

Population Action International

Audited Financial Statements

*Years ended December 31, 2019 and 2018
with Report of Independent Auditors*

Population Action International

Audited Financial Statements

Years ended December 31, 2019 and 2018

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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 statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses and cash flows for years 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 Population Action International as of December 31, 2019 and 2018 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Vienna, Virginia
May 14, 2020

Population Action International

Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 3,874,525	\$ 6,536,057
Restricted cash	2,132,792	6,361,336
Investments	4,676,175	3,995,908
Service contract receivable	175,657	230,875
Accounts receivable	15,454	33,210
Pledges receivable, net	18,390,243	5,811,537
Prepaid expenses and deposits	135,253	156,773
Property and equipment, net	<u>620,726</u>	<u>751,039</u>
Total assets	<u>\$ 30,020,825</u>	<u>\$ 23,876,735</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 539,445	\$ 400,759
Grants payable	945,929	1,013,882
Deferred rent	<u>633,136</u>	<u>579,475</u>
Total liabilities	2,118,510	1,994,116
Net assets:		
Without donor restrictions		
Undesignated	1,934,019	1,749,958
Board designated	<u>2,830,200</u>	<u>2,830,200</u>
	4,764,219	4,580,158
With donor restrictions		
Perpetual in nature	156,668	156,668
Purpose restrictions	22,202,655	16,212,164
Time-restricted for future periods	<u>778,773</u>	<u>933,629</u>
	<u>23,138,096</u>	<u>17,302,461</u>
Total net assets	<u>27,902,315</u>	<u>21,882,619</u>
Total liabilities and net assets	<u>\$ 30,020,825</u>	<u>\$ 23,876,735</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Activities

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contributions	\$ 1,639,165	\$ 18,700,814	\$ 20,339,979
Service contracts	1,334,985	-	1,334,985
Investment income, net	112,846	-	112,846
Other	95,070	-	95,070
Net assets released from restrictions	12,865,179	(12,865,179)	-
Total support and revenue	<u>16,047,245</u>	<u>5,835,635</u>	<u>21,882,880</u>
Expenses			
Program services:			
Supporting International SRHR Advocacy	9,206,875	-	9,206,875
Championing U.S. Government Support of SRHR	1,583,208	-	1,583,208
Incubating New Partnerships PHCPI	3,269,782	-	3,269,782
Total program services	<u>14,059,865</u>	-	<u>14,059,865</u>
Supporting services:			
Fundraising	1,313,960	-	1,313,960
Management and general	1,054,492	-	1,054,492
Total supporting services	<u>2,368,452</u>	-	<u>2,368,452</u>
Total expenses	<u>16,428,317</u>	-	<u>16,428,317</u>
Change in net assets from operations	(381,072)	5,835,635	5,454,563
Change in fair value of investments	565,133	-	565,133
Change in net assets	184,061	5,835,635	6,019,696
Net assets, beginning of year	<u>4,580,158</u>	<u>17,302,461</u>	<u>21,882,619</u>
Net assets, end of year	<u>\$ 4,764,219</u>	<u>\$ 23,138,096</u>	<u>\$ 27,902,315</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contributions	\$ 1,978,883	\$ 12,322,377	\$ 14,301,260
Service contracts	666,514	-	666,514
Investment income, net	92,375	5,410	97,785
Rental income	47,310	-	47,310
Other	39,326	-	39,326
Net assets released from restrictions	<u>8,753,715</u>	<u>(8,753,715)</u>	<u>-</u>
Total support and revenue	<u>11,578,123</u>	<u>3,574,072</u>	<u>15,152,195</u>
Expenses			
Program services:			
Supporting International SRHR Advocacy	7,174,406	-	7,174,406
Championing U.S. Government Support of SRHR	1,134,708	-	1,134,708
Incubating New Partnerships PHCPI	<u>1,246,650</u>	<u>-</u>	<u>1,246,650</u>
Total program services	9,555,764	-	9,555,764
Supporting services:			
Fundraising	1,262,359	-	1,262,359
Management and general	<u>847,455</u>	<u>-</u>	<u>847,455</u>
Total supporting services	<u>2,109,814</u>	<u>-</u>	<u>2,109,814</u>
Total expenses	<u>11,665,578</u>	<u>-</u>	<u>11,665,578</u>
Change in net assets from operations	(87,455)	3,574,072	3,486,617
Change in fair value of investments	<u>(284,246)</u>	<u>-</u>	<u>(284,246)</u>
Change in net assets	(371,701)	3,574,072	3,202,371
Net assets, beginning of year	<u>4,951,859</u>	<u>13,728,389</u>	<u>18,680,248</u>
Net assets, end of year	<u>\$ 4,580,158</u>	<u>\$ 17,302,461</u>	<u>\$ 21,882,619</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Functional Expenses

Year ended December 31, 2019

	Program Services			Supporting Services				
	Supporting International SRHR Advocacy	Championing U.S. Government Support of SRHR	Incubating New Partnerships PHCPI	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 2,577,881	\$ 1,210,849	\$ 671,757	\$ 4,460,487	\$ 810,014	\$ 429,662	\$ 1,239,676	\$ 5,700,163
Professional fees	1,191,985	127,965	677,113	1,997,063	258,417	231,447	489,864	2,486,927
International partnership grants	3,891,330	-	1,451,236	5,342,566	-	-	-	5,342,566
Office supplies	13,708	2,214	2,460	18,382	1,904	4,179	6,083	24,465
Telephone	27,533	12,288	5,708	45,529	10,349	23,791	34,140	79,669
Postage and delivery	1,044	126	185	1,355	3,768	103	3,871	5,226
Occupancy	253,126	127,969	50,625	431,720	108,282	251,720	360,002	791,722
Equipment rental and maintenance	28,358	10,881	6,374	45,613	11,232	21,398	32,630	78,243
Printing and publications	27,613	1,524	17,618	46,755	14,820	34	14,854	61,609
Advertising	46,230	7,967	1,347	55,544	5,089	6,428	11,517	67,061
Travel and meetings	992,410	18,077	355,013	1,365,500	24,974	4,248	29,222	1,394,722
Dues and subscriptions	62,907	20,914	12,205	96,026	16,308	11,098	27,406	123,432
Corporate insurance	12,806	6,474	2,561	21,841	5,478	12,735	18,213	40,054
Depreciation and amortization	48,699	24,620	9,740	83,059	20,832	48,429	69,261	152,320
Miscellaneous	31,245	11,340	5,840	48,425	22,493	9,220	31,713	80,138
	<u>\$ 9,206,875</u>	<u>\$ 1,583,208</u>	<u>\$ 3,269,782</u>	<u>\$ 14,059,865</u>	<u>\$ 1,313,960</u>	<u>\$ 1,054,492</u>	<u>\$ 2,368,452</u>	<u>\$ 16,428,317</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services				Supporting Services			Total Expenses
	Supporting International SRHR Advocacy	Championing U.S. Government Support of SRHR	Incubating New Partnerships PHCPI	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries and benefits	\$ 2,297,526	\$ 799,370	\$ 505,711	\$ 3,602,607	\$ 810,011	\$ 304,921	\$ 1,114,932	\$ 4,717,539
Professional fees	1,013,284	113,254	456,398	1,582,936	186,980	185,341	372,321	1,955,257
International partnership grants	2,317,581	646	160	2,318,387	162	109	271	2,318,658
Office supplies	6,349	1,901	1,665	9,915	2,275	3,250	5,525	15,440
Telephone	20,588	8,371	7,564	36,523	8,687	15,406	24,093	60,616
Postage and delivery	19,851	110	1,343	21,304	2,862	202	3,064	24,368
Occupancy	255,598	122,337	52,430	430,365	131,076	235,936	367,012	797,377
Equipment rental and maintenance	17,034	7,708	3,528	28,270	8,257	14,863	23,120	51,390
Printing and publications	74,497	1,210	500	76,207	20,637	12	20,649	96,856
Advertising	69,481	7,680	13,100	90,261	2,243	233	2,476	92,737
Travel and meetings	968,294	24,370	182,233	1,174,897	27,099	10,720	37,819	1,212,716
Dues and subscriptions	40,768	14,350	7,551	62,669	14,695	12,565	27,260	89,929
Corporate insurance	11,094	4,927	2,112	18,133	5,279	9,502	14,781	32,914
Depreciation and amortization	52,409	25,085	10,751	88,245	26,877	48,378	75,255	163,500
Miscellaneous	10,052	3,389	1,604	15,045	15,219	6,017	21,236	36,281
	<u>\$ 7,174,406</u>	<u>\$ 1,134,708</u>	<u>\$ 1,246,650</u>	<u>\$ 9,555,764</u>	<u>\$ 1,262,359</u>	<u>\$ 847,455</u>	<u>\$ 2,109,814</u>	<u>\$ 11,665,578</u>

See accompanying notes to the financial statements.

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Statements of Cash Flows

	Years ended December 31,	
	2019	2018
Change in net assets	\$ 6,019,696	\$ 3,202,371
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	152,320	163,500
Change in fair value of investments	(565,133)	284,246
Changes in assets and liabilities:		
Service contract receivable	55,218	297,659
Accounts receivable	17,756	11,517
Prepaid expenses and deposits	21,520	76,013
Pledges receivable, net of discount	(12,578,706)	(547,751)
Grants payable	(67,953)	431,838
Accounts payable and accrued expenses	138,686	194,920
Deferred rent	53,661	70,755
Deferred revenue	-	(19,642)
Net cash (used in) provided by operating activities	(6,752,935)	4,165,426
Cash flows from investing activities		
Proceeds from sale of investments	1,920	-
Purchases of investments and reinvested earnings	(117,054)	(97,785)
Purchases of property and equipment	(22,007)	(4,152)
Net cash used in investing activities	(137,141)	(101,937)
Cash flows from financing activities		
Principal payments on capital lease obligations	-	(12,229)
Net cash used in financing activities	-	(12,229)
Net change in cash and cash equivalents	(6,890,076)	4,051,260
Cash and cash equivalents, beginning of year	12,897,393	8,846,133
Cash and cash equivalents, end of year	\$ 6,007,317	\$ 12,897,393
Cash and cash equivalents		
Cash	\$ 3,874,525	\$ 6,536,057
Restricted cash	2,132,792	6,361,336
	\$ 6,007,317	\$ 12,897,393
Supplemental disclosure of cash flow information		
Cash payments for interest	\$ -	\$ 510

See accompanying notes to the financial statements.

Population Action International

Notes to Financial Statements

Years ended December 31, 2019 and 2018

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

Population Action International (PAI) champions policies that make it possible for women to exercise their reproductive rights, and fights to remove the policy barriers between women and the care they need. We work with policymakers in Washington, D.C. and our network of partners in developing countries to advance women's reproductive rights (SRHR).

Supporting International SRHR Advocacy

A hallmark of PAI is working with local organizations in the Global South to provide them with financial resources and advocacy coaching to advance reproductive rights in their own countries. PAI's partner network—more than 73 local organizations in 24 countries—work to secure policy and funding decisions, and hold their governments accountable for advancing reproductive rights. In addition, PAI collaborates with partners in key countries to advocate for going beyond the mere access to reproductive health care to emphasize the quality of care delivered and the rights of the women and girls receiving that care. In 2015, PAI launched a special project to increase recognition and support for primary health care (PHC) in the global development arena, and in particular to advocate for PHC as a foundation pillar of universal health care.

Championing U.S. Government Support of SRHR

For more than 50 years, PAI has brought an unrelenting voice for reproductive rights to the U.S. Congress and executive branch. We lead the movement to protect U.S. government funding for international family planning and prevent attempts to pass harmful policies.

Incubating New Partnerships

In 2016, PAI was invited to assist with establishing a Secretariat in support of the Primary Health Care Performance Initiative (PHCPI), a partnership bringing together country policymakers, health system managers, practitioners, advocates, other development partners and community to catalyze and accelerate primary health care improvement in low- and middle-income countries through better measurements, knowledge management, advocacy and country engagement in order to achieve quality universal health coverage more quickly, efficiently and equitably.

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 an obligation is 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.

Population Action International

Notes to Financial Statements (Continued)

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

Cash and Cash Equivalents (continued)

The restricted cash of \$2,132,792 and \$6,361,336 as of December 31, 2019 and 2018, respectively, relates to funding received from the Bill and Melinda Gates Foundation. Unused funds are deposited in a separate money market account, as required by the funder.

Investments and Fair Value Measurements

PAI invests in professionally managed portfolios that contain exchange-traded funds (ETF's) and money market funds, which are recorded at fair value. The changes in fair value during the year (whether realized or unrealized), interest and dividends, net of related investment fees, are recognized 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.

Grants Payable

Grant funds are expended only for project purposes and activities that are approved by PAI's board of directors. Commitments of grant funds were incurred during the grant period, as defined by the beginning and end dates of the agreements. Grants payable is recorded on an annual basis upon notification to the recipient at the time of approval or renewal. Grants payable recorded as of December 31, 2019 and 2018 are expected to be paid in the next reporting period.

Classification of Net Assets

PAI's net assets have been classified into the following two classes:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

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Notes to Financial Statements (Continued)

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

Classification of Net Assets (continued)

Net assets with donor restrictions - Net assets subject to donor or certain grantor imposed restrictions. Some donor (or grantor)-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor (or grantor)-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 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 pledges, as of December 31, 2019 and 2018.

Property and Equipment

PAI capitalizes all property and equipment with a cost greater than \$3,000. 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	3 to 5 years
Leasehold improvements	Life of the improvement or the life of the lease
Furniture and equipment	7 years
Equipment - capital lease	Life of the lease

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

Revenue Recognition

Grants and contributions, including unconditional promises to give, are recorded as an increase in net assets with or without donor restrictions depending on the existence of donor restrictions. When a restriction is satisfied (that is, when a stipulated time restriction ends or purpose restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Service contracts are considered conditional contributions and are accounted for on a cost reimbursement basis. As such, revenues are recorded as expenses are incurred in compliance with specific contract provisions. Amounts received in excess of expenditures are recorded as refundable advances on the statements of financial position. Amounts expended and uncollected at year-end are expected to be collected within the next fiscal year and are recorded as service contract receivable on the statements of financial position.

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Notes to Financial Statements (Continued)

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

Donated Services

Donated materials or services that meet the recording criteria, are recorded as revenue with a corresponding offset to expense. The value of donated services are calculated based on the fair value of the service. For the years ended December 31, 2019 and 2018, PAI recorded contributed services as contributions in the statement of activities of \$53,092 and \$81,490, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, have been allocated on a reasonable basis that is consistently applied among the programs and supporting services (fundraising and management and general) benefited. Salaries, professional fees, supplies, occupancy, insurance and depreciation and amortization are allocated based on estimates of time spent by PAI personnel.

Income Taxes

PAI is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) 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, 2019.

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.

Subsequent Events

PAI evaluated subsequent events through May 14, 2020, 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. See note 10.

Accounting Pronouncements Adopted

As of January 1, 2019, PAI adopted the provisions of ASU 2018-08, *Clarifying the Scope and Accounting for Contributions Received and Contributions Made* (Topic 958) on a modified prospective basis. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. There was no impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

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Notes to Financial Statements (Continued)

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

Recent Accounting Pronouncements

In February 2016, the FASB issued amendments to ASU 2016-02, *Leases*. Among other things, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right of use asset, which is an asset that represents the lessee's right to use, or control the use of a specified asset for the lease term. The amendments in the ASU are effective for nonpublic business entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact the amendments in this ASU will have on the financial statements.

Note 2 - Liquidity and Availability of Resources

PAI's financial assets available within one year of the date of the statement of financial position for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,874,525	\$ 6,536,057
Short-term investments	1,401,509	1,291,193
Service contract receivable	175,657	230,875
Accounts receivable	<u>15,454</u>	<u>33,210</u>
	<u>\$ 5,467,145</u>	<u>\$ 8,091,335</u>

None of the financial assets, listed above, are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position.

The endowment fund consists of one donor-restricted endowment and a board designated endowment. Investment earnings from the donor-restricted endowment are available for operations. The donor-restricted endowment fund is not available for general expenditure.

The board designated endowment of \$2,830,200 for the years ended December 31, 2019 and 2018 is subject to appropriation by a vote of the board of directors. Although PAI does not intend to spend from the board designated endowment (other than the amounts appropriated by the board), these amounts could be made available if necessary.

PAI has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 3 months of normal operating expenses.

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Notes to Financial Statements (Continued)

Note 3 - Investments and Fair Value Measurement

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>2019</u>	<u>2018</u>	<u>Fair Value Level</u>
Exchange Traded Funds (ETF's)			
Equity	\$ 2,250,625	\$ 1,782,484	Level 1
Fixed income	<u>2,357,825</u>	<u>2,155,094</u>	Level 1
Total investments at fair value	4,608,450	3,937,578	
Cash and money market funds	<u>67,725</u>	<u>58,330</u>	N/A
Total investments	<u><u>\$ 4,676,175</u></u>	<u><u>\$ 3,995,908</u></u>	

ETF's included in Level 1 assets are actively traded and fair values for identical assets are readily attainable.

Cash and 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.

Note 4 - Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Computer equipment and software	\$ 363,540	\$ 529,511
Leasehold improvements	483,826	483,826
Furniture and equipment	469,926	469,925
Equipment - capital lease	<u>-</u>	<u>51,998</u>
	1,317,292	1,535,260
Less: Accumulated depreciation	<u>696,566</u>	<u>784,221</u>
Net property and equipment	<u><u>\$ 620,726</u></u>	<u><u>\$ 751,039</u></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.

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Notes to Financial Statements (Continued)

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes or periods. Additionally, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

	Balance December 31, 2018	Additions	Released	Balance December 31, 2019
Purpose restricted:				
Supporting International SRHR Advocacy	\$ 12,621,257	\$ 5,017,368	\$ (8,373,875)	\$ 9,264,750
Championing U.S. Government Support of SRHR	226,222	-	(226,222)	-
Incubating New Partnerships	3,364,685	12,883,446	(3,310,226)	12,937,905
Time restricted for future periods	933,629	800,000	(954,856)	778,773
Perpetual in nature	156,668	-	-	156,668
	<u>\$ 17,302,461</u>	<u>\$ 18,700,814</u>	<u>\$ (12,865,179)</u>	<u>\$ 23,138,096</u>

	Balance December 31, 2017	Additions	Released	Balance December 31, 2018
Purpose restricted:				
Supporting International SRHR Advocacy	\$ 10,535,926	\$ 8,333,083	\$ (6,247,752)	\$ 12,621,257
Championing U.S. Government Support of SRHR	200,000	200,000	(173,778)	226,222
Incubating New Partnerships	2,166,577	2,485,437	(1,287,329)	3,364,685
Time restricted for future periods	669,218	1,309,267	(1,044,856)	933,629
Perpetual in nature	156,668	-	-	156,668
	<u>\$ 13,728,389</u>	<u>\$ 12,327,787</u>	<u>\$ (8,753,715)</u>	<u>\$ 17,302,461</u>

Note 6 - Endowment

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.

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Notes to Financial Statements (Continued)

Note 6 - Endowment (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

Spending Policy

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

Endowment net assets were comprised of the following for the years ended December 31, 2019 and 2018:

	With Donor Restriction	Without Donor Restriction	Total
Original gift amount required to be maintained	\$ 156,668	\$ -	\$ 156,668
Board designated for operating reserves	-	2,830,200	2,830,200
Endowment net assets, end of year	\$ 156,668	\$ 2,830,200	\$ 2,986,868

Changes in endowment net assets are as follows for the years ended December 31, 2019 and 2018:

	With Donor Restriction	Without Donor Restriction	Total
January 1, 2018	\$ 156,668	\$ 3,297,750	\$ 3,454,418
Board appropriation	-	(467,550)	(467,550)
December 31, 2018	156,668	2,830,200	2,986,868
Board appropriation	-	-	-
December 31, 2019	\$ 156,668	\$ 2,830,200	\$ 2,986,868

The general purpose of the board designated fund is to ensure the long-term financial stability of PAI and to position it to respond to varying economic conditions or unforeseen changes that may dramatically affect PAI's financial operations.

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Notes to Financial Statements (Continued)

Note 7 - Operating Leases

PAI is obligated under a non-cancelable lease for its headquarters office expiring in 2026. 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 rent. PAI subleased a portion of its space under non-cancelable agreements that expired at various dates through December 2018.

On May 31, 2018, PAI entered into a 36 month operating lease for telephone equipment that expires May 31, 2021.

As of December 31, 2019, the following schedule summarizes the required minimum lease payments to be made for the years ended December 31:

2020	\$	812,430
2021		815,232
2022		823,322
2023		843,905
2024		865,002
Thereafter		<u>1,795,420</u>
		<u>\$ 5,955,311</u>

Total rent expense on the office lease was \$791,722 and \$797,378 for the years ended December 31, 2019 and 2018, respectively.

Note 8 - Retirement Plan

PAI sponsors a 403(b) retirement plan (the Plan). All regular full and part time employees who have completed 30 days of service, and are at least 18 years old, are eligible to participate in the Plan. PAI contributed \$309,715 and \$192,130 in 2019 and 2018, respectively to the Plan. Participants are fully vested in employer contributions after one year of employment.

Note 9 - Pledges Receivable

Unconditional promises to contribute to PAI are recorded as pledges receivable at fair value based upon discounted estimated future cash flows adjusted for risk. The discount rates for fiscal year 2019 ranged between .147 and .252 percent. For fiscal year 2018 the discount rates ranged between .147 and .234 percent.

Pledges receivable are expected to be collected as follows at December 31:

	2019	2018
Pledges receivable		
Due in less than one year	\$ 9,416,628	\$ 2,457,108
Due in one to five years	9,183,446	3,471,812
Less: Discount on long-term portion	<u>(209,831)</u>	<u>(117,383)</u>
Pledges receivable, net of discount	<u>\$ 18,390,243</u>	<u>\$ 5,811,537</u>

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Notes to Financial Statements (Continued)

Note 9 - Pledges Receivable (Continued)

PAI's unconditional pledges receivable recorded at fair value, on a nonrecurring basis, are categorized as level 2 in the fair value hierarchy based on market valuation techniques. PAI took into account historical and projected cash flow rates. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Note 10 - Subsequent Events

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. Because this event is early in development, there is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies.

In April 2020, in light of this economic uncertainty, PAI applied for a loan under the Paycheck Protection Program offered under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law on March 27, 2020. The loan was approved and amounts were dispersed to PAI totaling \$731,800. Per the interim Department of Treasury regulations for the CARES Act, the portions of this loan utilized by PAI for Program authorized business purposes may be eligible for forgiveness.