

POPULATION INSTITUTE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

POPULATION INSTITUTE, INC.

DECEMBER 31, 2018

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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, 2018, 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, 2018 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 2017 financial statements which were audited by us and, in our report dated May 11, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tapia & Luckabury, P.C.

Vergennes, Vermont
May 10, 2019
Vermont Registration #108880

POPULATION INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(With Summarized Information for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (Notes 1 & 12)	\$ 119,798	\$ 484,257
Cash - board designated restricted funds (Notes 1, 11 & 12)	4,219,992	2,573,649
Prepaid expenses and other assets	9,641	10,780
Bequests receivable (Notes 1 & 7)	545,169	166,900
Investments - board designated endowment (Notes 11 & 13)	1,302,550	1,343,863
Investments - charitable gift annuities (Note 9)	7,401	8,987
Property and equipment, net of accumulated depreciation (Note 5)	<u>816,249</u>	<u>821,912</u>
TOTAL ASSETS	<u>\$ 7,020,800</u>	<u>\$ 5,410,348</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 18,306	\$ 15,093
Accrued expenses	16,279	13,420
Liability - charitable gift annuities (Note 9)	<u>5,820</u>	<u>6,470</u>
Total Liabilities	<u>40,405</u>	<u>34,983</u>
Net Assets:		
Net assets without donor restrictions:		
Operating	616,042	610,379
Board designated endowment (Notes 11 & 13)	1,302,550	1,343,863
Board designated restricted funds (Note 11)	4,219,992	2,573,649
Investment in property and equipment	816,249	821,912
Net assets with donor restrictions (Note 6)	<u>25,562</u>	<u>25,562</u>
Total Net Assets	<u>6,980,395</u>	<u>5,375,365</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,020,800</u>	<u>\$ 5,410,348</u>

See accompanying notes and independent auditor's report.

POPULATION INSTITUTE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Summarized Information for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
SUPPORT AND REVENUE:				
Contributions, grants & bequests (Notes 1, 7 & 10)	\$ 2,686,279	\$ -	\$ 2,686,279	\$ 3,155,021
Net investment income (Note 13)	-	-	-	43,863
Interest and other income	12,671	-	12,671	6,169
Gain on the sale of real property (Note 5)	-	-	-	1,062,124
Net assets released from restrictions:				
Transfers to fulfill purpose restrictions	-	-	-	-
TOTAL SUPPORT AND REVENUE	<u>2,698,950</u>	<u>-</u>	<u>2,698,950</u>	<u>4,267,177</u>
EXPENSES AND LOSSES:				
Program services	812,474	-	812,474	638,671
Supporting services:				
Management and general	205,031	-	205,031	156,227
Fundraising	34,166	-	34,166	36,612
Net investment loss (Note 13)	41,313	-	41,313	-
Change in liability - charitable gift annuities (Note 9)	936	-	936	-
TOTAL EXPENSES AND LOSSES	<u>1,093,920</u>	<u>-</u>	<u>1,093,920</u>	<u>831,510</u>
CHANGE IN NET ASSETS	1,605,030	-	1,605,030	3,435,667
NET ASSETS, beginning of year	<u>5,349,803</u>	<u>25,562</u>	<u>5,375,365</u>	<u>1,939,968</u>
NET ASSETS, end of year	<u>\$ 6,954,833</u>	<u>\$ 25,562</u>	<u>\$ 6,980,395</u>	<u>\$ 5,375,635</u>

See accompanying notes and independent auditor's report.

POPULATION INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Summarized Information for 2017)

		<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2018 TOTAL</u>	<u>2017 TOTAL</u>
Salaries & wages	\$ 259,750	\$ 126,112	\$ 9,672	\$ 395,534	\$ 410,700
Benefits & taxes	63,130	30,650	2,351	96,131	101,069
Building repairs & maintenance	1,276	620	48	1,944	5,174
Computer & website	5,740	2,787	214	8,741	9,222
Conferences & workshops	53,147	-	-	53,147	62,539
Contractual services	222,477	223	1,644	224,344	84,647
Credit card processing fees	-	-	1,413	1,413	1,407
Depreciation	27,275	13,243	1,016	41,534	43,006
Dues & subscriptions	10,764	-	-	10,764	2,670
Equipment costs	1,442	700	54	2,196	1,030
Fees & registrations	-	-	5,032	5,032	3,740
Insurance	1,881	4,656	70	6,607	5,398
Mailing list & database maintenance	-	-	5,083	5,083	5,782
Other expenses	34,338	3,182	34	37,554	11,275
Postage & shipping	14,313	881	2,422	17,616	9,279
Property taxes	7,348	3,567	274	11,189	11,975
Printing & copying	71,572	4,005	4,532	80,109	20,026
Professional fees	-	10,400	-	10,400	10,500
Supplies	4,224	1,325	102	5,651	6,382
Telephone & internet	2,614	1,269	97	3,980	4,290
Travel	28,277	-	-	28,277	15,343
Utilities	2,906	1,411	108	4,425	6,056
	<u>\$ 812,474</u>	<u>\$ 205,031</u>	<u>\$ 34,166</u>	<u>\$ 1,051,671</u>	<u>\$ 831,510</u>

See accompanying notes and independent auditor's report.

POPULATION INSTITUTE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Summarized Information for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,605,030	\$ 3,435,667
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	41,534	43,006
Gain on the sale of real property	-	(1,062,124)
Realized and unrealized gains on investments	61,842	(39,258)
Change in liability - charitable gift annuities	936	-
(Increase) / decrease in operating assets:		
Prepaid expenses	1,139	(881)
Grants and bequests receivable	(378,269)	200,410
Increase / (decrease) in operating liabilities:		
Accounts payable	3,213	(25,676)
Accrued expenses	<u>2,859</u>	<u>(8,047)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,338,284</u>	<u>2,543,097</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(35,871)	(3,316)
Proceeds from the sale of real property	-	1,356,363
Increase in cash - board designated restricted funds	(1,646,343)	(2,573,649)
Purchase of investments	(233,072)	(1,361,345)
Sale of investments	<u>212,543</u>	<u>56,740</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,702,743)</u>	<u>(2,525,207)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
None	<u>-</u>	<u>-</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(364,459)	17,890
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>484,257</u>	<u>466,367</u>
End of year	<u>\$ 119,798</u>	<u>\$ 484,257</u>

See accompanying notes and independent auditor's report.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 two classes of net assets: those with donor restrictions and those without. Contributions received are recorded as either "with donor restrictions" or "without donor restrictions" 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), net assets with restrictions are reclassified to those without and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the same period are shown as increases in net assets without donor restrictions. 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (and, for the Statement of Functional Expenses, in total but not by functional category). 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, 2017, from which the summarized information was derived.

NOTE 2 – RECLASSIFICATION

Especially related to the 2018 implementation of the Financial Accounting Standards Board's *ASU 2016-14*, portions of the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation. The most significant reclassifications resulting from the implementation of *ASU 2016-14* were to combine amounts formerly shown as "temporarily" and "permanently" restricted net assets into "net assets with donor restrictions."

NOTE 3 - 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 4 – 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.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2018	2017
Land, buildings and improvements	\$ 1,283,719	\$ 1,259,725
Equipment, furniture & fixtures	73,272	64,008
Website	8,500	8,500
Subtotal	1,365,491	1,332,233
Less - accumulated depreciation	(549,242)	(510,321)
Net property and equipment	\$ <u>816,249</u>	\$ <u>821,912</u>

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 \$41,534 and \$43,006 for the years ended December 31, 2018 and 2017, 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 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2017 and 2018 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 \$545,169 in receivables at December 31, 2018 is expected to be received in 2019.

NOTE 8 – 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 \$32,072 in 2017 and \$29,919 in 2018.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 – 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 2017 or 2018. 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 (\$5,820 and \$6,470 at December 31, 2018 and 2017, 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 \$830 for 2018 and \$760 for 2017) *net of investment income (or loss)* from the charitable gift annuity assets (\$106) and \$760 for the years ended December 31, 2018 and 2017, respectively).

NOTE 10 – CONCENTRATION OF REVENUE

Population Institute received \$2,000,000 in 2018 and \$3,000,000 in 2017 from one community foundation – amounts representing approximately 74% and 63% of revenue for the years.

NOTE 11 – 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 & 13), is designated for the long-term support of the Organization.
- The second fund, created in October 2017 with the \$3,000,000 in proceeds from the contributions discussed in Note 10 and currently invested in several money market, checking accounts, and certificates of deposit is designated for the support of targeted programmatic activities. \$2,000,000 was added to the fund in 2018. \$426,351 was released from the fund in 2017 and \$353,657 was released in 2018.

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.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 – 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:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
As of December 31, 2018:			
Money funds	\$ 157,607	\$ 157,607	\$ -
Fixed income securities & mutual funds	754,005	731,914	(22,091)
Equities & equity mutual funds	<u>414,378</u>	<u>413,029</u>	<u>(1,349)</u>
	<u>\$ 1,325,990</u>	<u>\$ 1,302,550</u>	<u>\$ (23,440)</u>
As of December 31, 2017:			
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 (loss) is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 30,606	\$ 9,501
Realized & unrealized gains / (losses)	(61,842)	39,258
Investment fees	<u>(10,077)</u>	<u>(4,896)</u>
Net gain (loss) on investments	<u>\$ (41,313)</u>	<u>\$ 43,863</u>

NOTE 14 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. The Institute allocates its payroll, tax and benefit costs based on actual time worked by staff on the various program, general and administrative and fundraising activities as recorded on contemporaneous timesheets. Other costs (such as occupancy and depreciation, telephone and internet, and computer and website expenses) are attributable to and benefit one or more program or supporting services and are allocated based on the direct payroll allocation percentages discussed immediately above.

NOTE 15 - SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated events subsequent to December 31, 2018 through May 10, 2019 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.

POPULATION INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Institute's working capital and cash flows have seasonal variations during the year attributable to the timing of general fundraising efforts and major program activities. The Organization manages liquidity by investing surplus funds – and then withdrawing them to operations as needed – in the board designated fund discussed above. The Board also authorizes transfers of board designated funds in order to fund special program activities where current available resources are insufficient.

The following reflects the Institute's financial assets as of December 31st, reduced by amounts not available for general use within one year because of donor-imposed or internal designations. Amounts available include amounts that are available for general expenditure in the following year (i.e. time restricted donations, if any). Amounts not available include amounts set aside for operating or other reserves that *could* be drawn upon if the board of directors approved the action.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 119,798	\$ 484,257
Receivables expected to be collected in the coming year	545,169	166,900
Subtract: net assets with donor restrictions for specific purposes	<u>(25,562)</u>	<u>(25,562)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 639,405</u>	<u>\$ 625,595</u>