

Population Action International

Audited Financial Statements

*Years ended December 31, 2016 and 2015  
with Report of Independent Auditors*

Population Action International

Audited Financial Statements

Years ended December 31, 2016 and 2015

Contents

Report of Independent Auditors.....	1
Audited Financial Statements	
Statements of Financial Position .....	2
Statements of Activities.....	3 - 4
Statements of Functional Expenses.....	5 - 6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8 - 16

## 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, 2016 and 2015, 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 PAI as of December 31, 2016 and 2015 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 15, 2017

Population Action International

Statements of Financial Position

	December 31,	
	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 5,248,049	\$ 3,014,733
Restricted cash	1,307,783	986,804
Investments (Note 2)	3,850,691	2,848,906
Service contract receivable	539,180	88,347
Accounts receivables	26,364	125,728
Pledges receivable (Note 12)	2,288,742	1,137,013
Prepaid expenses and deposits	233,497	406,533
Property and equipment, net	<u>1,056,408</u>	<u>293,109</u>
Total assets	<u>\$ 14,550,714</u>	<u>\$ 8,901,173</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 279,111	\$ 237,043
Grants payable	659,714	307,516
Capital lease obligations	23,466	33,825
Deferred rent	<u>421,417</u>	<u>430,217</u>
Total liabilities	1,383,708	1,008,601
Net assets		
Unrestricted		
Undesignated	2,124,894	1,760,407
Board designated (Note 5)	<u>2,171,153</u>	<u>2,245,975</u>
	4,296,047	4,006,382
Temporarily restricted net assets	8,714,291	3,729,522
Permanently restricted net assets	<u>156,668</u>	<u>156,668</u>
	<u>13,167,006</u>	<u>7,892,572</u>
Total liabilities and net assets	<u>\$ 14,550,714</u>	<u>\$ 8,901,173</u>

See accompanying notes to the financial statements.

# Population Action International

## Statement of Activities

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Grants and contributions	\$ 1,787,220	\$ 10,020,567	\$ -	\$ 11,807,787
Service contracts	1,262,616	-	-	1,262,616
Investment income, net (Note 2)	64,772	3,040	-	67,812
Rental income	49,572	-	-	49,572
Other	9,803	-	-	9,803
Net assets released from restrictions	<u>5,048,271</u>	<u>(5,048,271)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,222,254</u>	<u>4,975,336</u>	<u>-</u>	<u>13,197,590</u>
<b>Expenses</b>				
Program services	6,986,652	-	-	6,986,652
Fundraising	491,445	-	-	491,445
Management and general	<u>927,113</u>	<u>-</u>	<u>-</u>	<u>927,113</u>
Total expenses	<u>8,405,210</u>	<u>-</u>	<u>-</u>	<u>8,405,210</u>
Change in net assets from operations	(182,956)	4,975,336	-	4,792,380
Net gain realized from renegotiated facility lease (Note 4)	298,051	-	-	298,051
Change in fair value of investments	<u>174,570</u>	<u>9,433</u>	<u>-</u>	<u>184,003</u>
Change in net assets	289,665	4,984,769	-	5,274,434
Net assets, beginning of year	<u>4,006,382</u>	<u>3,729,522</u>	<u>156,668</u>	<u>7,892,572</u>
Net assets, end of year	<u>\$ 4,296,047</u>	<u>\$ 8,714,291</u>	<u>\$ 156,668</u>	<u>\$ 13,167,006</u>

See accompanying notes to the financial statements.

# Population Action International

## Statement of Activities

Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue</b>				
Grants and contributions	\$ 3,038,823	\$ 2,064,942	\$ -	\$ 5,103,765
Service contracts	756,404	-	-	756,404
Investment income, net (Note 2)	28,038	-	-	28,038
Rental income	84,541	-	-	84,541
Other	6,000	-	-	6,000
Net assets released from restrictions	<u>3,761,852</u>	<u>(3,761,852)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,675,658</u>	<u>(1,696,910)</u>	<u>-</u>	<u>5,978,748</u>
<b>Expenses</b>				
Program services	6,000,853	-	-	6,000,853
Fundraising	406,198	-	-	406,198
Management and general	<u>1,003,818</u>	<u>-</u>	<u>-</u>	<u>1,003,818</u>
Total expenses	<u>7,410,869</u>	<u>-</u>	<u>-</u>	<u>7,410,869</u>
Change in net assets from operations	264,789	(1,696,910)	-	(1,432,121)
Change in fair value of investments	<u>(170,731)</u>	<u>-</u>	<u>-</u>	<u>(170,731)</u>
Change in net assets	94,058	(1,696,910)	-	(1,602,852)
Net assets, beginning of year	<u>3,912,324</u>	<u>5,426,432</u>	<u>156,668</u>	<u>9,495,424</u>
Net assets, end of year	<u>\$ 4,006,382</u>	<u>\$ 3,729,522</u>	<u>\$ 156,668</u>	<u>\$ 7,892,572</u>

*See accompanying notes to the financial statements.*

## Population Action International

### Statement of Functional Expenses

Year ended December 31, 2016

	Program Services	Fundraising	Management and General	Total Expenses
Salaries and benefits	\$ 3,024,433	\$ 284,104	\$ 430,569	\$ 3,739,106
Professional fees	801,236	61,365	154,006	1,016,607
International partnership grants	1,817,996	-	-	1,817,996
Office supplies	41,306	7,512	18,207	67,025
Telephone	32,003	5,095	12,331	49,429
Postage and delivery	3,564	1,167	494	5,225
Occupancy	492,709	91,044	221,362	805,115
Equipment rental and maintenance	7,746	1,431	3,480	12,657
Printing and publications	32,383	5,846	14,822	53,051
Advertising	136,224	535	491	137,250
Travel and meetings	446,082	9,744	16,576	472,402
Dues and subscriptions	53,534	5,642	11,438	70,614
Corporate insurance	26,326	4,865	11,828	43,019
Depreciation and amortization	48,668	8,971	22,229	79,868
Miscellaneous	22,442	4,124	9,280	35,846
	<u>\$ 6,986,652</u>	<u>\$ 491,445</u>	<u>\$ 927,113</u>	<u>\$ 8,405,210</u>

*See accompanying notes to the financial statements.*

## Population Action International

### Statement of Functional Expenses

Year ended December 31, 2015

	Program Services	Fundraising	Management and General	Total Expenses
Salaries and benefits	\$ 2,507,375	\$ 178,931	\$ 445,390	\$ 3,131,696
Professional fees	816,299	88,482	162,235	1,067,016
International partnership grants	1,520,073	-	-	1,520,073
Office supplies	58,704	9,280	27,198	95,182
Telephone	30,667	5,303	15,821	51,791
Postage and delivery	1,399	1,812	2,712	5,923
Occupancy	416,578	81,828	245,483	743,889
Equipment rental and maintenance	41,671	8,176	24,529	74,376
Printing and publications	18,363	4,315	8,603	31,281
Advertising	126,623	2	8	126,633
Travel and meetings	334,950	9,953	19,096	363,999
Dues and subscriptions	48,882	2,957	6,927	58,766
Corporate insurance	18,227	3,580	10,741	32,548
Depreciation and amortization	41,411	8,134	24,403	73,948
Miscellaneous	19,631	3,445	10,672	33,748
	<u>\$ 6,000,853</u>	<u>\$ 406,198</u>	<u>\$ 1,003,818</u>	<u>\$ 7,410,869</u>

*See accompanying notes to the financial statements.*



# Population Action International

## Statements of Cash Flows

	Years ended December 31, 2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,274,434	\$ (1,602,852)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	71,713	73,361
Change in fair value of investments	(184,003)	170,731
Loss on disposal	7,840	587
Changes in assets and liabilities:		
Service contract receivables	(450,833)	17,731
Accounts receivable	99,364	(39,576)
Prepaid expenses and deposits	173,036	(341,733)
Pledges receivable, net of discount	(1,151,729)	359,150
Grants payable	352,198	307,516
Accounts payable and accrued expenses	42,067	30,119
Deferred rent	(8,800)	(37,692)
Net cash provided by (used in) operating activities	4,225,287	(1,062,658)
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	6,713	2,322,356
Disposal of property and equipment	132,479	-
Purchases of investments	(824,494)	(2,850,611)
Purchases of property and equipment	(975,331)	(78,888)
Net cash used in investing activities	(1,660,633)	(607,143)
<b>Cash flows from financing activities</b>		
Borrowings under line of credit	217,072	-
Repayments of line of credit	(217,072)	-
Principal payments on capital lease obligations	(10,359)	(9,414)
Net cash used in financing activities	(10,359)	(9,414)
Net change in cash and cash equivalents	2,554,295	(1,679,215)
Cash and cash equivalents, beginning of year	4,001,537	5,680,752
Cash and cash equivalents, end of year	\$ 6,555,832	\$ 4,001,537
<b>Cash and cash equivalents</b>		
Cash	\$ 5,248,049	\$ 3,014,733
Restricted cash	1,307,783	986,804
	\$ 6,555,832	\$ 4,001,537
<b>Supplemental disclosure of cash flow information</b>		
Cash payments for interest	\$ 4,356	\$ -

See accompanying notes to the financial statements.

# Population Action International

## Notes to Financial Statements

Years ended December 31, 2016 and 2015

### **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 54 local organizations in 25 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. And 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.

# Population Action International

## Notes to Financial Statements (Continued)

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

#### *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 of \$1,307,783 and \$986,804 as of December 31, 2016 and 2015, 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 U.S. Government agency bonds, 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) 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.

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

# Population Action International

## Notes to Financial Statements (Continued)

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

#### *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, 2016 and 2015 are expected to be paid in the next reporting period.

#### *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.

#### *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, 2016 and 2015.

#### *Property and Equipment*

PAI capitalizes all property and equipment with a cost of \$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 - the shorter of the life of the leasehold improvement or the life of the lease
- Furniture and equipment - 7 years
- Equipment - capital lease - life of the lease

# Population Action International

## Notes to Financial Statements (Continued)

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

#### *Grants and Support and Revenue*

Contributions and grants 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 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 year ended December 31, 2016, PAI recorded \$7,875 of donated legal services and \$120,298 in advertising services as contributions in the statement of activities. For the year ended December 31, 2015, PAI recorded \$0 of donated legal services and \$123,815 in advertising services as contributions in the statement of activities.

#### *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 based on employee time incurred. 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)(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, 2016.

#### *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 2015 financial statements have been reclassified to conform to the 2016 presentation.

# Population Action International

## Notes to Financial Statements (Continued)

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

#### *Subsequent Events*

PAI evaluated subsequent events through May 15, 2017, 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 - Investments and Fair Value Measurement**

Investment income for the years ended December 31, 2016 and 2015, consists of the following:

	2016	2015
Interest and dividends	\$ 81,947	\$ 52,911
Change in fair value of investments	184,003	(170,731)
Investment management fees	(14,135)	(24,873)
	\$ 251,815	\$ (142,693)

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

	2016	2015	Fair Value Level
Exchange Traded Funds (ETF's)			
Equity	\$ 2,926,830	\$ -	Level 1
Fixed income	898,481	349,307	Level 1
U.S. government agency bonds	-	567	Level 2
Total investments at fair value	3,825,311	349,874	
Cash and money market funds	25,380	2,499,032	
Total investments	\$ 3,850,691	\$ 2,848,906	

ETF's included in Level 1 assets are actively traded and fair values for identical assets are readily attainable. U.S. Government agency bonds included in Level 2 assets are not actively traded, and fair values for similar assets are readily attainable. PAI did not have any transfers between investment levels for the years ended December 31, 2016 or 2015.

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. At December 31, 2015, PAI was in the process of transferring its investment portfolio to a new custodian. The portfolio was temporarily in cash and cash equivalents at year-end and reinvested in January 2016.

## Population Action International

### Notes to Financial Statements (Continued)

#### **Note 3 - Property and Equipment**

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

	2016	2015
Computer equipment and software	\$ 543,140	\$ 458,628
Leasehold improvements	472,804	679,456
Furniture and equipment	449,375	249,157
Equipment - Capital Lease	51,998	51,998
	1,517,317	1,439,239
Less: Accumulated depreciation	460,909	1,146,130
Net property and equipment	\$ 1,056,408	\$ 293,109

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 \$32,065 and \$21,666 as of December 31, 2016 and 2015, respectively, which is recorded in depreciation and amortization expense on the statements of functional expenses.

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, 2016:

Year ended December 31, 2017	\$ 12,746
Year ended December 31, 2018	12,746
Year ended December 31, 2019	37
	25,529
Less amount representing interest	2,063
Present value of minimum lease payments	\$ 23,466

#### **Note 4 - Renegotiated Facility Lease**

PAI renewed its office lease effective January 1, 2016, which included leasehold improvements that replaced the improvements in place from the prior year. Additionally, PAI held an unamortized deferred rent liability related to the previous lease agreement. During 2016, PAI wrote-off a deferred rent liability of \$430,217 and unamortized leasehold improvement assets of \$132,166, which resulted in a non-operating increase in net assets of \$298,051 as of December 31, 2016.

#### **Note 5 - Board Designated Net Assets**

Board designated net assets include funds designated by the Board of Directors. The general purpose of the fund is to ensure the long-term financial stability of PAI and position it to respond to varying economic conditions or unforeseen changes that may dramatically affect PAI's financial operations. The funding level of the designation is one-fourth of the upcoming year's operating budget and is reset annually at the end of the calendar year. Board designated net assets totaled \$2,171,153 and \$2,245,975 as of December 31, 2016 and 2015, respectively.

## 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 years ended December 31, 2016 and 2015, because either the purpose or the time restriction was satisfied.

Temporarily restricted net assets as of December 31, 2016 and 2015, were available for the following programs:

	Balance December 31, 2015	Additions	Released	Balance December 31, 2016
Purpose restricted:				
Supporting International SRHR Advocacy	\$ 3,331,122	\$ 6,048,280	\$ 4,008,145	\$ 5,371,257
Championing U.S. Government Support of SRHR	200,000	215,000	215,576	199,424
Incubating New Partnerships	-	2,457,287	86,150	2,371,137
Time restricted	198,400	1,312,473	738,400	772,473
	<u>\$ 3,729,522</u>	<u>\$ 10,033,040</u>	<u>\$ 5,048,271</u>	<u>\$ 8,714,291</u>
	Balance December 31, 2014	Additions	Released	Balance December 31, 2015
Purpose restricted:				
Supporting International SRHR Advocacy	\$ 4,707,557	\$ 1,766,542	\$ 3,142,977	\$ 3,331,122
Championing U.S. Government Support of SRHR	218,875	200,000	218,875	200,000
Incubating New Partnerships	-	-	-	-
Time restricted	500,000	98,400	400,000	198,400
	<u>\$ 5,426,432</u>	<u>\$ 2,064,942</u>	<u>\$ 3,761,852</u>	<u>\$ 3,729,522</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 to nor releases from the Permanently Restricted Fund during the years ended December 31, 2016 and 2015. Income earned on the Permanently Restricted Fund is held in temporarily restricted until a spending plan is approved by the board.

#### *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 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 revenue. PAI subleases a portion of its space under non-cancelable agreements that expired at various dates through December 2017. Sublease rental income for the years ended December 31, 2016 and 2015 was \$49,572 and \$84,541, respectively.

As of December 31, 2016, the following schedule summarized the required minimum lease payments to be made for the years ended December 31:

2017	\$	667,055
2018		683,731
2019		700,825
2020		783,649
2021		803,241
Thereafter		<u>4,327,649</u>
		<u>\$ 7,966,150</u>

Total rent expense on the office lease was \$805,115 and \$743,889 for the years ended December 31, 2016 and 2015, respectively.

# Population Action International

## Notes to Financial Statements (Continued)

### Note 9 - Retirement Plans

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 \$147,435 and \$99,231 in 2016 and 2015, respectively to the Plan. All employees are fully vested in employer contributions after one year of employment.

### Note 10 - Related Party Transactions

In 2016 and 2015, PAI received support of approximately \$16,000 and \$50,000, respectively from members of the Board of Directors and corporations that employ members of PAI's Board of Directors. The statements of financial position include \$650 and \$0 in outstanding pledges as of December 31, 2016 and 2015, respectively, from pledges made by members of the Board of Directors.

### Note 11 - Line of Credit

In 2016 PAI obtained a \$400,000 line of credit with Washington First Bank. At December 31, 2016 the interest rate on the line of credit was 3.5%. There were no amounts outstanding related to the line of credit as of December 31, 2016.

### Note 12 - Pledges Receivable

Unconditional promises to contribute to PAI are recorded as pledges receivable at fair value based upon discounted estimated future cash flows. The discount rate for fiscal years 2016 and 2015 was .08 percent.

Pledges receivable are expected to be realized as followings at December 31:

	<u>2016</u>	<u>2015</u>
Pledges receivable		
Due in less than one year	\$ 738,717	\$ 510,000
Due in one to five years	1,573,435	633,717
Less: Discount on long-term portion	<u>(23,410)</u>	<u>(6,704)</u>
Pledges receivable, net of discount	<u>\$ 2,288,742</u>	<u>\$ 1,137,013</u>

PAI's unconditional pledges receivable recorded at fair value 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.