

POPULATION INSTITUTE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

POPULATION INSTITUTE, INC.

DECEMBER 31, 2017

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Tapia & Huckabay, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Population Institute, Inc.
Washington, DC

We have audited the accompanying financial statements of the Population Institute, Inc. (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Population Institute, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Organization's 2016 financial statements which were audited by us and, in our report dated April 28, 2017, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tapia & Auchabay, P.C.

Vergennes, Vermont
May 11, 2018
Vermont Registration #108880

POPULATION INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(With Summarized Information for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 1 & 12)	\$ 484,257	\$ 466,367
Cash - board designated restricted funds (Notes 1, 10 & 12)	2,573,649	-
Prepaid expenses and other assets	10,780	9,899
Grants receivable (Notes 1 & 9)	-	108,517
Bequests receivable (Notes 1 & 7)	166,900	258,793
Investments - board designated endowment (Notes 10 & 11)	1,343,863	-
Investments - charitable gift annuities (Note 8)	8,987	9,706
Property and equipment, net of accumulated depreciation (Note 5)	821,912	1,155,842
TOTAL ASSETS	\$ 5,410,348	\$ 2,009,124
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 15,093	\$ 40,769
Accrued expenses	13,420	21,467
Liability - charitable gift annuities (Note 8)	6,470	7,190
Total Liabilities	34,983	69,426
Net Assets:		
Unrestricted:		
Operating	610,379	750,706
Board designated endowment (Notes 10 & 11)	1,343,863	-
Board designated restricted funds (Note 10)	2,573,649	-
Investment in property and equipment	821,912	1,155,842
Temporarily restricted (Note 6)	25,562	33,150
Permanently restricted	-	-
Total Net Assets	5,375,365	1,939,698
TOTAL LIABILITIES AND NET ASSETS	\$ 5,410,348	\$ 2,009,124

See accompanying notes and independent auditor's report.

POPULATION INSTITUTE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Information for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
SUPPORT AND REVENUE:				
Contributions, grants & bequests (Notes 1, 7 & 9)	\$ 3,151,771	\$ 3,250	\$ 3,155,021	\$ 881,717
Net investment income (Note 11)	43,863	-	43,863	-
Interest and other income	6,169	-	6,169	6,794
Gain on the sale of real property (Note 5)	1,062,124	-	1,062,124	-
Net assets released from restrictions:				
Transfers to fulfill purpose restrictions	<u>10,838</u>	<u>(10,838)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>4,274,765</u>	<u>(7,588)</u>	<u>4,267,177</u>	<u>888,511</u>
EXPENSES AND LOSSES:				
Program services	638,671	-	638,671	609,679
Supporting services:				
Management and general	156,227	-	156,227	160,704
Fundraising	36,612	-	36,612	35,872
Change in liability - charitable gift annuities (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>380</u>
TOTAL EXPENSES AND LOSSES	<u>831,510</u>	<u>-</u>	<u>831,510</u>	<u>806,635</u>
CHANGE IN NET ASSETS	3,443,255	(7,588)	3,435,667	81,876
NET ASSETS, beginning of year	<u>1,906,548</u>	<u>33,150</u>	<u>1,939,698</u>	<u>1,857,822</u>
NET ASSETS, end of year	<u>\$ 5,349,803</u>	<u>\$ 25,562</u>	<u>\$ 5,375,365</u>	<u>\$ 1,939,698</u>

See accompanying notes and independent auditor's report.

POPULATION INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Information for 2016)

	Program Services	Supporting Services		2017 TOTAL	2016 TOTAL
		Management & General	Fundraising		
Salaries & wages	\$ 308,798	\$ 91,747	\$ 10,155	\$ 410,700	\$ 417,541
Benefits & taxes	75,992	22,578	2,499	101,069	98,330
Building repairs & maintenance	3,890	1,156	128	5,174	2,092
Computer & website	6,824	2,027	371	9,222	11,825
Conferences & workshops	62,539	-	-	62,539	27,835
Contractual services	84,408	239	-	84,647	41,606
Credit card processing fees	-	-	1,407	1,407	1,384
Depreciation	32,336	9,607	1,063	43,006	51,471
Dues & subscriptions	2,670	-	-	2,670	2,846
Equipment costs	775	230	25	1,030	1,678
Fees & registrations	-	-	3,740	3,740	3,339
Insurance	1,806	3,533	59	5,398	7,603
Mailing list & database maintenance	-	-	5,782	5,782	4,300
Other expenses	4,357	6,877	41	11,275	14,046
Postage & shipping	7,085	689	1,505	9,279	11,354
Property taxes	9,004	2,675	296	11,975	20,156
Printing & copying	9,835	1,001	9,190	20,026	19,506
Professional fees	-	10,500	-	10,500	10,120
Supplies	5,429	858	95	6,382	3,768
Telephone & internet	3,226	958	106	4,290	5,155
Travel	15,144	199	-	15,343	44,252
Utilities	4,553	1,353	150	6,056	6,048
	<u>\$ 638,671</u>	<u>\$ 156,227</u>	<u>\$ 36,612</u>	<u>\$ 831,510</u>	<u>\$ 806,255</u>

See accompanying notes and independent auditor's report.

POPULATION INSTITUTE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Information for 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,435,667	\$ 81,876
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	43,006	51,471
Gain on the sale of real property	(1,062,124)	-
Realized and unrealized gains on investments	(39,258)	-
Change in liability - charitable gift annuities	-	380
(Increase) / decrease in operating assets:		
Prepaid expenses	(881)	815
Grants and bequests receivable	200,410	(46,512)
Increase / (decrease) in operating liabilities:		
Accounts payable	(25,676)	749
Accrued expenses	(8,047)	6,478
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,543,097</u>	<u>95,257</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(3,316)	(67,196)
Proceeds from the sale of real property	1,356,363	-
Increase in cash - board designated restricted funds	(2,573,649)	-
Purchase of investments	(1,361,345)	-
Sale of investments	56,740	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(2,525,207)</u>	<u>(76,207)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
None	<u>-</u>	<u>-</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	17,890	19,050
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>466,367</u>	<u>447,317</u>
End of year	<u>\$ 484,257</u>	<u>\$ 466,367</u>

See accompanying notes and independent auditor's report.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of the Organization and Nature of Activities:

Incorporated in Washington, D.C. in 1969, Population Institute, Inc.'s ("PI", "the Institute" or "the Organization") mission is to improve the health and wellbeing of people and the planet by supporting policies and programs that promote sexual and reproductive health and rights. PI builds support for those policies and programs by educating policymakers, policy administrators, the media, and the general public about:

- The essential importance of achieving gender equality and promoting sexual and reproductive health and rights;
- The adverse impacts of overpopulation on the environment, scarce natural resources, biodiversity, and efforts to eliminate hunger and severe poverty in developing countries; and
- The personal, social and economic benefits that arise from expanding access to family planning services and information.

In 2008, the Institute amended its bylaws to become a membership organization with Population Media Center, Inc. ("PMC"), a Vermont non-profit corporation with a similar mission, as its sole member. Support for the Institute comes almost entirely from grants, contributions and bequests.

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are shown as increases in unrestricted net assets. The transfer of assets with donor-imposed conditions is accounted for as a refundable advance, instead of as a contribution, until the conditions have been substantially met.

Cash and Cash Equivalents:

Except for cash and money funds in the board designated funds, the Institute treats all cash accounts, checking, savings, money market, and other cash funds with an initial maturity of three months or less as cash and cash equivalents for purposes of the Statement of Cash Flows.

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts, if material, are computed using estimated market interest rates applicable to the years in which the promises are received. Any amortization of these discounts would be reflected in contribution revenue. Conditional promises to give are not included in support until the conditions are substantially met.

Comparative financial information:

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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2 - INCOME TAXES

PI is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code, and is classified as a publicly supported organization under Section 509(a)(1). Contributions to the Organization qualify for the charitable contribution deduction under Internal Revenue Code Section 170(b)(1)(A).

NOTE 3 – DONATED SERVICES

No amounts have been reflected in the financial statements for donated services. PI generally pays for services requiring specific expertise. However, a number of individuals volunteer their time and perform a variety of tasks that assist the Organization with its program, administrative and fundraising activities.

NOTE 4 – PENSION PLAN

The Institute maintains a 401(k) pension plan (converted from a 403(b) plan in June 2017) for the benefit of its employees. Employees who meet certain age and service requirements are eligible to participate. The Institute makes contributions to the Plan of 8% of each covered employee's compensation. Employees can also make deferrals to the Plan up to statutory limits. Employer contributions to the pension plan were \$31,582 in 2016 and \$32,072 in 2017.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31st:

	2017	2016
Land, buildings and improvements	\$ 1,259,725	\$ 1,890,011
Equipment, furniture & fixtures	64,008	60,692
Website	8,500	8,500
Subtotal	1,332,233	1,959,203
Less - accumulated depreciation	(510,321)	(803,361)
Net property and equipment	\$ 821,912	\$ 1,155,842

In March 2017, Population Institute sold one of its two adjoining townhouses on Capitol Hill recognizing a gain of approximately \$1,062,000 (gross selling price of \$1,520,000 less selling expenses and seller credits of \$164,000 less cost basis of the property (net of accumulated depreciation) of \$294,000).

Additions to equipment are recorded at cost when purchased and at market value when donated. Depreciation, amounting to \$43,006 and \$51,471 for the years ended December 31, 2017 and 2016, respectively, is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 - 40 years
Equipment, furniture & fixtures	3 - 10 years
Website	3 years

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 consisted of \$28,862 in contributions restricted to the “Werner Fornos Fellowship Fund” and \$4,288 restricted to the “Ed Barry Fellowship Fund” (with both funds allowing PI to offer fellowships to visiting scholars and young professionals interested in working for the Institute). Temporarily restricted net assets at December 31, 2017 consisted of \$25,562 in contributions restricted to the “Werner Fornos Fellowship Fund.”

NOTE 7 – BEQUESTS RECEIVABLE

The Institute is a beneficiary of several trust and estate-related bequests currently under third party administration. For unconditional bequests, PI records a promise to give once the will or trust document has been accepted by the courts and the amount of the bequest can be reasonably estimated. Based on the nature of the promise, the contributions are considered unrestricted. Substantially all of the estimated \$166,900 in receivables at December 31, 2017 is expected to be received in 2018.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 – CHARITABLE GIFT ANNUITIES

The Organization administers several charitable gift annuities (“CGAs”). A charitable gift annuity provides for payment of distributions to the grantor or other designated beneficiaries over the agreement’s term (usually the designated beneficiary’s lifetime). At the end of the agreement’s term, the remaining assets are available for the Organization’s use. No agreements were established in 2016 or 2017. Charitable gift annuity assets, invested in mutual funds, held in a separate investment account and administered by a third-party trustee, are reported at fair market value (determined by “Level 1” inputs by reference to quoted market prices) in the Organization’s Statement of Financial Position. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries, based on actuarial assumptions. The present value of the estimated future payments (\$6,470 and \$7,190 at December 31, 2017 and 2016, respectively) is calculated using a discount rate of 1% and applicable mortality tables. “Change in liability – charitable gift annuities” on the Statement of Activities is the change in the present value of the liability (a decrease of \$760 for 2017 and \$790 for 2016) *net of investment income* from the charitable gift annuity assets (\$760 and \$410 for the years ended December 31, 2017 and 2016, respectively).

NOTE 9 – RELATED PARTY TRANSACTIONS AND CONCENTRATION OF REVENUE

As discussed above, Population Institute is a wholly controlled subsidiary of Population Media Center. Included in contributions, grants and bequests in the Statement of Activities for 2016 is \$337,331 in grant *revenue* from PMC (including \$108,517 in grants receivable at December 31, 2016) - an amount representing approximately 38% of revenue for 2016.

Population Institute did not receive any revenue from Population Media Center in 2017 but it did receive \$3,000,000 from one community foundation – an amount representing approximately 63% of revenue for the year.

NOTE 10 – BOARD DESIGNATED NET ASSETS

The Organization created two board designated funds in 2017:

- The first fund, created in June 2017 using \$1,300,000 in proceeds from the sale of real property to open a new investment account (see Notes 5 & 11), is designated for the long-term support of the Organization.
- The second fund, created after the receipt of the final installment of the \$3,000,000 gift discussed in Note 9 and currently invested in several money market and checking accounts, is designated for the support of targeted programmatic activities. \$426,351 was released from the fund in 2017.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11 – INVESTMENTS

The cost, fair market value (determined by “Level 1” inputs by reference to quoted market prices), and unrealized appreciation / (depreciation) of Population Institute’s investments, by investment class, are summarized as follows as of December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
Money funds	\$ 87,315	\$ 87,315	\$ -
Fixed income securities & mutual funds	768,683	762,325	(6,358)
Equities & equity mutual funds	<u>448,924</u>	<u>494,223</u>	<u>45,299</u>
	<u>\$ 1,304,922</u>	<u>\$ 1,343,863</u>	<u>\$ 38,941</u>

Net investment income for 2017 is summarized as follows:

Interest and dividends	\$ 9,501
Realized & unrealized gains / (losses)	39,258
Investment fees	<u>(4,896)</u>
Net gain (loss) on investments	<u>\$ 43,863</u>

NOTE 12 – CONCENTRATION OF CASH ON DEPOSIT

The Organization has concentrated its credit risk by maintaining deposits in U.S. financial institutions that, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any unreasonable credit risk to cash.

NOTE 13 - SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated “events” subsequent to December 31, 2017 through May 11, 2018 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.