

Population Action International

Audited Financial Statements

*Years ended December 31, 2014 and 2013
with Report of Independent Auditors*

Population Action International

Audited Financial Statements

Years ended December 31, 2014 and 2013

Contents

Report of Independent Auditors.....	1 - 2
Audited Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4 - 5
Statements of Functional Expense.....	6 - 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 - 18

Report of Independent Auditors

Board of Directors
Population Action International

We have audited the accompanying financial statements of Population Action International ("PAI") which comprise the statement of financial position as of December 31, 2014 and the related statements of activities, functional expenses and cash flows for 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 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 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 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 financial statements are free from 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 over financial reporting. 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 PAI as of December 31, 2014 and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

2013 Financial Statements

The financial statements of PAI as of and for the year ended December 31, 2013, before the restatement described in Note 2, were audited by another auditor whose report dated March 31, 2014, expressed an unmodified opinion on those statements.

As part of our audit of the December 31, 2014 financial statements, we also audited the adjustments described in Note 2 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the entity other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style with large loops and flourishes.

Falls Church, Virginia
June 3, 2015

Population Action International

Statements of Financial Position

	December 31,	
	<u>2014</u>	<u>2013</u>
		(As restated)
Assets		
Cash and cash equivalents	\$ 4,680,520	\$ 2,085,060
Restricted cash	1,000,232	-
Investments	2,491,382	2,461,007
Service contract receivables	106,078	211,006
Accounts receivables	86,152	516
Pledges receivable, net of discount	1,496,163	105,848
Prepaid expenses and deposits	64,800	53,987
Property and equipment, net	288,169	238,554
Total assets	<u>\$ 10,213,496</u>	<u>\$ 5,155,978</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 206,924	\$ 103,028
Capital lease obligations	43,239	7,149
Deferred rent	467,909	488,171
Total liabilities	<u>718,072</u>	<u>598,348</u>
Net assets		
Unrestricted		
Undesignated	2,111,180	1,433,316
Board designated	<u>1,799,500</u>	<u>1,799,500</u>
	3,910,680	3,232,816
Temporarily restricted net assets	5,428,076	1,168,146
Permanently restricted net assets	<u>156,668</u>	<u>156,668</u>
	<u>9,495,424</u>	<u>4,557,630</u>
Total liabilities and net assets	<u>\$ 10,213,496</u>	<u>\$ 5,155,978</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Activities

Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Grants and contributions	\$ 3,833,328	\$ 6,006,493	\$ -	\$ 9,839,821
Service contracts	948,375	-	-	948,375
Investment income, net	33,803	-	-	33,803
Rental income	97,605	-	-	97,605
Other	1,689	-	-	1,689
Net assets released from restrictions	<u>1,746,563</u>	<u>(1,746,563)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,661,363</u>	<u>4,259,930</u>	<u>-</u>	<u>10,921,293</u>
Expenses				
Program services	4,609,128	-	-	4,609,128
Fundraising	586,841	-	-	586,841
Management and general	<u>787,530</u>	<u>-</u>	<u>-</u>	<u>787,530</u>
Total expenses	<u>5,983,499</u>	<u>-</u>	<u>-</u>	<u>5,983,499</u>
Change in net assets	677,864	4,259,930	-	4,937,794
Net assets, beginning of year	<u>3,232,816</u>	<u>1,168,146</u>	<u>156,668</u>	<u>4,557,630</u>
Net assets, end of year	<u>\$ 3,910,680</u>	<u>\$ 5,428,076</u>	<u>\$ 156,668</u>	<u>\$ 9,495,424</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Activities

Year ended December 31, 2013
(As restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Grants and contributions	\$ 4,141,888	\$ 1,799,846	\$ -	\$ 5,941,734
Service contracts	473,429	-	-	473,429
Investment income, net	206,375	-	-	206,375
Rental income	28,792	-	-	28,792
Other	3,065	-	-	3,065
Net assets released from restrictions	<u>1,116,401</u>	<u>(1,116,401)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,969,950</u>	<u>683,445</u>	<u>-</u>	<u>6,653,395</u>
Expenses				
Program services	4,355,928	-	-	4,355,928
Fundraising	372,332	-	-	372,332
Management and general	<u>616,881</u>	<u>-</u>	<u>-</u>	<u>616,881</u>
Total expenses	<u>5,345,141</u>	<u>-</u>	<u>-</u>	<u>5,345,141</u>
Change in net assets	624,809	683,445	-	1,308,254
Net assets, beginning of year	<u>2,608,007</u>	<u>484,701</u>	<u>156,668</u>	<u>3,249,376</u>
Net assets, end of year	<u>\$ 3,232,816</u>	<u>\$ 1,168,146</u>	<u>\$ 156,668</u>	<u>\$ 4,557,630</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Functional Expenses

Year ended December 31, 2014

	Program Services	Fundraising	Management and General	Total Expenses
Salaries and benefits	\$ 2,347,615	\$ 298,009	\$ 376,475	\$ 3,022,099
Professional fees	532,466	76,275	125,261	734,002
International partnership grants	638,605	-	-	638,605
Office supplies	48,142	7,266	9,927	65,335
Telephone	27,603	9,607	13,432	50,642
Postage and delivery	2,925	3,556	362	6,843
Occupancy	372,815	143,390	200,747	716,952
Equipment rental and maintenance	11,987	4,610	6,454	23,051
Printing and publications	28,310	5,523	8,678	42,511
Advertising	129,167	628	148	129,943
Travel and meetings	354,096	9,963	7,850	371,909
Dues and subscriptions	63,208	8,393	10,907	82,508
Corporate insurance	15,059	5,792	8,109	28,960
Depreciation and amortization	22,352	8,597	12,035	42,984
Miscellaneous	14,778	5,232	7,145	27,155
	\$ 4,609,128	\$ 586,841	\$ 787,530	\$ 5,983,499

See accompanying notes to the financial statements.

Population Action International

Statement of Functional Expenses

Year ended December 31, 2013

	Program Services	Fundraising	Management and General	Total Expenses
Salaries and benefits	\$ 2,147,140	\$ 178,093	\$ 260,893	\$ 2,586,126
Professional fees	538,597	43,033	102,061	683,691
International partnership grants	494,413	-	-	494,413
Office supplies	52,941	5,286	10,025	68,252
Telephone	32,883	6,385	12,282	51,550
Postage and delivery	5,254	3,426	584	9,264
Occupancy	444,112	93,120	179,078	716,310
Equipment rental and maintenance	16,248	3,407	6,552	26,207
Printing and publications	46,466	12,677	3,083	62,226
Advertising	135,851	-	-	135,851
Travel and meetings	287,220	6,332	5,659	299,211
Dues and subscriptions	70,087	4,383	6,530	81,000
Corporate insurance	18,278	3,832	7,370	29,480
Depreciation and amortization	38,824	8,140	15,655	62,619
Miscellaneous	27,614	4,218	7,109	38,941
	<u>\$ 4,355,928</u>	<u>\$ 372,332</u>	<u>\$ 616,881</u>	<u>\$ 5,345,141</u>

See accompanying notes to the financial statements.

Population Action International

Statements of Cash Flows

	Years ended December 31,	
	<u>2014</u>	<u>2013</u>
		(As restated)
Cash flows from operating activities		
Change in net assets	\$ 4,937,794	\$ 1,308,254
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,984	62,619
Realized and unrealized gain (loss) on investments	16,264	(164,255)
Deferred rent	(20,262)	(3,347)
Changes in assets and liabilities:		
Service contract receivable	104,928	(211,006)
Accounts receivable	(85,636)	-
Prepaid expenses and deposits	(10,813)	(4,211)
Pledges receivable	(1,390,315)	131,936
Accounts payable and accrued expenses	103,896	(86,360)
Refundable advances	-	(718,246)
Net cash provided by operating activities	<u>3,698,840</u>	<u>315,384</u>
Cash flows from investing activities		
Proceeds from sale of investments	3,541,156	2,778,637
Purchases of investments	(3,587,795)	(2,817,471)
Purchases of property and equipment	(92,599)	(43,473)
Net cash used in investing activities	<u>(139,238)</u>	<u>(82,307)</u>
Cash flows from financing activities		
Principal payments on capital lease obligations	36,090	(18,687)
Net cash provided by (used in) financing activities	<u>36,090</u>	<u>(18,687)</u>
Net increase in cash and cash equivalents	3,595,692	214,390
Cash and cash equivalents, beginning of year	<u>2,085,060</u>	<u>1,870,670</u>
Cash and cash equivalents, end of year	<u>\$ 5,680,752</u>	<u>\$ 2,085,060</u>
Cash and cash equivalents		
Cash	\$ 4,680,520	\$ 2,085,060
Restricted cash	<u>1,000,232</u>	<u>-</u>
	<u>\$ 5,680,752</u>	<u>\$ 2,085,060</u>

See accompanying notes to the financial statements.

Population Action International

Notes to Financial Statements

Years ended December 31, 2014 and 2013

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

Population Action International (PAI) champions policies that put women in charge of their reproductive health. We work with policymakers in Washington and our network of partners in developing countries to remove roadblocks between women and the services and supplies they need. For 50 years, we've helped women succeed by upholding their basic rights.

Advocacy - PAI brings a clear and steady voice for reproductive rights to Congress and the executive branch. We lead the movement to protect U.S. government funding for international family planning and prevent attempts to pass harmful policies. In developing countries, PAI offers deep expertise and guidance to support our network of proven partners who are working to find local solutions to challenges to women's reproductive rights.

Research - PAI develops evidence for advocacy on population and reproductive rights.

Climate - PAI's Climate Change Initiative explores the relationship among population, gender, and climate change.

A summary of PAI's significant accounting policies follows:

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance). Accordingly, revenue is recognized when earned and expenses when the obligations are incurred.

Cash and Cash Equivalents

For purposes of reporting cash flows, PAI considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. All cash and investments, regardless of maturity, held by an investment advisor, are considered investments. At times PAI's cash accounts are in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits. Management monitors these balances and believes they do not represent significant credit risk to PAI.

The restricted cash for The Integration Partnership grant from The Gates Foundation represents \$1,000,232 and \$0 as of December 31, 2014 and 2013, respectively.

Population Action International

Notes to Financial Statements (Continued)

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Investments and Fair Value Measurements

PAI invests in professionally managed portfolios that contain equity securities, mutual funds, U.S. Government agency bonds, corporate bonds, and money market funds, which are recorded at fair value. The changes in fair value during the year (whether realized or unrealized) are recognized as components of investment income in the statements of activities.

PAI's classifications for financial assets and financial liabilities are based on the framework established in the fair value measurement and disclosure accounting guidance. The framework is based on input in the valuation and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect PAI's significant assumptions. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that PAI has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, for substantially the entire period, for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are not observable for the asset or liability and are significant to the fair value measurement.

PAI recognized transfers between levels at the end of the period in which events occur impacting the availability of inputs to the fair value methodology.

Classification of Net Assets

PAI's net assets have been grouped into the following three classes:

Unrestricted net assets - result from contributions and other inflows of assets whose use by PAI is not limited by donor-imposed restrictions.

Temporarily restricted net assets - result from contributions and other inflows of assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled and removed by actions of PAI related to those restrictions.

Permanently restricted net assets - result from contributions and other inflows of assets whose use by PAI is limited by donor-imposed restrictions, that must be maintained in perpetuity by PAI.

Population Action International

Notes to Financial Statements (Continued)

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Pledges Receivable

Unconditional pledges are recognized as revenue or gains in the period received. Conditional pledges are only recognized when the conditions on which they depend are substantially met. Unconditional pledges that are expected to be collected within one year are reported net of any estimated uncollectable amounts. Pledges expected to be received beyond one year are reported net of any estimated uncollectable amounts and are discounted to present value using the United States Treasury Obligation risk-adjusted rate according to their corresponding terms. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. There was no provision for doubtful promises, based on management's evaluation of the collection of promises, as of December 31, 2014 and 2013.

Property and Equipment

PAI capitalizes all property and equipment with a cost of \$2,000 or more. Property and equipment are stated at cost, and depreciated on a straight-line basis mid-year over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets. The estimated useful lives of property, equipment, software, and leasehold improvements, for the purpose of computing depreciation and amortization, are:

- Computer equipment and software - 2 to 5 years
- Leasehold improvements - Life of lease
- Furniture and equipment - 5 to 7 years
- Equipment - capital lease - 5 years

Grants and Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Materials and Services

Donated materials or services that meet the recording criteria, are recorded as revenue with a corresponding offset to expense. The value donated services are calculated based on the fair market value of the service. For the year ended December 31, 2014, PAI recorded \$64,682 of donated legal services and \$118,731 in advertising services as contributions in the statement of activities. For the year ended December 31, 2013, PAI recorded \$14,964 of donated legal services and \$118,626 in advertising services as contributions in the statement of activities.

Population Action International

Notes to Financial Statements (Continued)

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services include fundraising and management and general expenses.

Income Taxes

PAI is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code (IRC). PAI has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of IRC Section 509(a). However, certain activity not considered exempt is subject to unrelated business income taxes. Management has concluded that PAI has maintained their exempt status and there are no significant uncertain tax positions as of December 31, 2014. The three prior tax years are subject to examination by taxing authorities; there are currently no examinations being conducted.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts previously reported in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Subsequent Events

PAI evaluated subsequent events through June 3, 2015, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

Note 2 - Prior Period Misstatement

During 2014, management concluded that PAI's policy to record certain grants revenue as refundable advances was not in accordance with GAAP. Previously, management relied on a more conservative policy on recognizing revenue in this area. Consequently, liabilities were overstated and total net assets were understated in the amount of \$769,846. Accordingly, these financial statements reflect adjustments based on management's change in position.

Population Action International

Notes to Financial Statements (Continued)

Note 2 - Prior Period Misstatement (Continued)

The effects of this correction on the statement of financial position of December 31, 2013 are as follows:

Financial statement line	As previously reported	Amount restated	As restated
Refundable advances	\$ 769,846	\$ (769,846)	\$ -
Temporary restricted net assets, end of year	398,300	769,846	1,168,146
Total net assets, end of year	3,787,784	769,846	4,557,630

The effects of this correction on the statement of activities for the year ending December 31, 2013 are as follows:

Financial statement line	As previously reported	Amount restated	As restated
Temporarily restricted grants and contributions	\$ 1,030,000	\$ 769,846	\$ 1,799,846
Total support and revenue	5,883,549	769,846	6,653,395

Note 3 - Investments and Fair Value Measurement

Investment income for the years ended December 31, 2014 and 2013, consists of the following:

	2014	2013
Interest and dividends	\$ 77,654	\$ 66,685
Realized gain on investments	48,443	107,522
Unrealized (loss) gain on investments	(64,707)	56,733
Investment management fees	(27,587)	(24,565)
	\$ 33,803	\$ 206,375

Population Action International

Notes to Financial Statements (Continued)

Note 3 - Investments and Fair Value Measurement (Continued)

The following table is a summary of PAI's investments measured at fair value within the GAAP fair value hierarchy as of December 31:

	<u>2014</u>	<u>2013</u>	<u>Fair Value Level</u>
Equities and mutual funds			
Financial	\$ 240,965	\$ 293,666	Level 1
Other	328,137	278,810	Level 1
Energy	125,662	177,791	Level 1
Information technology	85,841	144,641	Level 1
Consumer discretionary	100,279	138,273	Level 1
Industrials	86,708	131,680	Level 1
Consumer staples	69,974	120,453	Level 1
Health care	96,529	98,338	Level 1
Materials	46,126	88,456	Level 1
Utilities	71,698	66,686	Level 1
Telecommunications	28,306	25,439	Level 1
Fixed income mutual funds			
Multi-strategy	611,609	363,112	Level 1
U.S. government agency bonds	275,398	281,125	Level 2
Corporate bonds	<u>160,268</u>	<u>146,579</u>	Level 2
Total investments at fair market value	2,327,500	2,355,049	
Money market funds	<u>163,882</u>	<u>105,958</u>	
Total investments	<u>\$ 2,491,382</u>	<u>\$ 2,461,007</u>	

Equities and mutual funds included in Level 1 assets are actively traded and fair market values for identical assets are readily attainable. U.S. Government agency bonds and corporate bonds included in Level 2 assets are not actively traded, and fair market values for similar assets are readily attainable. PAI did not have any transfers between investment levels for the years ended December 31, 2014 or 2013.

Money market funds held do not meet the definition of securities under accounting standards and thus are not subject to the GAAP fair value disclosure requirements.

Population Action International

Notes to Financial Statements (Continued)

Note 4 - Property and Equipment

Property and equipment is comprised of the following at December 31:

	<u>2014</u>	<u>2013</u>
Computer equipment and software	\$ 397,623	\$ 357,021
Leasehold improvements	661,572	661,572
Furniture and equipment	249,157	249,159
Equipment - Capital Lease	<u>87,247</u>	<u>90,712</u>
	1,395,599	1,358,464
Accumulated depreciation	<u>1,107,430</u>	<u>1,119,910</u>
Net property and equipment	<u>\$ 288,169</u>	<u>\$ 238,554</u>

PAI leases certain equipment under terms of capital leases. The economic substance of the leases is that PAI is financing the acquisition of the assets through the lease, and, accordingly, the related assets and liabilities have been recorded in the statement of financial position. The amortization of capital lease was \$17,392 and \$17,218 as of December 31, 2014 and 2013.

The following is a schedule of future minimum lease and loan payments required under the capital lease agreement together with their present value as of December 31, 2014:

Year ended December 31, 2015	\$ 12,746
Year ended December 31, 2016	12,746
Year ended December 31, 2017	12,746
Year ended December 31, 2018	<u>12,746</u>
	50,984
Less amount representing interest	<u>7,745</u>
Present value of minimum lease payments	<u>\$ 43,239</u>

Note 5 - Board Designated Net Assets

Board designated net assets include funds designated by the Board for specific programs. Board designated net assets were available in the Reserve Fund, and the balance was \$1,799,500 as of December 31, 2014 and 2013.

Population Action International

Notes to Financial Statements (Continued)

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets include funds that are available for future years. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2014 and 2013, because either the purpose or the time restriction was satisfied.

Temporarily restricted net assets as of December 31, 2014 and 2013, were available for the following programs:

	Balance December 31, 2013	Additions	Released	Balance December 31, 2014
Purpose restricted:				
Population, environment and climate change	\$ 368,300	\$ 108,054	\$ 426,420	\$ 49,934
Sexual and reproductive health rights	784,929	5,348,439	1,255,226	4,878,142
Branding, strategic communications and executive visibility	14,917	-	14,917	-
Time	-	550,000	50,000	500,000
	<u>\$ 1,168,146</u>	<u>\$ 6,006,493</u>	<u>\$ 1,746,563</u>	<u>\$ 5,428,076</u>
	Balance December 31, 2012	Additions	Released	Balance December 31, 2013
Purpose restricted:				
Population, environment and climate change	\$ 459,251	\$ 1,000,000	\$ 1,090,951	\$ 368,300
Sexual and reproductive health rights	25,000	784,929	25,000	784,929
Branding, strategic communications and executive visibility	-	14,917	-	14,917
Fellowships	450	-	450	-
	<u>\$ 484,701</u>	<u>\$ 1,799,846</u>	<u>\$ 1,116,401</u>	<u>\$ 1,168,146</u>

Note 7 - Permanently Restricted Net Assets

Interpretation of Relevant Law: The Board of Directors of PAI has interpreted the District of Columbia enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, PAI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditures by PAI in a manner consistent with the standard of prudence prescribed by UPMIFA.

Population Action International

Notes to Financial Statements (Continued)

Note 7 - Permanently Restricted Net Assets (Continued)

In accordance with UPMIFA, PAI considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of PAI and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of PAI
- The investment policies of PAI

There were no contributions nor any releases to the Board Reserve Fund or Permanently Restricted Fund during the years ended December 31, 2014 and 2013. Income earned on the Board Reserve Fund and permanently restricted fund is unrestricted.

Spending Policy

Currently, PAI does not have a spending policy. Spending is in accordance with any donor-imposed restrictions.

Note 8 - Operating Leases

PAI is obligated under a noncancelable lease for its headquarters office expiring in 2020. Under the terms of the agreement, PAI is committed to annual rental payments adjusted for defined escalations based on building operating expenses. Rent expense, rent abatements, and other concessions are recognized on a straight-line basis over the term of the lease with the difference between the straight-line rent and actual rent payments being recorded as deferred revenue. PAI subleases a portion of its space under non-cancelable agreements expiring at various dates through March 2015. Sublease rental income for the years ended December 31, 2014 and 2013 was \$97,605 and \$28,792, respectively.

As of December 31, 2014, the following schedule summarized the required minimum lease payments to be made for the years ended December 31:

2015	\$	711,756
2016		729,576
2017		747,736
2018		766,423
2019		785,599
Thereafter		<u>602,687</u>
	\$	<u>4,343,777</u>

Population Action International

Notes to Financial Statements (Continued)

Note 8 - Operating Leases (Continued)

Total rent expense on the office lease was \$716,952 and \$716,310 for the years ended December 31, 2014 and 2013, respectively.

Note 9 - Retirement Plans

Beginning on September 1, 2013, PAI moved the defined contribution plan to AUL/One America. All regular full and part time employees who have completed 30 days of service are eligible to participate in the Plan. In 2014, PAI contributed \$68,384, based on 3% of eligible salaries. All employees are fully vested in the defined contribution plan after one year of employment.

Prior to September 1, 2013, PAI maintained a defined contribution plan with TIAACREF. All regular full and part time employees who have completed 30 days of service are eligible to participate in the Plan. In 2013, PAI contributed 1% of a participant's portion of compensation with the Social Security Earnings Base. In 2013, PAI contributed \$23,745, based on 1% of eligible salaries. All employees are fully vested in the defined contribution plan after one year of employment.

Note 10 - Related Party Transactions

The statements of financial position include \$100,000 and \$0 in outstanding pledges as of December 31, 2014 and 2013, respectively, from pledges made by members of the Board of Directors. From time to time PAI may engage in business transactions with organizations who are represented on PAI's Board of Directors. These business arrangements are conducted in the normal course of business.

Note 11 - Pledges Receivable

Pledges receivable include the following at December 31:

	<u>2014</u>	<u>2013</u>
Pledges receivable		
Due in less than one year	\$ 1,397,409	\$ 105,848
Due in one to five years	100,000	-
Less: Discount on long-term portion	(1,246)	-
Pledges receivable, net of discount:	<u>\$ 1,496,163</u>	<u>\$ 105,848</u>