

Population Action International

Audited Financial Statements

*Years ended December 31, 2020 and 2019
with Report of Independent Auditors*

Population Action International

Audited Financial Statements

Years ended December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019 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
June 7, 2021

Population Action International

Statements of Financial Position

	December 31,	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 3,991,125	\$ 3,874,525
Restricted cash	4,909,041	2,132,792
Investments	5,183,063	4,676,175
Service Contracts Receivable	86,986	175,657
Accounts receivable	18,230	15,454
Pledges receivable, net	11,807,561	18,390,243
Prepaid expenses and deposits	165,558	135,253
Property and equipment, net	<u>489,903</u>	<u>620,726</u>
Total assets	<u>\$ 26,651,467</u>	<u>\$ 30,020,825</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 401,632	\$ 539,445
Grants payable	896,303	945,929
Deferred rent	603,973	633,136
Paycheck Protection Program loan payable	<u>731,800</u>	<u>-</u>
Total liabilities	2,633,708	2,118,510
Net assets:		
Without donor restrictions		
Undesignated	1,852,267	1,934,019
Board designated	<u>2,830,200</u>	<u>2,830,200</u>
	4,682,467	4,764,219
With donor restrictions		
Perpetual in nature	156,668	156,668
Purpose restrictions	17,988,624	22,202,655
Time-restricted for future periods	<u>1,190,000</u>	<u>778,773</u>
	<u>19,335,292</u>	<u>23,138,096</u>
Total net assets	<u>24,017,759</u>	<u>27,902,315</u>
Total liabilities and net assets	<u>\$ 26,651,467</u>	<u>\$ 30,020,825</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Activities

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contributions	\$ 1,792,433	\$ 8,573,384	\$ 10,365,817
Service contracts	1,050,881	-	1,050,881
Investment income, net	122,351	-	122,351
Other	35,962	-	35,962
Net assets released from restrictions	<u>12,376,188</u>	<u>(12,376,188)</u>	<u>-</u>
Total support and revenue	<u>15,377,815</u>	<u>(3,802,804)</u>	<u>11,575,011</u>
Expenses			
Program services:			
Supporting International SRHR Advocacy	8,769,690	-	8,769,690
Championing U.S. Government Support of SRHR	1,454,719	-	1,454,719
Incubating New Partnerships PHCPI	<u>3,536,902</u>	<u>-</u>	<u>3,536,902</u>
Total program services	13,761,311	-	13,761,311
Supporting services:			
Fundraising	1,412,569	-	1,412,569
Management and general	<u>674,364</u>	<u>-</u>	<u>674,364</u>
Total supporting services	<u>2,086,933</u>	<u>-</u>	<u>2,086,933</u>
Total expenses	<u>15,848,244</u>	<u>-</u>	<u>15,848,244</u>
Change in net assets from operations	(470,429)	(3,802,804)	(4,273,233)
Change in fair value of investments	<u>388,677</u>	<u>-</u>	<u>388,677</u>
Change in net assets	(81,752)	(3,802,804)	(3,884,556)
Net assets, beginning of year	<u>4,764,219</u>	<u>23,138,096</u>	<u>27,902,315</u>
Net assets, end of year	<u>\$ 4,682,467</u>	<u>\$ 19,335,292</u>	<u>\$ 24,017,759</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 Functional Expenses

Year ended December 31, 2020

	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	\$ 2,534,069	\$ 1,113,616	\$ 679,051	\$ 4,326,736	\$ 925,971	\$ 257,203	\$ 1,183,174	\$ 5,509,910
Professional fees	1,409,806	110,605	557,705	2,078,116	271,915	114,927	386,842	2,464,958
International partnership grants	4,119,351	-	2,183,274	6,302,625	-	-	-	6,302,625
Office supplies	8,192	1,563	3,941	13,696	1,561	1,178	2,739	16,435
Telephone	29,425	13,131	5,567	48,123	10,933	19,438	30,371	78,494
Postage and delivery	1,845	321	122	2,288	4,437	436	4,873	7,161
Occupancy	310,926	138,327	57,878	507,131	115,755	205,786	321,541	828,672
Equipment rental and maintenance	16,159	10,392	5,139	31,690	6,849	7,845	14,694	46,384
Printing and publications	4,987	31	-	5,018	19,196	-	19,196	24,214
Advertising	6,860	3,134	1,844	11,838	3,530	4,662	8,192	20,030
Travel and meetings	216,013	5,857	20,356	242,226	2,149	1,638	3,787	246,013
Dues and subscriptions	34,443	20,520	6,124	61,087	5,731	5,898	11,629	72,716
Corporate insurance	28,619	13,677	6,049	48,345	24,839	20,325	45,164	93,509
Depreciation and amortization	48,995	23,545	9,852	82,392	19,703	35,028	54,731	137,123
	<u>\$ 8,769,690</u>	<u>\$ 1,454,719</u>	<u>\$ 3,536,902</u>	<u>\$ 13,761,311</u>	<u>\$ 1,412,569</u>	<u>\$ 674,364</u>	<u>\$ 2,086,933</u>	<u>\$ 15,848,244</u>

See accompanying notes to the financial statements.

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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

Statements of Cash Flows

	Years ended December 31,	
	2020	2019
Change in net assets	\$ (3,884,556)	\$ 6,019,696
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	137,123	152,320
Change in fair value of investments	(388,677)	(565,133)
Changes in assets and liabilities:		
Service contract receivable	88,671	55,218
Accounts receivable	(2,776)	17,756
Prepaid expenses and deposits	(30,305)	21,520
Pledges receivable, net of discount	6,582,682	(12,578,706)
Grants payable	(49,626)	(67,953)
Accounts payable and accrued expenses	(137,813)	138,686
Deferred rent	(29,163)	53,661
Net cash provided by (used in) operating activities	<u>2,285,560</u>	<u>(6,752,935)</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	1,920
Purchases of investments and reinvested earnings	(118,211)	(117,054)
Purchases of property and equipment	(6,300)	(22,007)
Net cash used in investing activities	<u>(124,511)</u>	<u>(137,141)</u>
Cash flows from financing activities		
PPP loan proceeds	731,800	-
Net cash provided by financing activities	<u>731,800</u>	<u>-</u>
Net change in cash and cash equivalents	2,892,849	(6,890,076)
Cash and cash equivalents, beginning of year	<u>6,007,317</u>	<u>12,897,393</u>
Cash and cash equivalents, end of year	<u>\$ 8,900,166</u>	<u>\$ 6,007,317</u>
Cash and cash equivalents		
Cash	\$ 3,991,125	\$ 3,874,525
Restricted cash	<u>4,909,041</u>	<u>2,132,792</u>
	<u>\$ 8,900,166</u>	<u>\$ 6,007,317</u>

See accompanying notes to the financial statements.

Population Action International

Notes to Financial Statements

Years ended December 31, 2020 and 2019

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 \$4,909,041 and \$2,132,792 as of December 31, 2020 and 2019, 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, 2020 and 2019 are expected to be paid in the next reporting period.

PPP Loan Payable

On April 20, 2020, PAI received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, for an aggregate principal amount of \$731,800 (the PPP Loan). The PPP Loan is reported as Paycheck Protection Program loan payable on the statements of financial position and is reported at the outstanding principal balance of the debt plus accrued interest. As of December 31, 2020, PAI accounted for this PPP loan in accordance with FASB ASC 470, Debt. See Note 10 for more information.

Population Action International

Notes to Financial Statements (Continued)

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

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.

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 pledges by using the historical experience applied to an aging of pledges. There was no provision for doubtful pledges, based on management's evaluation of the collection of pledges, as of December 31, 2020 and 2019.

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

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.

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Notes to Financial Statements (Continued)

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

Revenue Recognition (continued)

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.

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, 2020 and 2019, PAI recorded contributed services as contributions in the statements of activities of \$2,186 and \$53,092, 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, 2020.

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 June 7, 2021, 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 as described in note 10.

Population Action International

Notes to Financial Statements (Continued)

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

COVID-19 risks and uncertainties

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. PAI's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on PAI and its donors, employees and vendors. As such, COVID-19 could have a material adverse effect on PAI's financial position in the future including the fair value of PAI's investments. The ultimate duration and impact of the COVID-19 outbreak on PAI's financial position cannot be reasonably estimated at this time.

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:

	2020	2019
Cash and cash equivalents	\$ 3,991,125	\$ 3,874,525
Short-term investments	1,512,546	1,401,509
Service contract receivable	86,986	175,657
Accounts receivable	18,230	15,454
	<u>\$ 5,608,887</u>	<u>\$ 5,467,145</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, 2020 and 2019 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.

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:

	2020	2019	Fair Value Level
Exchange Traded Funds (ETF's)			
Equity	\$ 2,265,793	\$ 2,250,625	Level 1
Fixed income	2,895,561	2,357,825	Level 1
Total investments at fair value	5,161,354	4,608,450	
Cash and money market funds	21,709	67,725	N/A
Total investments	<u>\$ 5,183,063</u>	<u>\$ 4,676,175</u>	

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Notes to Financial Statements (Continued)

Note 3 - Investments and Fair Value Measurement (Continued)

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:

	2020	2019
Computer equipment and software	\$ 369,840	\$ 363,540
Leasehold improvements	483,826	483,826
Furniture and equipment	469,926	469,926
	1,323,592	1,317,292
Less: Accumulated depreciation	833,689	696,566
Net property and equipment	\$ 489,903	\$ 620,726

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.

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, 2020 and 2019:

	Balance December 31, 2019	Additions	Released	Balance December 31, 2020
Purpose restricted:				
Supporting International SRHR Advocacy	\$ 9,264,750	\$ 6,633,384	\$ (7,625,063)	\$ 8,273,071
Championing U.S. Government Support of SRHR	-	440,000	(171,958)	268,042
Incubating New Partnerships	12,937,905	-	(3,490,394)	9,447,511
Time restricted for future periods	778,773	1,500,000	(1,088,773)	1,190,000
Perpetual in nature	156,668	-	-	156,668
	\$ 23,138,096	\$ 8,573,384	\$ (12,376,188)	\$ 19,335,292

Population Action International

Notes to Financial Statements (Continued)

Note 5 - Net Assets With Donor Restrictions (Continued)

	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>

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.

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.

Population Action International

Notes to Financial Statements (Continued)

Note 6 - Endowment (Continued)

Spending Policy (continued)

Endowment net assets were comprised of the following for the years ended December 31, 2020 and 2019:

	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, 2020 and 2019:

	With Donor Restriction	Without Donor Restriction	Total
January 1, 2019	\$ 156,668	\$ 2,830,200	\$ 2,986,868
Board appropriation	-	-	-
December 31, 2019	156,668	2,830,200	2,986,868
Board appropriation	-	-	-
December 31, 2020	\$ 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.

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.

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

As of December 31, 2020, the following schedule summarizes the required minimum lease payments to be made for the years ended December 31:

2021	\$ 815,233
2022	823,322
2023	843,905
2024	865,002
2025	886,627
Thereafter	908,793
	\$ 5,142,882

Population Action International

Notes to Financial Statements (Continued)

Note 7 - Operating Leases (Continued)

Total rent expense on the office lease was \$828,672 and \$791,722 for the years ended December 31, 2020 and 2019, 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 \$307,461 and \$309,715 in 2020 and 2019, 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 2020 ranged between .13 and .17 percent. For fiscal year 2019 the discount rates ranged between .147 and .252 percent.

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

	<u>2020</u>	<u>2019</u>
Pledges receivable		
Due in less than one year	\$ 7,140,000	\$ 9,416,628
Due in one to five years	4,683,446	9,183,446
Less: Discount on long-term portion	<u>(15,885)</u>	<u>(209,831)</u>
Pledges receivable, net of discount	<u>\$ 11,807,561</u>	<u>\$ 18,390,243</u>

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 - Paycheck Protection Program

On April 20, 2020, PAI received a PPP Loan in the amount of \$731,800 and is a two year loan with a maturity date of April 1, 2022. The PPP Loan bears an annual interest rate of 1%, and is unsecured and guaranteed by the Small Business Administration (SBA). To the extent that all or part of the PPP Loan is not forgiven, principal and interest payments are deferred ten months after the end of the PAI's loan forgiveness covered period. Thereafter, PAI is obligated to make monthly principal and interest payments through the maturity date. As of December 31, 2020, unpaid principal was \$731,800 on the PPP Loan.

To the extent that the proceeds are used to pay qualified expenses, and other employment criteria required by the Program have been met by PAI, the PPP Loan may be subject to forgiveness under the Program upon PAI's request.

PAI received approval for forgiveness by the SBA for the PPP Loan on March 25, 2021 amounting to \$731,800.