                  | -                                 | -                                 | 1,475,052                  | 1,044,079                  |
| Population Education                                 | 1,048,803                  | -                                 | -                                 | 1,048,803                  | 809,395                    |
| Field and Outreach                                   | 346,313                    | -                                 | -                                 | 346,313                    | 299,528                    |
| Membership Services                                  | <u>608,425</u>             | <u>-</u>                          | <u>-</u>                          | <u>608,425</u>             | <u>529,026</u>             |
| Total program services                               | <u>3,904,776</u>           | <u>-</u>                          | <u>-</u>                          | <u>3,904,776</u>           | <u>3,057,883</u>           |
| Supporting Services:                                 |                            |                                   |                                   |                            |                            |
| General and Administrative                           | 200,376                    | -                                 | -                                 | 200,376                    | 233,244                    |
| Fundraising  | <u>540,112</u>             | <u>-</u>                          | <u>-</u>                          | <u>540,112</u>             | <u>502,882</u>             |
| Total supporting services                            | <u>740,488</u>             | <u>-</u>                          | <u>-</u>                          | <u>740,488</u>             | <u>736,126</u>             |
| Total expenses                                       | <u>4,645,264</u>           | <u>-</u>                          | <u>-</u>                          | <u>4,645,264</u>           | <u>3,794,009</u>           |
| Change in net assets                                 | 1,335,525                  | 25,000                            | -                                 | 1,360,525                  | 467,695                    |
| Net assets at beginning of year                      | <u>2,348,844</u>           | <u>15,000</u>                     | <u>1,000</u>                      | <u>2,364,844</u>           | <u>1,897,149</u>           |
| <b>NET ASSETS AT END OF YEAR</b>                     | <b><u>\$ 3,684,369</u></b> | <b><u>\$ 40,000</u></b>           | <b><u>\$ 1,000</u></b>            | <b><u>\$ 3,725,369</u></b> | <b><u>\$ 2,364,844</u></b> |

See accompanying notes to combined financial statements.

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

|                                       | <b>2013</b>                     |                       |                                 |                               |
|---------------------------------------|---------------------------------|-----------------------|---------------------------------|-------------------------------|
|                                       | <b>Program Services</b>         |                       |                                 |                               |
|                                       | <b>Government<br/>Relations</b> | <b>Communications</b> | <b>Population<br/>Education</b> | <b>Field and<br/>Outreach</b> |
| Salaries, benefits and taxes (Note 7) | \$ 224,791                      | \$ 340,595            | \$ 415,532                      | \$ 210,151                    |
| Occupancy (Note 4)                    | 38,455                          | 54,693                | 74,192                          | 37,917                        |
| Printing and production               | 31,976                          | 289,952               | 11,639                          | 637                           |
| Postage and delivery                  | 38,426                          | 297,129               | 17,901                          | 1,230                         |
| Telephone                             | 2,796                           | 9,195                 | 3,432                           | 1,429                         |
| Depreciation and amortization         | 2,738                           | 3,693                 | 5,332                           | 2,377                         |
| Mechanical services                   | 6,162                           | 86,154                | 8,263                           | 652                           |
| Professional fees                     | 30,059                          | 295,322               | 386,037                         | 18,804                        |
| Supplies and miscellaneous            | 9,336                           | 25,956                | 22,805                          | 5,880                         |
| Travel and representation             | 41,444                          | 72,363                | 103,670                         | 67,236                        |
| <b>TOTAL</b>                          | <b>\$ 426,183</b>               | <b>\$ 1,475,052</b>   | <b>\$ 1,048,803</b>             | <b>\$ 346,313</b>             |



|                            |                               |                                   |                          |                                  |                            |                            | <b>2012</b> |
|----------------------------|-------------------------------|-----------------------------------|--------------------------|----------------------------------|----------------------------|----------------------------|-------------|
|                            |                               | <b>Supporting Services</b>        |                          |                                  |                            |                            |             |
| <b>Membership Services</b> | <b>Total Program Services</b> | <b>General and Administrative</b> | <b>Fundraising</b>       | <b>Total Supporting Services</b> | <b>Total Expenses</b>      | <b>Total Expenses</b>      |             |
| \$ 102,000                 | \$ 1,293,069                  | \$ 131,959                        | \$ 225,726               | \$ 357,685                       | \$ 1,650,754               | \$ 1,329,776               |             |
| 26,153                     | 231,410                       | 22,126                            | 56,673                   | 78,799                           | 310,209                    | 286,819                    |             |
| 120,163                    | 454,367                       | 2,660                             | 42,634                   | 45,294                           | 499,661                    | 427,483                    |             |
| 122,628                    | 477,314                       | 903                               | 29,167                   | 30,070                           | 507,384                    | 414,833                    |             |
| 578                        | 17,430                        | 826                               | 2,742                    | 3,568                            | 20,998                     | 24,110                     |             |
| 1,203                      | 15,343                        | 1,811                             | 4,117                    | 5,928                            | 21,271                     | 10,749                     |             |
| 146,066                    | 247,297                       | 15,885                            | 42,841                   | 58,726                           | 306,023                    | 340,352                    |             |
| 81,974                     | 812,196                       | 11,590                            | 95,863                   | 107,453                          | 919,649                    | 685,550                    |             |
| 6,592                      | 70,569                        | 10,629                            | 23,287                   | 33,916                           | 104,485                    | 89,581                     |             |
| <u>1,068</u>               | <u>285,781</u>                | <u>1,987</u>                      | <u>17,062</u>            | <u>19,049</u>                    | <u>304,830</u>             | <u>184,756</u>             |             |
| <b><u>\$ 608,425</u></b>   | <b><u>\$ 3,904,776</u></b>    | <b><u>\$ 200,376</u></b>          | <b><u>\$ 540,112</u></b> | <b><u>\$ 740,488</u></b>         | <b><u>\$ 4,645,264</u></b> | <b><u>\$ 3,794,009</u></b> |             |

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |                            |
| Change in net assets  | \$ 1,360,525               | \$ 467,695                 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                            |                            |
| Depreciation and amortization   | 21,271                     | 10,749                     |
| Net appreciation of investments   | (12,368)                   | (1,002)                    |
| Change in value of annuity obligations  | (51,622)                   | 10,653                     |
| Change in value of annuity investment   | -                          | 33,854                     |
| Loss on disposal of fixed assets  | 884                        | -                          |
| (Increase) decrease in:   |                            |                            |
| Accounts receivable   | (569,817)                  | 131,157                    |
| Grants receivable   | 12,000                     | (15,000)                   |
| Prepaid expenses  | 6,078                      | (35,363)                   |
| Inventory   | 5,296                      | (5,309)                    |
| Increase in:  |                            |                            |
| Accounts payable and accrued liabilities  | 82,541                     | 43,261                     |
| Deferred rent   | <u>4,975</u>               | <u>2,439</u>               |
| Net cash provided by operating activities   | <u>859,763</u>             | <u>643,134</u>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |                            |
| Purchase of investments   | (2,136,162)                | (576,830)                  |
| Proceeds from sale of investments   | 2,157,240                  | 23,311                     |
| Purchase of furniture and equipment   | <u>(97,060)</u>            | <u>(10,681)</u>            |
| Net cash used by investing activities   | <u>(75,982)</u>            | <u>(564,200)</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                            |                            |
| Payments on annuity obligations   | (40,859)                   | (52,430)                   |
| Proceeds from annuities   | <u>160,000</u>             | <u>14,820</u>              |
| Net cash provided (used) by financing activities  | <u>119,141</u>             | <u>(37,610)</u>            |
| Net increase in cash and cash equivalents   | 902,922                    | 41,324                     |
| Cash and cash equivalents at beginning of year  | <u>1,478,790</u>           | <u>1,437,466</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <b><u>\$ 2,381,712</u></b> | <b><u>\$ 1,478,790</u></b> |

**SCHEDULE OF NONCASH INVESTING AND FINANCING  
TRANSACTIONS**

|                           |                         |                         |
|---------------------------|-------------------------|-------------------------|
| <b>Donated Securities</b> | <b><u>\$ 34,023</u></b> | <b><u>\$ 26,830</u></b> |
|---------------------------|-------------------------|-------------------------|

See accompanying notes to combined financial statements.

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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 of America's population movement. The mission is 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 following program and supporting services are included in the accompanying combined financial statements:

Government Relations -

To inform Congress, the administration, governors and state legislatures about population issues and to advocate the adoption of measures to move the United States and the world towards stabilizing population; to influence population-related legislation; and to mobilize the Organizations' members to take action on pending litigation.

Communications -

To keep the Organizations' members, public officials, media representatives and others up-to-date on U.S. and global population 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 -

To assist the Organizations' activists nationwide in building and sustaining state and local educational, media and lobbying efforts on behalf of Population Connection and the Population Connection Action Fund, through organizing and providing training, technical assistance and funding. Represent the Organizations in coalitions focused on grassroots action and at public presentations and exhibitions as needed.

Membership Services -

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

General and Administrative -

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

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

Organization (continued) -

Fundraising -

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

Basis of presentation -

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

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Population Connection's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Basis of consolidation -

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

Cash and cash equivalents -

Cash and cash equivalents include operating cash accounts and highly liquid, short-term instruments, with original maturities of three months or less.

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

Inventory -

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

Fixed assets -

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

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

Fixed assets (continued) -

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

Investments -

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

Gift annuity liability -

Population Connection entered into charitable Gift Annuity Agreements in which the donor receives payments during their lifetime, with any remainder reverting to Population Connection.

The liability is determined based on actuarial assumptions and is included in the liability section of the accompanying combined financial statements. The amount of the contribution recorded by Population Connection is the fair value of the assets, less the present value of the estimated annuity payments.

Functional allocation of expenses -

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

In-kind contributions -

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

The amount of in-kind contributions and expense totaled \$266,800 for the year ended December 31, 2013, and is included in professional fees in the accompanying Combined Statement of Functional Expenses.

Use of estimates -

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

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

Income taxes -

Population Connection is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined by the Internal Revenue Service not to be a private foundation. Population Connection Action Fund is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

The Organizations are required to report unrelated business income to the Internal Revenue Service and the District of Columbia taxing authorities. There was no liability for unrelated business income tax as of December 31, 2013.

Uncertain tax positions -

For the year ended December 31, 2013, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

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

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources. Undesignated net assets are funds which are currently available to support the Organizations's daily operations. Designated net assets of \$1,200,000 consist of unrestricted funds designated by the Board of Directors as an operating reserve.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Population Connection and Population Connection Action Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations. Permanently restricted net assets represent the Les Corsa Fund established in 1988. The income earned on the investment of the original contributions is to be used to provide an annual award for the Organizations member who has made outstanding contributions in the field of Population Policy and Family Planning.

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

Contributions and grants -

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

Membership -

Membership dues are recognized when received.

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurement -

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

**2. INVESTMENTS**

Investments at December 31, 2013, at fair value, were comprised of the following:

|  |                            |
|--|----------------------------|
| Cash and cash equivalents              | \$ 26,864                  |
| Certificates of deposit                | 74,985                     |
| Annuity contracts                      | 38,775                     |
| Insurance and annuities - fixed income | 68,509                     |
| Common stock                           | 3,083                      |
| Mutual funds                           | 599,929                    |
| Exchange traded funds                  | <u>206,953</u>             |
| <b>TOTAL INVESTMENTS</b>               | <b><u>\$ 1,019,098</u></b> |

Included in investment income are the following at December 31, 2013:

|                                 |                         |
|---------------------------------|-------------------------|
| Interest and dividends          | \$ 11,319               |
| Net appreciation of investments | 12,368                  |
| Other investment income         | <u>51,497</u>           |
| <b>TOTAL INVESTMENT INCOME</b>  | <b><u>\$ 75,184</u></b> |

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**3. FURNITURE AND EQUIPMENT**

Furniture and equipment at December 31, 2013, consisted of the following:

|   |                         |
|---|-------------------------|
| Furniture and equipment                         | \$ 185,219              |
| Software  | 80,931                  |
| Leasehold improvements                          | <u>136,436</u>          |
|   | 402,586                 |
| Less: Accumulated depreciation and amortization | <u>(304,568)</u>        |
| <b>FURNITURE AND EQUIPMENT, NET</b>             | <b><u>\$ 98,018</u></b> |

**4. COMMITMENTS**

In December 2005, Population Connection entered into a seven-year noncancellable operating lease for the office space at 2120 L Street, N.W., Washington, D.C. The lease commenced May 1, 2006 and expired April 30, 2013. During 2011, Population Connection amended the lease to extend through January 31, 2018. The lease provides for fixed annual escalations in base rent and a pro-rata share of real estate taxes and operating expenses. The rent increases by 2.5% each year.

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

Minimum future rental payments required under the above lease for the year ended December 31, 2013 are as follows:

**Year Ending December 31,**

|      |                            |
|------|----------------------------|
| 2014 | \$ 290,351                 |
| 2015 | 301,179                    |
| 2016 | 297,131                    |
| 2017 | 300,561                    |
| 2018 | <u>25,098</u>              |
|      | <b><u>\$ 1,214,320</u></b> |

For the year ended December 31, 2013, rent expense, including monthly operating costs for the aforementioned lease, totaled \$310,209.

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2013:

|  |                         |
|--|-------------------------|
| Population Education                           | \$ 10,000               |
| Government Relations                           | <u>30,000</u>           |
| <b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b> | <b><u>\$ 40,000</u></b> |



**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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, 2013, net assets released from donor restrictions consisted of the following:

|                             |                         |
|-----------------------------|-------------------------|
| <b>Population Education</b> | <b>\$ <u>37,500</u></b> |
|-----------------------------|-------------------------|

**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 will contribute 5% on the first 5% of salary earned. There is a three-year graduated vesting schedule for employer contributions to the plan.

Population Connection made contributions to the plan totaling \$59,288 during the year ended December 31, 2013.

**8. JOINT COSTS ACTIVITIES**

For the year ended December 31, 2013, the Organizations incurred joint costs of \$884,641 for informational materials and activities that included direct mail fundraising appeals.

Joint costs were allocated as follows at December 31, 2013:

|                                     |                          |
|-------------------------------------|--------------------------|
| Communications                      | \$ 733,776               |
| Fundraising                         | <u>150,865</u>           |
| <b>TOTAL JOINT COSTS ACTIVITIES</b> | <b>\$ <u>884,641</u></b> |

**9. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

**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.

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**9. FAIR VALUE MEASUREMENT (Continued)**

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

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

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2013:

| <b>Asset Class:</b>                    | <u>Level 1</u>           | <u>Level 2</u>           | <u>Level 3</u>     | <u>Total</u>               |
|--|--------------------------|--------------------------|--------------------|----------------------------|
| Cash and cash equivalents              | \$ 26,864                | \$ -                     | \$ -               | \$ 26,864                  |
| Certificates of deposit                | -                        | 74,985                   | -                  | 74,985                     |
| Annuity contracts                      | -                        | 38,775                   | -                  | 38,775                     |
| Insurance and annuities - fixed income | -                        | 68,509                   | -                  | 68,509                     |
| Common stock                           | 210,036                  | -                        | -                  | 210,036                    |
| Mutual funds                           | <u>599,929</u>           | <u>-</u>                 | <u>-</u>           | <u>599,929</u>             |
| <b>TOTAL</b>                           | <b><u>\$ 836,829</u></b> | <b><u>\$ 182,269</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 1,019,098</u></b> |

**10. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through June 2, 2014, the date the combined financial statements were issued.

**SUPPLEMENTAL INFORMATION**

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**COMBINING SCHEDULE OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2013**

| <b>ASSETS</b>  |                                  |                              |                                |                                |
|--|----------------------------------|------------------------------|--------------------------------|--------------------------------|
|  | <u>Population<br/>Connection</u> | <u>Action Fund</u>           | <u>Eliminations</u>            | <u>Total</u>                   |
| <b>CURRENT ASSETS</b>  |                                  |                              |                                |                                |
| Cash and cash equivalents  | \$ 2,229,130                     | \$ 152,582                   | \$ -                           | \$ 2,381,712                   |
| Accounts receivable  | 674,617                          | -                            | -                              | 674,617                        |
| Grants receivable  | 3,000                            | -                            | -                              | 3,000                          |
| Due from related parties   | 101,499                          | -                            | (101,499)                      | -                              |
| Prepaid expenses   | 127,079                          | 5,000                        | -                              | 132,079                        |
| Inventory  | <u>11,574</u>                    | <u>-</u>                     | <u>-</u>                       | <u>11,574</u>                  |
| Total current assets   | <u>3,146,899</u>                 | <u>157,582</u>               | <u>(101,499)</u>               | <u>3,202,982</u>               |
| <b>INVESTMENTS</b>   | <u>1,019,098</u>                 | <u>-</u>                     | <u>-</u>                       | <u>1,019,098</u>               |
| <b>FIXED ASSETS</b>  |                                  |                              |                                |                                |
| Furniture and equipment, net of<br>accumulated depreciation and<br>amortization of \$304,568 | <u>98,018</u>                    | <u>-</u>                     | <u>-</u>                       | <u>98,018</u>                  |
| <b>OTHER ASSETS</b>  |                                  |                              |                                |                                |
| Deposits   | <u>17,202</u>                    | <u>-</u>                     | <u>-</u>                       | <u>17,202</u>                  |
| <br><b>TOTAL ASSETS</b>  | <br><b><u>\$ 4,281,217</u></b>   | <br><b><u>\$ 157,582</u></b> | <br><b><u>\$ (101,499)</u></b> | <br><b><u>\$ 4,337,300</u></b> |

## LIABILITIES AND NET ASSETS

|  | <u>Population<br/>Connection</u> | <u>Action Fund</u>       | <u>Eliminations</u>        | <u>Total</u>               |
|--|----------------------------------|--------------------------|----------------------------|----------------------------|
| <b>CURRENT LIABILITIES</b>                     |                                  |                          |                            |                            |
| Gift annuity liability                         | \$ 44,059                        | \$ -                     | \$ -                       | \$ 44,059                  |
| Accounts payable and accrued liabilities       | 257,895                          | -                        | -                          | 257,895                    |
| Due to related parties                         | <u>-</u>                         | <u>101,499</u>           | <u>(101,499)</u>           | <u>-</u>                   |
| Total current liabilities                      | <u>301,954</u>                   | <u>101,499</u>           | <u>(101,499)</u>           | <u>301,954</u>             |
| <b>LONG-TERM LIABILITIES</b>                   |                                  |                          |                            |                            |
| Gift annuity liability, net of current portion | 269,284                          | -                        | -                          | 269,284                    |
| Deferred rent, long-term portion               | <u>40,693</u>                    | <u>-</u>                 | <u>-</u>                   | <u>40,693</u>              |
| Total long-term liabilities                    | <u>309,977</u>                   | <u>-</u>                 | <u>-</u>                   | <u>309,977</u>             |
| Total liabilities                              | <u>611,931</u>                   | <u>101,499</u>           | <u>(101,499)</u>           | <u>611,931</u>             |
| <b>NET ASSETS</b>                              |                                  |                          |                            |                            |
| Unrestricted                                   | 3,628,286                        | 56,083                   | -                          | 3,684,369                  |
| Temporarily restricted                         | 40,000                           | -                        | -                          | 40,000                     |
| Permanently restricted                         | <u>1,000</u>                     | <u>-</u>                 | <u>-</u>                   | <u>1,000</u>               |
| Total net assets                               | <u>3,669,286</u>                 | <u>56,083</u>            | <u>-</u>                   | <u>3,725,369</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>        | <b><u>\$ 4,281,217</u></b>       | <b><u>\$ 157,582</u></b> | <b><u>\$ (101,499)</u></b> | <b><u>\$ 4,337,300</u></b> |

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**COMBINING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <b>Population<br/>Connection</b> | <b>Action Fund</b>      | <b>Eliminations</b> | <b>Total</b>               |
|--|----------------------------------|-------------------------|---------------------|----------------------------|
| <b>UNRESTRICTED REVENUE</b>                            |                                  |                         |                     |                            |
| Contributions  | \$ 4,716,534                     | \$ 89,703               | \$ -                | \$ 4,806,237               |
| Membership   | 690,015                          | -                       | -                   | 690,015                    |
| Foundation grants                                      | 79,000                           | 100,000                 | (100,000)           | 79,000                     |
| Other revenue  | 26,053                           | -                       | -                   | 26,053                     |
| Investment income                                      | 75,266                           | -                       | (82)                | 75,184                     |
| Contributed services and materials                     | 266,800                          | -                       | -                   | 266,800                    |
| Net assets released from donor<br>restrictions         | <u>37,500</u>                    | <u>-</u>                | <u>-</u>            | <u>37,500</u>              |
| Total unrestricted revenue                             | <u>5,891,168</u>                 | <u>189,703</u>          | <u>(100,082)</u>    | <u>5,980,789</u>           |
| <b>EXPENSES</b>  |                                  |                         |                     |                            |
| Program Services:                                      |                                  |                         |                     |                            |
| Government Relations                                   | 425,134                          | 1,049                   | -                   | 426,183                    |
| Communications   | 1,403,761                        | 71,291                  | -                   | 1,475,052                  |
| Population Education                                   | 1,048,803                        | -                       | -                   | 1,048,803                  |
| Field and Outreach                                     | 346,194                          | 119                     | -                   | 346,313                    |
| Membership Services                                    | <u>602,395</u>                   | <u>6,030</u>            | <u>-</u>            | <u>608,425</u>             |
| Total program services                                 | <u>3,826,287</u>                 | <u>78,489</u>           | <u>-</u>            | <u>3,904,776</u>           |
| Supporting Services:                                   |                                  |                         |                     |                            |
| General and Administrative                             | 272,911                          | 27,547                  | (100,082)           | 200,376                    |
| Fundraising  | <u>512,528</u>                   | <u>27,584</u>           | <u>-</u>            | <u>540,112</u>             |
| Total supporting services                              | <u>785,439</u>                   | <u>55,131</u>           | <u>(100,082)</u>    | <u>740,488</u>             |
| Total expenses   | <u>4,611,726</u>                 | <u>133,620</u>          | <u>(100,082)</u>    | <u>4,645,264</u>           |
| <b>CHANGE IN UNRESTRICTED NET<br/>ASSETS</b>           | <b><u>\$ 1,279,442</u></b>       | <b><u>\$ 56,083</u></b> | <b><u>\$ -</u></b>  | <b><u>\$ 1,335,525</u></b> |
| <b>TEMPORARILY RESTRICTED<br/>REVENUE</b>              |                                  |                         |                     |                            |
| Foundation grants                                      | \$ 62,500                        | \$ -                    | \$ -                | \$ 62,500                  |
| Net assets released from donor<br>restrictions         | <u>(37,500)</u>                  | <u>-</u>                | <u>-</u>            | <u>(37,500)</u>            |
| <b>CHANGE IN TEMPORARILY<br/>RESTRICTED NET ASSETS</b> | <b><u>\$ 25,000</u></b>          | <b><u>\$ -</u></b>      | <b><u>\$ -</u></b>  | <b><u>\$ 25,000</u></b>    |

**POPULATION CONNECTION  
POPULATION CONNECTION ACTION FUND**

**COMBINING SCHEDULE OF CHANGE IN NET ASSETS  
FOR THE YEAR DECEMBER 31, 2013**

|   | <u>Population<br/>Connection</u> | <u>Action Fund</u>      | <u>Eliminations</u> | <u>Total</u>               |
|---|----------------------------------|-------------------------|---------------------|----------------------------|
| <b>UNRESTRICTED NET ASSETS</b>              |                                  |                         |                     |                            |
| Net assets at beginning of year             | \$ 2,348,844                     | \$ -                    | \$ -                | \$ 2,348,844               |
| Change in unrestricted net assets           | <u>1,279,442</u>                 | <u>56,083</u>           | <u>-</u>            | <u>1,335,525</u>           |
| <b>NET ASSETS AT END OF YEAR</b>            | <b><u>\$ 3,628,286</u></b>       | <b><u>\$ 56,083</u></b> | <b><u>\$ -</u></b>  | <b><u>\$ 3,684,369</u></b> |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>    |                                  |                         |                     |                            |
| Net assets at beginning of year             | \$ 15,000                        | \$ -                    | \$ -                | \$ 15,000                  |
| Change in temporarily restricted net assets | <u>25,000</u>                    | <u>-</u>                | <u>-</u>            | <u>25,000</u>              |
| <b>NET ASSETS AT END OF YEAR</b>            | <b><u>\$ 40,000</u></b>          | <b><u>\$ -</u></b>      | <b><u>\$ -</u></b>  | <b><u>\$ 40,000</u></b>    |
| <b>PERMANENTLY RESTRICTED NET ASSETS</b>    |                                  |                         |                     |                            |
| Net assets at beginning of year             | \$ 1,000                         | \$ -                    | \$ -                | \$ 1,000                   |
| Change in permanently restricted net assets | <u>-</u>                         | <u>-</u>                | <u>-</u>            | <u>-</u>                   |
| <b>NET ASSETS AT END OF YEAR</b>            | <b><u>\$ 1,000</u></b>           | <b><u>\$ -</u></b>      | <b><u>\$ -</u></b>  | <b><u>\$ 1,000</u></b>     |