

CALIFORNIANS FOR POPULATION
STABILIZATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017



CALIFORNIANS FOR POPULATION STABILIZATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Californians for Population Stabilization, Inc.

I have audited the accompanying financial statements of Californians for Population Stabilization, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Californians for Population Stabilization, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the financial statements of Californians for Population Stabilization, Inc. as of December 31, 2016, and expressed an unmodified audit opinion on those audited financials in my report dated June 29, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Anihouchine & Associates

Santa Barbara, California
November 6, 2018

CALIFORNIANS FOR POPULATION STABILIZATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 40,390	\$ 110,489
Contributions receivable (Note 3)	16,517	15,459
Other receivables	-	141
Prepaid expenses	7,167	332
Total current assets	<u>64,074</u>	<u>126,421</u>
Property and Equipment - net (Note 4)	<u>5,971</u>	<u>6,561</u>
Other Assets:		
Investments (Note 5)	217,893	309,804
Interest in charitable remainder trust (Note 6)	287,702	265,197
Charitable gift annuity (Note 7)	4,408	4,408
Beneficial interest in assets (Note 8)	-	50,339
Deposit	2,002	2,002
Total other assets	<u>512,005</u>	<u>631,750</u>
Total Assets	<u>\$ 582,050</u>	<u>\$ 764,732</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 10,411	\$ 8,609
Accrued payroll, vacation, and other related items	11,635	31,162
Total current liabilities	<u>22,046</u>	<u>39,771</u>
Net Assets:		
Unrestricted	73,699	158,319
Temporarily restricted (Note 9)	486,305	566,642
Total net assets	<u>560,004</u>	<u>724,961</u>
Total Liabilities and Net Assets	<u>\$ 582,050</u>	<u>\$ 764,732</u>

See accompanying notes

CALIFORNIANS FOR POPULATION STABILIZATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Public Support and Revenue:				
Contributions	\$ 622,128	\$ 220,000	\$ 842,128	\$ 862,897
Membership	29,365	-	29,365	22,980
Bequests	-	-	-	21,477
Interest and dividend income	9,206	-	9,206	13,449
Realized (loss)/gain from sale of investments	(1,757)	-	(1,757)	6,793
Unrealized gain/(loss) on investments	5,804	-	5,804	(1,698)
Change in value of charitable remainder trust	-	22,505	22,505	(521)
Realized loss on disposal of assets	-	-	-	(1,607)
Other income	-	-	-	1,819
Net assets released from restriction due to program expenditure	322,842	(322,842)	-	-
Total public support and revenue	987,588	(80,337)	907,251	925,589
Expenses:				
Program services	751,227	-	751,227	730,117
Management and general	210,997	-	210,997	184,341
Fundraising	109,984	-	109,984	135,296
Total expenses	1,072,208	-	1,072,208	1,049,754
 Change in Net Assets	 (84,620)	 (80,337)	 (164,957)	 (124,165)
Net Assets at Beginning of Year	158,319	566,642	724,961	849,126
Net Assets at End of Year	<u>\$ 73,699</u>	<u>\$ 486,305</u>	<u>\$ 560,004</u>	<u>\$ 724,961</u>

See accompanying notes

CALIFORNIANS FOR POPULATION STABILIZATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Support Services		Total 2017 Expenses	Total 2016 Expenses
	Program Services	Management and General	Fundraising		
Salaries and Related Expenses					
Salaries	\$ 111,287	\$ 84,879	\$ 34,688	\$ 230,854	\$ 236,320
Payroll taxes	12,942	9,871	4,034	26,847	20,588
Employee insurance and benefits	8,910	8,102	3,504	20,516	21,913
Total Salaries and Related Expenses	133,139	102,852	42,226	278,217	278,821
Advertising campaigns	361,270	264	264	361,798	307,196
College outreach	7,115	-	-	7,115	9,659
Rent and facility expense	8,416	25,247	8,416	42,079	34,009
Insurance	1,129	1,129	968	3,226	6,205
Development	6,598	-	46,425	53,023	77,534
Public relations	350	-	-	350	700
Telephone	3,294	2,928	1,098	7,320	6,808
Internet and web presence	39,015	1,045	1,621	41,681	39,887
Investment expenses	-	3,244	-	3,244	3,266
Office expense	6,623	17,623	2,508	26,754	25,022
Office supplies	1,271	3,766	1,257	6,294	6,503
Legal and accounting	6,167	34,291	-	40,458	21,006
Other outside services	144,747	5,456	600	150,803	181,514
Board meetings and travel	4,019	3,854	217	8,090	8,710
Registration fees	468	59	58	585	660
Printing and postage	25,929	6,467	2,810	35,206	34,834
Equipment rental	1,129	1,129	968	3,226	3,137
Depreciation	548	1,643	548	2,739	4,283
Total Expenses - December 31, 2017	<u>\$ 751,227</u>	<u>\$ 210,997</u>	<u>\$ 109,984</u>	<u>\$ 1,072,208</u>	
Total Expenses - December 31, 2016	<u>\$ 730,117</u>	<u>\$ 184,341</u>	<u>\$ 135,296</u>		<u>\$ 1,049,754</u>

See accompanying notes

CALIFORNIANS FOR POPULATION STABILIZATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (164,957)	\$ (124,165)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,739	4,283
Change in value of interests in trusts	(22,505)	181
Realized loss on disposal of assets	-	1,607
Realized loss/(gain) on sale of investments	1,757	(6,793)
Unrealized (gain)/loss on investments	(5,804)	1,698
Changes in:		
Contributions receivable	(1,058)	52
Bequests receivable	-	22,500
Other receivables	141	-
Prepaid expenses	(6,835)	12,003
Accounts payable	1,802	(1,685)
Accrued payroll, vacation, and other related items	(19,527)	6,679
Net cash used by operating activities	<u>(214,247)</u>	<u>(83,640)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(53,012)	(48,465)
Proceeds from sale and maturity of investments	148,970	116,984
Purchase of property and equipment	(2,149)	(3,776)
Net cash provided by investing activities	<u>93,809</u>	<u>64,743</u>
Cash Flows from Financing Activities:		
To reduce beneficial interest in assets held by others	50,339	-
To create beneficial interest in assets held by others	-	(50,000)
Net cash provided/(used) by financing activities	<u>50,339</u>	<u>(50,000)</u>
Net Decrease in Cash	(70,099)	(68,897)
Cash and Cash Equivalents at Beginning of the Year	<u>110,489</u>	<u>179,386</u>
Cash and Cash Equivalents at End of The Year	<u>\$ 40,390</u>	<u>\$ 110,489</u>

See accompanying notes

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

General:

Californians for Population Stabilization, Inc. (CAPS), incorporated under the laws of California on March 12, 1979, as Zero Population Growth – California Foundation, Incorporated. The name was changed to Californians for Population Stabilization, Inc. on March 5, 1986. CAPS is registered in 30 states.

Californians for Population Stabilization (CAPS) works to formulate and advance policies and programs designed to stabilize the population of California, the U.S. and the world at levels which will preserve the environment and a good quality of life for all.

Programs:

CAPS' primary programs are:

Online Advocacy

CAPS maintained direct contact with federal and state legislators by fax and e-mail and various social media services directly from CAPS' website, www.CAPSweb.org.

Overpopulation Awareness Media Campaign

Throughout 2017 and 2016, CAPS continued to receive media coverage of its positions highlighting the connections between population growth, excessive immigration, and environmental degradation.

Successful campaigns included radio, television and print campaigns which linked population growth to environmental degradation, others making the point that it is time to slow mass immigration and "save some America for tomorrow" for our children and grandchildren and also highlighting the loss of American jobs to legal and illegal foreign workers.

Work with State Legislature and Congress

CAPS continued to engage in education and advocacy programs designed to influence elected officials by mail, fax, e-mail, Twitter, and phone calls both in California and at the federal level.

Senior Writing Fellows Program

CAPS sponsored and encouraged the publication of well-written research articles relating to the primary purpose of the organization.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION (Continued)

Open Dialogue Program

Invited speakers, CAPS members, Board and Advisory Board members spoke on population, immigration, and environmental issues at various venues throughout California and the nation.

TEDx Talk Training – Senior Writing Fellow Extension Program

CAPS supplied training and materials for TED Talk (TEDx) training for our Senior Writing Fellow, Leon Kolankiewicz, with the end goal of producing a TEDx Talk on CAPS mission-relevant content for submittal to TEDx Talk admissions in 2019 within their “ideas worth spreading” guidelines.

California Sanctuary Policy and E-Verify Education through Digital and Traditional media

CAPS created, produced and distributed an online satirical video (“The Sanctuary Travel Company” regarding sanctuary city, San Francisco) with accompanying landing page (www.outlawsanctuarycities.org); mini-videos for social media distribution and animated explainers on E-Verify with calls to action and accompanying landing page (www.mandatoryeverify.org).

CROWDIFORNIA “Growing Pains” Video Contest

CAPS launched a nation-wide scholarship video contest for high school and college students asking that they detail how overpopulation in California is affecting one of the following subjects: biodiversity, natural resource depletion, education, traffic, and infrastructure, and then offer a possible solution.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of CAPS are maintained in accordance with the principles of fund accounting. This accounting and reporting method classifies resources by their nature and purpose based on the presence or absence of donor-imposed restrictions into three classes of net assets:

Unrestricted net assets consist of funds without any donor-imposed restrictions and are classified as either undesignated funds or Board designated funds.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted net assets consist of contributions and other inflows of funds temporarily subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of CAPS that fulfill donor stipulations.

Permanently restricted net assets consist of contributions and other inflows of funds subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of CAPS. CAPS had no permanently restricted net assets at year end.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank accounts and highly liquid investments having original maturities of three months or less.

Investments – Investments are carried at estimated fair value measured by quoted market prices.

Fair Value of Financial Instruments – The carrying amount of contributions receivable, other receivables, prepaid expenses, deposits, and current liabilities approximates fair value. The carrying amount of the interest in charitable remainder trust and the charitable gift annuity at net present value is described more fully in footnotes 6 and 7, respectively. Fair value is discussed further in Note 15.

Property, Equipment and Furnishings – CAPS records property, equipment and furnishings of \$500 or more at cost if purchased, or at fair market value if donated. Depreciation expense is computed using the straight-line method over the useful lives of the assets. Depreciable lives of the assets range from three to seven years.

Revenues – CAPS records membership dues as revenue when received.

Contributions – Contributions and other inflows of funds temporarily subject to donor-imposed restrictions are reported as temporarily restricted. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Unconditional promises to give are recorded as contributions, net of an allowance for uncollectible amounts. The promises to give that are expected to be collected within one year are recorded at their net realizable value.

Contributed Services – A substantial number of volunteers have donated their time to CAPS' board and in an advisory capacity. As this volunteer service does not meet the recognition requirements in accordance with accounting standards, no amount has been recorded in these financial statements for these services.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status – CAPS is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701d of California's Revenue and Taxation Code. CAPS is not considered a private foundation. CAPS is unaware of any uncertain tax positions at December 31, 2017, or for any period for which the statute of limitations remains open.

Estimates – Preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses.

Significant estimates used in preparing these financial statements include:

- Lives of fixed assets and method of depreciation
- Allocation of certain expenses by function
- Valuation of interest in charitable remainder trust and beneficial interest in trust.
- Allowance for uncollectible pledges receivable
- Fair market value of contributed assets

It is at least reasonably possible that these estimates could change in the coming year.

Advertising Costs

Advertising costs are expensed as incurred.

Functional allocation of expenses – The costs of certain programs and supporting services have been allocated based upon the nature and purpose of the expenditure. Expenses that can be identified with a specific program and support service are allocated directly according to the expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Reclassifications – Certain reclassifications have been made to the prior year balances to make them comparable to the current year.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: UNCONDITIONAL PROMISES TO GIVE

During the year, several people made financial commitments to CAPS in support of CAPS' programs. Management believes these unconditional promises to give are fully collectible; therefore, no allowance for uncollectible promises to give has been recorded. Unconditional promises at year end 2017 and 2016 totaled \$16,517 and \$15,459, respectively.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at year end:

	<u>2017</u>	<u>2016</u>
Computers	\$ 14,321	\$ 12,711
Furniture and fixtures	23,664	23,664
Software	<u>13,829</u>	<u>13,290</u>
Total cost	51,814	49,665
Less accumulated depreciation	<u>(45,843)</u>	<u>(43,104)</u>
Property and equipment, net	<u>\$ 5,971</u>	<u>\$ 6,561</u>
Depreciation expense	<u>\$ 2,739</u>	<u>\$ 4,283</u>

NOTE 5: INVESTMENTS

Investments at December 31 consist of:

2017	<u>Cost</u>	<u>Fair Market Value</u>
Money market	\$ 3,840	\$ 3,840
US Government agency bonds	2,922	3,178
Mutual funds – bonds	210,885	209,226
Equities	<u>1,738</u>	<u>1,649</u>
Total	<u>\$ 219,385</u>	<u>\$ 217,893</u>
Unrealized Loss		<u>\$ (1,492)</u>
Change in unrealized gain/(loss)		<u>\$ 5,804</u>

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INVESTMENTS (Continued)

2016	<u>Cost</u>	<u>Fair Market Value</u>
Money market	\$ 1,541	\$ 1,541
US Government agency bonds	2,922	3,290
Mutual funds – bonds	203,213	201,347
Mutual funds – equities	108,242	101,928
Equities	<u>1,182</u>	<u>1,698</u>
Total	<u>\$ 317,100</u>	<u>\$ 309,804</u>
Unrealized Loss		<u>\$ (7,296)</u>
Change in unrealized gain/(loss)		<u>\$ 1,698</u>

NOTE 6: INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has a beneficiary interest in a charitable remainder trust. Since the Organization is not the trustee for the charitable remainder trust in which it is named as the remainderman, the trust was initially recorded as a contribution and an asset equivalent to the present value of the trust assets and estimated future income net of the present value of estimated future payouts to the income beneficiaries in 2009.

The change in the present value of the estimated future benefits to be received when the trust assets will be distributed is recorded in the statement of activities as a change in value of charitable remainder trust. This change was \$22,505 and \$(521) for the years ended December 31, 2017 and 2016, respectively.

Charitable trust agreements are classified as temporarily restricted net assets unless the donor has permanently restricted the Organization's use of its interest in the asset.

The assets are recorded at approximate fair market value based upon the most recent tax return filed by the trust which is available to the Organization or current values provided by the settlor to the Organization. The present value of the estimated future value of assets to be received by the Organization is calculated using the IRS annuity tables and a discount rate based on the Organization's historic risk free rate of return of 4%.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7: GIFT ANNUITY

CAPS is the beneficiary of a charitable gift annuity agreement. Pursuant to the agreement, a community foundation received the assets and is obligated to make annual payments for the remainder of the donor's life and to keep the assets related to the annuity physically and legally segregated from the other assets of the foundation pursuant to the California Insurance Code. As CAPS is not liable for the payments, CAPS recorded on its books the net value of the gift annuity.

NOTE 8: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2016, CAPS placed funds in the amount of \$50,000 with the Santa Barbara Foundation (SBF) for an endowment (the Fund). CAPS beneficial interest operates under a fund agreement. The Fund attempts to provide stable capital appreciation on a total return basis. Assets of the Fund are fully exposed to market risks and may experience market volatility and principal loss. The beneficial interest in the Fund is reported by CAPS at the estimated fair market value which is based on the reported net asset value of the fund as reported by SBF.

In the current year, CAPS withdrew these funds from SBF.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are restricted to the following:

	<u>2017</u>	<u>2016</u>
Media campaign	\$ 177,850	\$ 271,508
Programs	16,346	25,530
Future periods	<u>292,109</u>	<u>269,604</u>
Total	<u>\$ 486,305</u>	<u>\$ 566,642</u>

NOTE 10: ENDOWMENT

Interpretation of Relevant Law

The Board of Directors of Company has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (California UPMIFA) as requiring a long-term investment strategy designed to preserve the value of the original gift, as of the gift date. As a result of this interpretation, CAPS has classified as unrestricted board designated net assets the original value of gifts donated to the unrestricted endowment.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: ENDOWMENT (Continued)

In accordance with California UPMIFA, the organization considers the following factors in making a determination to appropriate or invest board designated endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment Investment and Spending Policies

CAPS' endowment is currently invested in SBF. CAPS currently anticipates requesting the allowable amount from SBF as its endowment investment and spending policy. The spending policy will be reviewed annually in light of changing market assumptions, investment returns and the rate of inflation.

As of December 31, 2017, CAPS no longer holds an endowment.

As of December 31, 2016, endowment net asset composition consisted by type:

Board Designated	\$ <u>50,339</u>
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CAPS did not have any changes in endowment net assets for the year ended December 31, 2016.

NOTE 11: COMMITMENTS

Leases

In May 2001, CAPS leased office space for a base rent plus utilities. In May 2013, CAPS entered into a sixth amendment of the lease commencing May 1, 2013, which extends the lease term three years, with the lease terminating in 2016, adjusts the base rent to \$2,694 per month, and grants one additional three-year term. In January 2016, CAPS exercised its option, entering into its seventh amendment of the lease, effective May 1, 2016, for three years and two months, terminating June 30, 2019, and grants an additional three-year term. Under the new lease, base rent, including basic utilities, is \$3,346, \$3,440, and \$3,536 effective May 1, 2016, 2017, and 2018, respectively. Rental expense for the year ended December 31, 2017 and December 31, 2016 was \$40,902 and \$32,205, respectively.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 11: COMMITMENTS (Continued)

The future minimum lease payments for the next two years are:

2018	\$	42,048
2019		<u>21,216</u>
Total	\$	<u>63,264</u>

Subsequent to the year ended 2017, CAPS vacated and has sublet these premises through the end of its lease and now leases on a month to month basis for \$800 per month. CAPS sublet income is \$1,000 less per month; future minimum lease income for the next two years is:

2018	\$	30,048
2019		<u>15,216</u>
Total	\$	<u>45,264</u>

Other

On November 9, 2007, CAPS entered into a contract with a company to assist CAPS with fundraising. The fee structure is based upon the work the company performs. The contract contains a 60 day cancellation clause under which CAPS would be obligated to compensate the company for projects commenced.

NOTE 12: UNSECURED CREDIT

CAPS has two credit cards. One credit card has a limit of \$20,000, with a cash advance limit of \$4,000, and bears interest of 13.99%. The second card has an \$11,000 limit, with a \$3,500 cash advance limit, and bears an annual interest rate of 18.65%. CAPS routinely pays amounts due in full each month. At December 31, 2017, CAPS has included the outstanding liabilities on these cards in accounts payable.

NOTE 13: RETIREMENT PLAN

CAPS has established a 403(b) retirement plan (Plan). Employees who are 21 years or older are eligible to participate. In 2013, CAPS began to contribute to the Plan up to 5% of an employee's salary, provided the employee was participating in the Plan. During the years ended December 31, 2017 and 2016, CAPS contributed \$4,222 and \$5,622, respectively.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 14: CONCENTRATION OF RISK

CAPS' membership and donor base is largely drawn from the state of California.

The standard Federal Deposit Insurance Corporation (FDIC) insurance coverage is limited to \$250,000 per depositor per bank institution. The funds held by CAPS were fully FDIC insured at December 31, 2017.

Certain of CAPS' investments and cash and cash equivalents are held at several broker-dealers and are subject to Securities Investor Protection Corporation (SIPC) broker-dealer regulations. Under SIPC, cash and cash equivalents are insured up to \$250,000 per broker-dealer. CAPS did not have any uninsured cash and cash equivalents at December 31, 2017. In addition, investments are insured against being lost, missing, or stolen up to \$500,000 per broker-dealer. Exposure for uninsured losses varies per broker-dealer depending upon the percentage of securities the broker-dealer has loaned as a percentage of total investments as losses are spread among all investors. Investments not held at a broker-dealer are not insured by SIPC. At December 31, 2017, CAPS had no such investments.

During 2017, one foundation contributed approximately 58% and another approximately 11% of CAPS' total revenue. During 2016, one foundation contributed approximately 57% and another approximately 11% of CAPS' total revenue.

NOTE 15: RELATED PARTIES

CAPS has adopted a formal conflict of interest policy whereby business and personal relationships are disclosed at a minimum annually to the board.

NOTE 16: ALLOCATION OF JOINT COSTS

In the years ended December 31, 2017 and 2016, CAPS incurred joint costs of approximately \$19,504 and \$31,826 respectively, for informational materials and activities that included fundraising appeals.

NOTE 17: FAIR VALUE

The Organization is subject to ASC Topic 820-10, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures regarding fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

CALIFORNIANS FOR POPULATION STABILIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 17: FAIR VALUE (Continued)

Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Level I — Quoted prices are available in active markets for identical investments as of the reporting date. This category includes active exchange traded money market funds and equity securities.

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined using models or other valuation methodologies.

Level III — Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership format. Reported valuations of Level III securities may differ materially from the values that would have been used had a ready market for these investments existed.

The investments and interests in trusts carried on the statement of financial position by level within the valuation hierarchy as of December 31, 2017 and 2016, are as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<u>2017</u>				
Money market	\$ 3,840	\$ -	\$ -	\$ 3,840
US Government obligations	3,178	-	-	3,178
Mutual funds				
Bonds	209,226	-	-	209,226
Equities	1,649	-	-	1,649
Interest in trusts	<u>-</u>	<u>-</u>	<u>292,110</u>	<u>292,110</u>
Total	<u>\$ 217,893</u>	<u>\$ -</u>	<u>\$ 292,110</u>	<u>\$ 510,003</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 17: FAIR VALUE (Continued)

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<u>2016</u>				
Money market	\$ 1,541	\$ -	\$ -	\$ 1,541
US Government obligations	3,290	-	-	3,290
Mutual funds				
Bonds	201,347	-	-	201,347
Equity	101,928	-	-	101,928
Equities	1,698	-	-	1,698
Interest in trusts	-	-	<u>319,944</u>	<u>319,944</u>
Total	<u>\$ 309,804</u>	<u>\$ -</u>	<u>\$ 319,944</u>	<u>\$ 629,748</u>

The changes in the fair value of assets classified at Level III are:

	<u>2017</u>	<u>2016</u>
Interest in trusts, beginning of year	\$ 319,944	\$ 270,125
Transfer from Level I to Level III	-	50,000
Transfer from Level III to Level I	(50,339)	
Change in value of interest in trusts, net	<u>22,505</u>	<u>(181)</u>
Interest in trusts, end of year	<u>\$ 292,110</u>	<u>\$ 319,944</u>

In accordance with ASU No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value Per Share (NAV)*, the NAV per share or its equivalent is used to fair value investments that follow the American Institute of Certified Public Accountants Guide in arriving at their reported NAV. Otherwise, investments with a readily available active quoted price for which fair value can be measured are reported at the quoted price.

Mutual funds, US Government obligations, and equities are valued utilizing quoted prices available in active markets for identical investments as of the reporting date.

Money market funds are valued at the closing price from an actively traded exchange.

The fair value of the charitable remainder trust, gift annuity trust, and beneficial interest in trust are valued based upon Level III inputs and the methods of calculating fair value are described in Notes 6, 7 and 8.

In 2017, CAPS transferred \$50,339 from Level III to Level I from its beneficial interest in assets held by others.

In 2016, CAPS transferred \$50,000 from Level I to Level III to create its beneficial interest in assets held by others. (See Note 8).

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NOTES TO FINANCIAL STATEMENTS

NOTE 18: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2018, which is the date the financial statements were issued. Management has determined that no subsequent events requiring disclosure or significantly impacting disclosure have occurred, except as disclosed in Footnote 11.