



# Population Services International

Consolidated Financial Statements and  
Supplemental Schedule  
Years Ended December 31, 2019 and 2018

The report accompanying these financial statements was issued by  
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of  
BDO International Limited, a UK company limited by guarantee.



# **Population Services International**

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**Consolidated Financial Statements and  
Supplemental Schedule  
Years Ended December 31, 2019 and 2018**

# Population Services International

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Tel: 703-893-0600  
Fax: 703-893-2766  
www.bdo.com

8401 Greensboro Drive  
Suite 800  
McLean, VA 22102

## Independent Auditor's Report

The Board of Directors  
**Population Services International**  
Washington, D.C.

We have audited the accompanying consolidated financial statements of **Population Services International (PSI)**, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Population Services International** as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of revenues by funding source is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**BDO USA, LLP**

August 6, 2020

**Consolidated  
Financial Statements**

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# Population Services International

## Consolidated Statements of Financial Position

December 31,	2019	2018
<b>Assets</b>		
Cash and cash equivalents (notes 2c and 3)	\$ 53,818,965	\$ 65,300,472
Investments (notes 2e and 5)	26,748,476	23,675,528
Trade receivables, net (notes 2f and 6)	5,752,104	6,291,783
Grants and contracts receivable, net (notes 2g and 7)	63,532,260	64,133,648
Inventory (note 2h)	63,765,748	58,524,513
Advances, prepaid expenses, and other assets (note 2i)	46,165,722	43,923,809
Contributions receivable (notes 2o and 8)	2,991,584	3,953,924
Due from independent network members (note 2x)	3,884,847	5,011,580
Property and equipment, net (notes 2j, 2k, 10, 14, and 15)	50,024,672	49,902,186
<b>Total assets</b>	<b>\$ 316,684,378</b>	<b>\$ 320,717,443</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 22,257,622	\$ 13,823,456
Interest rate swap (note 17)	3,092,793	-
Accrued expenses	25,080,640	23,163,991
Accrued wages and benefits (note 13)	23,328,231	22,595,703
Refundable grant and fee advances (notes 2p and 7)	79,468,854	92,105,130
Deferred commodities (note 2h)	51,203,556	50,132,228
Refundable program income (note 2q)	18,768,658	23,042,598
Notes payable (note 16)	38,935,919	39,705,683
<b>Total liabilities</b>	<b>262,136,273</b>	<b>264,568,789</b>
Commitments and contingencies (notes 2d, 13, 14, 16, 17 and 18)		
<b>Net assets</b>		
Without donor restrictions (note 2l)	43,143,336	44,665,994
With donor restrictions (notes 2l and 11)	11,404,769	11,482,660
<b>Total net assets</b>	<b>54,548,105</b>	<b>56,148,654</b>
<b>Total liabilities and net assets</b>	<b>\$ 316,684,378</b>	<b>\$ 320,717,443</b>

*See accompanying notes to the consolidated financial statements.*

# Population Services International

## Consolidated Statements of Activities

<i>For the year ended December 31,</i>	2019			2018		
	Without donor restrictions	With donor restrictions	Totals	Without donor restrictions	With donor restrictions	Totals
Revenue and other support:						
Grants, fees, donated commodities, program income, and other support from:						
U.S. government	\$ 195,666,586	\$ -	\$ 195,666,586	\$ 188,945,815	\$ -	\$ 188,945,815
Non-U.S. governments	67,252,388	-	67,252,388	80,873,301	-	80,873,301
International organizations	115,944,160	-	115,944,160	147,196,618	-	147,196,618
Foundations and corporations	83,051,352	-	83,051,352	89,676,669	-	89,676,669
Other	30,989,531	-	30,989,531	20,456,997	-	20,456,997
Contributions (note 2o)	1,406,108	5,646,913	7,053,021	1,821,985	4,318,913	6,140,898
Total grants, fees, program income, donated commodities, and other support	494,310,125	5,646,913	499,957,038	538,971,385	4,318,913	543,290,298
Investment return (loss) (note 5)	3,888,944	-	3,888,944	(940,564)	-	(940,564)
Net assets released from restrictions (note 11)	5,724,804	(5,724,804)	-	4,336,253	(4,336,253)	-
Total revenue, gains, and other support	503,923,873	(77,891)	503,845,982	542,367,074	(17,340)	542,349,734
Expenses:						
Program services						
Malaria	110,788,515	-	110,788,515	136,710,713	-	136,710,713
Reproductive health/HIV	272,257,743	-	272,257,743	280,342,129	-	280,342,129
Other services	75,522,689	-	75,522,689	89,443,678	-	89,443,678
Total program services	458,568,947	-	458,568,947	506,496,520	-	506,496,520
Management and general	44,030,522	-	44,030,522	36,018,633	-	36,018,633
Fundraising	1,614,551	-	1,614,551	2,048,086	-	2,048,086
Total expenses	504,214,020	-	504,214,020	544,563,239	-	544,563,239
Change in net assets before commercial rent, foreign currency gain (loss), and loss on interest rate swap	(290,147)	(77,891)	(368,038)	(2,196,165)	(17,340)	(2,213,505)
Commercial rental income	2,051,805	-	2,051,805	2,357,676	-	2,357,676
Commercial rental expense	(2,212,715)	-	(2,212,715)	(2,791,298)	-	(2,791,298)
Foreign currency transaction gain (loss) (note 2n)	588,447	-	588,447	(250,353)	-	(250,353)
Foreign currency translation gain (loss) (note 2n)	1,432,746	-	1,432,746	(1,249,824)	-	(1,249,824)
Loss on interest rate swap (note 17)	(3,092,793)	-	(3,092,793)	-	-	-
Change in net assets	(1,522,657)	(77,891)	(1,600,548)	(4,129,964)	(17,340)	(4,147,304)
Net assets, beginning of year	44,665,994	11,482,660	56,148,654	48,795,958	11,500,000	60,295,958
Net assets, end of year	\$ 43,143,337	\$ 11,404,769	\$ 54,548,106	\$ 44,665,994	\$ 11,482,660	\$ 56,148,654

# Population Services International

## Consolidated Schedule of Functional Expenses Year ended December 31, 2019

	Program Services				Supporting Services			Commercial Building	Totals 2019
	Malaria	Reproductive Health/HIV	Other Services	Total	Management and General	Fundraising	Total		
U.S. based and residential project advisor salaries	\$ 4,729,185	\$ 12,170,980	\$ 4,249,186	\$ 21,149,351	\$ 17,599,322	\$ 590,259	\$ 18,189,581	\$ -	\$ 39,338,932
Fringe benefits	1,665,492	4,286,293	1,496,449	7,448,234	6,198,009	207,873	6,405,882	-	13,854,116
Salaries and fringe benefits	6,394,677	16,457,273	5,745,635	28,597,585	23,797,331	798,132	24,595,463	-	53,193,048
Local staff salaries and fringe benefits	11,105,734	66,800,987	14,103,262	92,009,983	250,377	-	250,377	-	92,260,360
Allowances	2,140,361	5,406,641	1,832,981	9,379,983	1,095,249	-	1,095,249	-	10,475,232
<b>Total salaries and related expenses</b>	<b>19,640,772</b>	<b>88,664,901</b>	<b>21,681,878</b>	<b>129,987,551</b>	<b>25,142,957</b>	<b>798,132</b>	<b>25,941,089</b>	<b>-</b>	<b>155,928,640</b>
Travel	5,937,837	20,630,604	3,969,749	30,538,190	1,546,700	191,762	1,738,462	-	32,276,652
Consultants and contracts	5,482,134	24,452,364	4,906,855	34,841,353	4,177,377	556,187	4,733,564	-	39,574,917
Furniture and equipment	1,945,008	6,016,093	677,110	8,638,211	968,118	5,667	973,785	-	9,611,996
Commodities	33,283,099	37,406,273	15,393,745	86,083,117	-	-	-	-	86,083,117
Subrecipients	26,193,045	51,420,233	16,402,529	94,015,807	666,549	-	666,549	-	94,682,356
Promotions and advertising	2,721,599	14,386,197	5,396,570	22,504,366	6,726	-	6,726	-	22,511,092
Office costs	3,993,568	14,411,480	3,496,447	21,901,495	4,708,494	46,703	4,755,197	603,958	27,260,650
Other direct and indirect costs	11,586,683	14,861,697	3,508,421	29,956,801	6,632,396	16,100	6,648,496	49,210	36,654,507
<b>Total expenses before depreciation</b>	<b>110,783,745</b>	<b>272,249,842</b>	<b>75,433,304</b>	<b>458,466,891</b>	<b>43,849,317</b>	<b>1,614,551</b>	<b>45,463,868</b>	<b>653,168</b>	<b>504,583,927</b>
Depreciation and amortization	4,770	7,901	89,385	102,056	181,205	-	181,205	1,559,547	1,842,808
<b>Total expenses</b>	<b>\$ 110,788,515</b>	<b>\$ 272,257,743</b>	<b>\$ 75,522,689</b>	<b>\$ 458,568,947</b>	<b>\$ 44,030,522</b>	<b>\$ 1,614,551</b>	<b>\$ 45,645,073</b>	<b>\$ 2,212,715</b>	<b>\$ 506,426,735</b>

*See accompanying notes to the consolidated financial statements.*

# Population Services International

## Consolidated Schedule of Functional Expenses Year ended December 31, 2018

	Program Services				Supporting Services			Commercial Building	Totals 2018
	Malaria	Reproductive Health/HIV	Other Services	Total	Management and General	Fundraising	Total		
U.S. based and residential project advisor salaries	\$ 3,612,906	\$ 11,574,430	\$ 5,402,860	\$ 20,590,196	\$ 17,334,478	\$ 722,055	\$ 18,056,533	\$ -	\$ 38,646,729
Fringe benefits	1,333,467	4,271,942	2,002,787	7,608,196	6,389,211	266,499	6,655,710	-	14,263,906
Salaries and fringe benefits	4,946,373	15,846,372	7,405,647	28,198,392	23,723,689	988,554	24,712,243	-	52,910,635
Local staff salaries and fringe benefits	9,064,558	63,810,655	17,469,025	90,344,238	295,840	-	295,840	-	90,640,078
Allowances	2,038,631	5,475,198	2,763,003	10,276,832	411,805	-	411,805	-	10,688,637
<b>Total salaries and related expenses</b>	<b>16,049,562</b>	<b>85,132,225</b>	<b>27,637,675</b>	<b>128,819,462</b>	<b>24,431,334</b>	<b>988,554</b>	<b>25,419,888</b>	<b>-</b>	<b>154,239,350</b>
Travel	9,344,504	21,316,299	5,909,070	36,569,873	2,250,007	201,339	2,451,346	-	39,021,219
Consultants and contracts	9,877,720	21,440,593	3,990,327	35,308,640	5,370,191	734,373	6,104,564	-	41,413,204
Furniture and equipment	492,155	4,102,603	1,774,974	6,369,732	963,081	61,167	1,024,248	-	7,393,980
Commodities	64,686,548	52,705,500	11,903,507	129,295,555	-	-	-	-	129,295,555
Subrecipients	20,274,706	55,023,211	18,997,068	94,294,985	940,871	-	940,871	-	95,235,856
Promotions and advertising	4,325,192	14,559,452	8,048,262	26,932,906	4,168	-	4,168	-	26,937,074
Office costs	4,252,846	13,636,128	5,493,367	23,382,341	3,734,146	39,993	3,774,139	1,559,595	28,716,075
Other direct and indirect costs	7,404,826	12,381,298	5,613,071	25,399,195	(2,481,236)	22,660	(2,458,576)	277,764	23,218,383
<b>Total expenses before depreciation</b>	<b>136,708,059</b>	<b>280,297,309</b>	<b>89,367,321</b>	<b>506,372,689</b>	<b>35,212,562</b>	<b>2,048,086</b>	<b>37,260,648</b>	<b>1,837,359</b>	<b>545,470,696</b>
Depreciation and amortization	2,654	44,820	76,357	123,831	806,071	-	806,071	953,939	1,883,841
<b>Total expenses</b>	<b>\$ 136,710,713</b>	<b>\$ 280,342,129</b>	<b>\$ 89,443,678</b>	<b>\$ 506,496,520</b>	<b>\$ 36,018,633</b>	<b>\$ 2,048,086</b>	<b>\$ 38,066,719</b>	<b>\$ 2,791,298</b>	<b>\$ 547,354,537</b>

*See accompanying notes to the consolidated financial statements.*

# Population Services International

## Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,600,548)	\$ (4,147,302)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation and amortization	1,842,808	1,883,841
Change in allowance for receivables	548,976	154,188
Bad debt expense	296,254	916,558
Net (gain) loss on investments	(2,815,922)	1,984,211
Decrease in interest rate swap market value	(3,092,793)	-
Loss (gain) on disposal of property and equipment	91	(17,723)
Stock received in lieu of cash payment	(33,236,762)	(32,113,187)
Change in assets and liabilities		
Trade receivables	566,540	(1,998,003)
Grants and contracts receivable	(624,125)	9,134,555
Inventory	(5,241,235)	30,983,119
Advances, prepaid expenses, and other assets	(2,113,475)	5,840,539
Contributions receivable	962,340	(203,169)
Due from independent network members	1,126,733	647,939
Accounts payable and accrued expenses	16,456,435	(17,697,360)
Accrued wages and benefits	732,528	(5,010,549)
Refundable grant and fee advances	(12,636,276)	(36,868,015)
Deferred commodities	1,071,328	(20,884,898)
Refundable program income	(4,273,940)	(7,885,570)
<b>Net cash used in operating activities</b>	<b>(42,031,043)</b>	<b>(75,280,826)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,740,401)	(6,667,972)
Purchase of investments	(23,425,188)	(4,701,010)
Proceeds from sale and maturity of investments	56,404,923	36,293,496
<b>Net cash provided by investing activities</b>	<b>31,239,334</b>	<b>24,924,514</b>
<b>Cash flows from financing activities:</b>		
Repayment of notes payable due to refinancing	-	(11,883,631)
Increase in notes payable due to refinancing	-	12,153,006
Repayments on notes payable	(769,764)	(647,323)
Increase in capital lease obligations	79,966	144,467
<b>Net cash used in financing activities</b>	<b>(689,798)</b>	<b>(233,481)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(11,481,507)</b>	<b>(50,589,793)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>65,300,472</b>	<b>115,890,265</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 53,818,965</b>	<b>\$ 65,300,472</b>
<b>Supplemental non-cash operating activities:</b>		
Accounts payable to related party applied against due from independent network members (Note 2w and 11)	\$ 6,171,633	\$ 7,181,664
<b>Supplemental cash flow disclosure:</b>		
Interest paid	\$ 1,267,710	\$ 895,383

# Population Services International

## Notes to Consolidated Financial Statements

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### 1. Organization and Programs

Population Services International and its affiliates (hereafter PSI) is a 501(c)(3) nonprofit organization incorporated in the Commonwealth of North Carolina, United States of America. Founded in 1970, PSI makes it easier for people to lead healthier lives and plan the families they desire. Working to reimagine healthcare, PSI puts the consumer at the center and wherever possible, brings care to the front door. PSI approaches health care solutions from the consumers' perspective, improving the market for products and services, and developing solutions that are affordable, convenient and effective, to help make universal health coverage a reality. PSI works in partnership with local governments, ministries of health and local organizations to create health solutions that are sustainable within the countries it operates.

PSI's primary health area focuses include:

**Sexual and Reproductive Health:** PSI works to ensure universal access to sexual and reproductive health services, including revolutionizing access to contraception for adolescents. We shape markets and service delivery efforts to advance self-care options, such as the injectable contraceptive subcutaneous depot medroxyprogesterone acetate (DMPA-SC) and on-demand emergency contraception, as well as long-acting reversible contraception like the levonorgestrel-releasing intra-uterine system (LNG-IUS) and safe abortion. PSI works with networks of public and private providers at different levels of the health system, including over 12,000 locally managed social franchise clinics in 26 countries, mobile outreach teams, community-based health workers and distribution agents.

**Malaria:** PSI has supported efforts to increase access to effective malaria prevention and treatment interventions in 41 countries, and works closely with ministries of health, primarily in Africa and Asia, to scale up proven interventions and sustain coverage over time. These interventions include: drug-based treatment of malaria, rapid diagnostic test, facilitation of response-driven surveillance systems, delivery of next generation insecticide-treated nets and strategic behavior change communications as well as applied operational research. PSI uses multiple channels to deliver these interventions, including the public and private sectors and community case management strategies.

**HIV/TB:** Through activities including HIV self-testing, cyber-education, community coaching and pharmacy services, PSI works to bring healthcare for HIV and TB closer to those who need it, pairing human connection with new technologies. PSI's interventions include social marketing of HIV products and services and targeted HIV communication based on a commitment to produce measurable health impact and an emphasis upon rigorous research and evaluation.

**Water, Sanitation and Hygiene:** PSI increases access to affordable water, sanitation and hygiene (WASH) products and services by activating and shaping sanitation markets, using consumer-centered design to create quality sanitation products and strengthening systems to create enabling environment for sanitation solutions.

**Non-communicable Diseases:** PSI works to prevent cervical cancer through HPV vaccine promotion, early detection and treatment of cervical pre-cancers and referral for follow-on care. PSI also prevents cardiovascular disease through awareness, early detection and management of hypertension and type 2 diabetes.

PSI operates in nearly 50 countries worldwide using a variety of organizational structures as determined by local laws and customs. These organizational structures include locally registered

# Population Services International

## Notes to Consolidated Financial Statements

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branch offices and nongovernmental organizations (NGOs), as well as locally incorporated for-profit entities and charitable trusts, as appropriate. These subsidiaries and affiliates operating in foreign countries are subject to the tax laws of the respective countries in which they operate.

The consolidated financial statements also include the financial position and the results of operations of PSI's wholly owned for-profit subsidiary, d.b.a. Prudence, LLC (Prudence), which was incorporated in the District of Columbia in April 2007. Prudence was organized to own and operate the building which is secured by long-term debt on the property where PSI's headquarters are located at 1120 19th Street, N.W. in Washington, DC.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Accounting

The accompanying consolidated financial statements of PSI are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting, whereby revenue and support are recognized when earned and expenses are recognized when incurred.

#### (b) Principles of Consolidation

The consolidated financial statements include the accounts of PSI and its network members worldwide, collectively referred to hereafter as PSI, where PSI has control in the form of majority voting interest in the Board of Directors, management of the leadership position or a majority source of funding. All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements include operations in the following countries:

<u>Country</u>	<u>Legal Name of Entity<sup>1</sup></u>
Angola	<i>PSI Angola</i>
Benin	<i>Association Beninoise pour le Marketing Social (ABMS)</i>
Benin	<i>PSI Benin</i>
Burundi	<i>PSI Burundi</i>
Cambodia	<i>PSI Cambodia</i>
Cameroon	<i>Association Camerounaise pour le Marketing Social (ACMS)</i>
Costa Rica	<i>Proyectos en Salud Integral, Sociedad Anónima (PSI S.A.)</i>
Cote d'Ivoire	<i>PSI Cote d'Ivoire</i>
Democratic Republic of Congo	<i>PSI DRC</i>
Dominican Republic	<i>Society for Family Health - Dominican Republic</i>
El Salvador	<i>Organización Panamericana de Mercadeo Social de El Salvador, Sociedad Anónima de Capital Variable (PASMO DE EL SALVADOR S.A. DE CV)</i>
El Salvador	<i>Asociación Panamericana de Mercadeo Social (PASMO El Salvador)</i>
Ethiopia	<i>PSI Ethiopia</i>
Ghana	<i>PSI Ghana<sup>2</sup></i>
Guatemala	<i>Organización Panamericana de Mercadeo Social Guatemala (PASMO A.C.)</i>

# Population Services International

## Notes to Consolidated Financial Statements

Country	Legal Name of Entity <sup>1</sup>
Guatemala	<i>Asociación Panamericana de Mercadeo Social, Sociedad Anónima (PASMO S.A.)</i>
Guatemala	<i>PSI Guatemala</i>
Guinea	<i>PSI Guinea<sup>3</sup></i>
Haiti	<i>Organisation Haitienne de Marketing Social pour la Santé (OHMaSS)</i>
Honduras	<i>Asociación Panamericana de Mercadeo Social de Honduras (PASMO S.A. GUATEMALA)</i>
India	<i>PSI India</i>
India	<i>PSI India IPL</i>
Kazakhstan	<i>PSI Central Asia Region (CAR)</i>
Kenya	<i>PSI Kenya</i>
Kyrgyzstan	<i>PSI Kyrgyzstan</i>
Laos	<i>PSI Laos</i>
Lesotho	<i>PSI Lesotho</i>
Liberia	<i>PSI Liberia</i>
Madagascar	<i>PSI Madagascar</i>
Malawi	<i>PSI Malawi</i>
Mali	<i>PSI Mali</i>
Mozambique	<i>PSI Mozambique</i>
Myanmar	<i>PSI Myanmar</i>
Nepal	<i>PSI Nepal</i>
Nicaragua	<i>Organización Panamericana de Mercadeo Social (PASMO) Nicaragua</i>
Nicaragua	<i>Organización Panamericana de Mercadeo Social Sociedad Anónima (PASMO S.A.) Nicaragua</i>
Nicaragua	<i>PSI Nicaragua</i>
Niger	<i>PSI Niger</i>
Nigeria	<i>PSI Nigeria</i>
Pakistan	<i>PSI Pakistan</i>
Panama	<i>Organización Panamericana de Mercadeo Social (PASMO) Panama</i>
Panama	<i>Organización Panamericana de Mercadeo Social Sociedad Anónima (PASMO S.A.) Panama</i>
Papua New Guinea	<i>PSI Papua New Guinea</i>
Paraguay	<i>PSI Paraguay</i>
Somaliland	<i>PSI Somaliland</i>
South Africa	<i>Society for Family Health South Africa</i>
South Africa	<i>PSI South Africa</i>
South Sudan	<i>PSI South Sudan</i>
Swaziland	<i>PSI Swaziland</i>
Tajikistan	<i>PSI Tajikistan</i>
Tanzania	<i>PSI Tanzania</i>
Trinidad & Tobago	<i>PSI Trinidad</i>
Uganda	<i>Programme for Accessible Health, Communication and Education (PACE)</i>
Uganda	<i>PSI Uganda</i>
Vietnam	<i>PSI Vietnam</i>
Zambia	<i>Society for Family Health Zambia</i>

# Population Services International

## Notes to Consolidated Financial Statements

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<u>Country</u>	<u>Legal Name of Entity<sup>1</sup></u>
Zimbabwe	<i>PSI Zimbabwe</i>

<sup>1</sup> *PSI's negotiated indirect cost rate (NICRA) is applied to these controlled entities.*

<sup>2</sup> *PSI Ghana was closed on June 30, 2018*

<sup>3</sup> *PSI Guinea was closed on June 30, 2018*

PSI works through additional independent network members that are not included in the consolidated financial statements in the following countries:

<u>Country</u>	<u>Legal Name of Entity</u>
Bangladesh	<i>Social Marketing Company (SMC)</i>
Europe	<i>PSI Europe</i>
Ghana	<i>Total Family Health Organization</i>
Kenya	<i>Population Services Kenya (PS Kenya)</i>
Nigeria	<i>Society for Family Health Nigeria (SFH Nigeria)</i>
Pakistan	<i>Greenstar Social Marketing Pakistan (Guarantee) Limited (Greenstar)</i>
Namibia	<i>Society for Family Health Namibia (SFH Namibia)</i>
Rwanda	<i>Society for Family Health Rwanda (SFH Rwanda)</i>
Senegal	<i>L'Agence pour le Développement du Marketing Social (ADEMAS)</i>

### (c) *Cash and Cash Equivalents*

Cash and cash equivalents were \$53,818,965 and \$65,300,472 at December 31, 2019 and 2018, respectively and includes \$710,277 and \$317,429 of money market accounts and liquid investments with original maturities of three months or less.

### (d) *Financial Risks*

PSI places its cash and cash equivalents in the United States with high credit quality financial institutions that are federally insured for \$250,000 under the Federal Depository Insurance Corporation Act (FDIC). Amounts held in excess of the FDIC limits were \$27,523,698 and \$40,174,456 at December 31, 2019 and 2018, respectively. PSI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

PSI has operations in many countries throughout the world, many of which have politically and economically volatile environments and whose governments are still in development stages. As a result, PSI may have financial risks associated with these operations including, but not limited to, such matters as the assessment of additional local taxes and foreign currency risk. PSI limits financial risk of cash held in foreign countries by funding foreign operations on a two to four week cycle and using preferred banking partners where possible.

### (e) *Investments*

Investments are measured and reported at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 820 "*Fair Value Measurements*" (ASC 820). Dividends and interest are reflected as income when earned.

Investments in equity and fixed income mutual funds and fixed income securities are measured and reported at fair value. The fair value of fixed income securities and institutional mutual

# Population Services International

## Notes to Consolidated Financial Statements

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funds with a readily determinable fair value is based on quotations obtained from national security exchanges.

Investments are exposed to risks, such as interest rate, market and credit. Due to the level of risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the fair value of investments reported in the consolidated statements of financial position.

**(f) Trade Receivables**

Trade receivables arise from the sale of commodities. These balances are receivable in less than one year and are carried at undiscounted cost, less an allowance for doubtful accounts. An allowance for doubtful accounts is provided based upon management's judgment including such factor as collection history. The allowance for doubtful accounts totaled \$233,527 and \$471,197 for the years ended December 31, 2019 and 2018, respectively.

**(g) Grants and Contracts Receivable**

PSI receives funding from grants and contracts received from U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through the performance of program activities and (or) from incurring qualifying expenses for particular programs. These balances are receivable in less than one year and are carried at undiscounted cost, less an allowance for doubtful accounts. An allowance for doubtful accounts is provided based upon management's judgment including such factors as prior collection history. Allowance for doubtful accounts totaled \$4,863,031 and \$4,076,385 for the years ended December 31, 2019 and 2018, respectively.

**(h) Inventory**

PSI has products, such as condoms, insecticide treated nets (ITNs), family planning products and oral rehydration salts (ORS), held for program distribution or resale. These products are either purchased from vendors or received as contributions from grantors. Inventory is carried at the lower of cost or market value using the first expired, first out method. Inventory as of December 31, 2019 and 2018 does not include obsolete inventory. PSI maintains inventory either received directly from grantors as donated commodities or purchased using funds received from grantors. In countries where PSI unrestricted enterprise funds have been established, PSI purchases inventory from vendors for the purpose of resale. Inventory held consisted of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Inventory from grantors	\$ 51,203,556	\$ 50,069,526
Enterprise-funded inventory	12,562,192	8,454,987
	<b>\$ 63,765,748</b>	<b>\$ 58,524,513</b>

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A deferred commodity balance exists for all inventory purchased or donated that has not yet been distributed. Deferred commodities totaled \$51,203,556 and \$50,132,228 for the years ended December 31, 2019 and 2018, respectively.

# Population Services International

## Notes to Consolidated Financial Statements

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**(i) Advances, Prepaid Expenses, and Other Assets**

Advances to third parties and others consist primarily of advances to PSI subgrantees for future program implementation and to PSI employees to cover future travel expenses. Prepaid expenses and other assets consist primarily of funds provided to contractors to meet future obligations.

Advances, prepaid expenses and other assets is comprised of the following:

<i>December 31,</i>		2019		2018
Advances to third parties and others	\$	25,664,259	\$	24,221,370
Prepaid expenses		9,132,108		7,071,513
Other assets		11,369,355		12,630,926
	\$	46,165,722	\$	43,923,809

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**(j) Property and Equipment**

PSI capitalizes property and equipment with a cost of \$5,000 or more. Property and equipment is stated at cost if acquired by PSI, or at estimated fair value if donated. The buildings are depreciated over the useful life of 39 years. Equipment includes computers, software, vehicles, furniture, and fixtures and is depreciated on a straight-line basis over estimated useful lives ranging from three to seven years. Leasehold improvements are depreciated over the lesser of the lease term or the estimated useful lives of the assets. Repairs and maintenance are charged to expense when incurred. In accordance with contractual disposition guidelines, certain equipment acquired for direct use in programs is expensed in the year of acquisition, as disposition is determined by the grantor upon program termination. If property and equipment is transferred to PSI upon program termination, the asset is stated at fair market value.

**(k) Impairment of Long Lived Assets**

PSI reviews asset carrying amounts annually in addition to whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, charged to the consolidated statement of activities, to its current fair value. No impairment loss has been recognized at December 31, 2019 and 2018.

**(l) Net Assets**

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of PSI and changes therein are classified and reported as follows:

- *Without donor restrictions* - Net assets not subject to any donor-imposed stipulations.
- *With donor restrictions* - Net assets subject to donor-imposed stipulations. This includes net assets expected to be met either by actions of PSI and/or the passage of time and net assets subject where the principal amount must be maintained in perpetuity.

# Population Services International

## Notes to Consolidated Financial Statements

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PSI reports contributions restricted by donors that are conditional in nature as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. PSI reports contributions restricted by donors that are unconditional in nature as increases in net assets with donor restrictions. When the donor restriction expires on an unconditional contribution, the release is reported as net assets released from donor restrictions in the consolidated statement of activities.

### **(m) *Financial Instruments and Credit Risk***

Financial instruments which potentially subject PSI to concentrations of credit risk consist principally of investments held at credit worthy financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to grants and contracts receivable is mitigated by PSI, by creating allowances for uncollectible accounts and by the fact that most of the receivable balances are either from government grants or from donors with long standing relationships with PSI. PSI considers the credit risk with respect to grant receivables to be limited due to payment history, diversity and relationship with the vendors, and the individual size of the receivables.

The grants, fees and program income which support program activities comes primarily from both federal and foreign governments, as well as from large international donors with longstanding relationships with PSI. Approximately 50% of PSI's revenues in 2019 resulted from grants and contracts with two parties, including the U.S. government. Approximately 60% of PSI's revenues in 2018 resulted from grants and contracts with three parties, including the U.S. government. At December 31, 2019 and 2018, approximately 70% and 47% of grants and contracts receivable, respectively, were from these parties.

### **(n) *Foreign Currency Translation***

The functional currency for U.S. activities is the U.S. dollar. The functional currency for foreign activities is the respective local currency. Gains and losses resulting from the translation of local (foreign) currency amounts to the functional currency are included in foreign currency translation losses in the consolidated statements of activities. Gains and losses resulting from translating assets and liabilities from the functional currency to U.S. dollars are included as a component of net assets without donor restrictions.

All elements of the consolidated financial statements reflecting PSI's operations in foreign countries are translated into U.S. dollars using applicable exchange rates. For assets and liabilities, this is the rate in effect at the date of the consolidated statements of financial position. The cumulative translation adjustment is reported as a component of net assets without donor restrictions within the consolidated statements of financial position.

For revenue and expense items, translation is performed using the monthly average exchange rate of the previous month. Realized gains and losses related to the monthly translation are reported as foreign currency transaction gains (losses) within the consolidated statement of activities. Transaction gains (losses) totaled \$588,447 and \$(250,353) for the years ended December 31, 2019 and 2018, respectively. In 2019, this is primarily due to volatility in the Angolan Kwanza, and in 2018 the Euro and the Great British Pound.

# Population Services International

## Notes to Consolidated Financial Statements

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Translation of the financial statements of PSI's foreign operations resulted in translation (losses) as follows:

<i>Year ended December 31,</i>	<b>2019</b>	<b>2018</b>
Cumulative translation adjustment, beginning of year	\$ (18,731,744)	\$ (17,481,920)
Translation gain (loss)	1,432,746	(1,249,824)
<b>Cumulative translation adjustments, end of year</b>	<b>\$ (17,298,998)</b>	<b>\$ (18,731,744)</b>

Foreign currency exchange rate movements create a degree of risk by affecting the U.S. dollar value of revenues recognized and expenses incurred in foreign currencies. Movements in foreign currency rates also affect statements of financial position balances denominated in foreign currencies, thereby creating exposure to movements in exchange rates.

**(o) Contributions Revenue and Receivable**

Contributions, which include unconditional promises to give, are accounted for in accordance with FASB Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Contribution revenue is recognized as revenues in the period received or when the promise is made, if earlier, net of an allowance for any estimated uncollectible amounts. Contributions receivable are discounted to their present value if their due date extends beyond one year.

When donor restrictions are met by actions of PSI and/or the passage of time, related net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

**(p) Grants and Contracts**

Revenue from grants and contracts is accounted for in accordance with ASU 2018-08. Revenue from grants and contracts are considered contributions since the customer does not receive commensurate value for the consideration received by PSI; rather, the purpose of an arrangement is for the benefit of the general public. These arrangements are governed by various stipulations that are related to the purpose of the agreement and regulations of the government or donor providing the support. Revenue is recognized when qualified expenditures are incurred or a milestone or other deliverable is satisfied and conditions or the grant agreement are met. In the event PSI's expenses under a contract exceed specified ceilings in the contract, PSI's net assets without donor restrictions absorb excess direct and indirect costs.

PSI's U.S. government revenues are derived largely from awards with U.S. Agency for International Development (USAID), Centers for Disease Control (CDC) and the Department of Defense (DOD). These grants and contracts include provisions relating to the reimbursement of direct costs and indirect expenses at provisional rates. The recoveries billable during the year at the provisional rates are adjusted at year-end based on the final actual indirect cost rates for the year. Any variance between the actual indirect cost rate and the final negotiated indirect cost rate is recorded as an adjustment to revenue in the year the final rate is negotiated.

# Population Services International

## Notes to Consolidated Financial Statements

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Allowable expenses incurred in excess of cumulative reimbursements are reported as grants and contracts receivable. Cash received in excess of allowable expenditures is reported as refundable donor advances.

PSI also receives commodities directly from contracting agencies and private donors in lieu of funds to purchase goods and services from third parties. The receipt of commodities is recorded as inventory at replacement cost value and deferred commodities revenue when received, and expensed when sold or distributed.

### **(q) *Program Income and Refundable Program Income***

As a part of PSI's delivery of its programs, family planning and other health-related products are obtained from sponsors or purchased with PSI funds. These products are subsequently sold in those countries where the programs operate.

When third-party funds are used to procure health products, PSI acts in a fiduciary capacity for the sale of products related to the programs. The proceeds from these sales are collected by PSI and are typically available only for reinvestment in local in-country programs, based on contract provisions with the donor. PSI records these proceeds as refundable program income and recognizes revenue when the proceeds are spent on program-related expenses in accordance with the terms of the contract. Unexpended amounts held by the projects are presented in the consolidated statements of financial position as refundable program income.

### **(r) *Enterprise-Funded Sales***

PSI enters into for profit activities in several countries referred to as Social Enterprise activities. These activities are considered exchange transactions under ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. In instances where PSI unrestricted enterprise funds are used to procure health products, inventory is recorded at the lower of cost or net realizable value when these products are purchased, and enterprise funded sales revenue and program service expense is recognized when these products are sold.

### **(s) *In-Kind Contributions***

In accordance with ASC 958-605, the value of certain goods and services provided to and/or paid on behalf of PSI's programs that are susceptible to objective measurement or valuation have been reflected in the consolidated financial statements within grants and contracts revenue. PSI received \$17,882,972 and \$32,208,722 of donated commodities, equipment, and services for the years ended December 31, 2019 and 2018, respectively.

### **(t) *Expenses***

Expenses are recognized during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

### **(u) *Functional Expenses***

The costs of providing various programs and other activities have been summarized on a natural and functional basis in the consolidated statements of activities. Expenses that can be identified with a specific program or support service are charged directly according to their

# Population Services International

## Notes to Consolidated Financial Statements

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natural expenditure classifications. Management and general expenses include those costs that are not directly identifiable with any specific function, but which provide for the overall support and direction to PSI. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Some direct field costs not readily attributable to a single project including rent and administrative support are allocated to projects based on approved cost drivers indicative of level of effort.

### **(v) *Income Taxes***

PSI is recognized as exempt from federal income taxes, other than net unrelated business income, under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation under Section 509(a)(1). PSI incurs unrelated business income in connection with the operations of its wholly owned for profit subsidiary Prudence. For the years ended December 31, 2019 and 2018, PSI did not make any payments towards its estimated tax liability. PSI incurred an overpayment of actual taxes due in previous years which was applied towards the 2019 and 2018 tax liability. In addition, some of the foreign operations of PSI are subject to local income tax in the jurisdictions where they operate, and certain cross-border payments are subject to foreign withholding taxes. PSI has filed for and received income tax exemptions in the various U.S. jurisdictions where it is required to do so. PSI files the Federal Form 990 tax return with the U.S. and with various states.

PSI has adopted the provisions of ASC Topic No. 740-10, *Income Taxes* (ASC 740-10). Under ASC 740-10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The implementation of ASC 740-10 had no impact on PSI's consolidated financial statements. PSI does not believe there are any unrecognized tax benefits that should be recorded. PSI is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

There were no material interest or penalties recorded for the years ended December 31, 2019 and 2018, respectively.

The effects of a tax position cannot be recognized in the consolidated financial statements unless it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that PSI is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of December 31, 2019, there were certain tax positions for which a liability was recorded related to international tax matters.

### **(w) *Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from those estimates.

# Population Services International

## Notes to Consolidated Financial Statements

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### (x) *Due from Independent Network Member*

Effective, January 1, 2014 PSI Kenya transitioned operations to Population Services Kenya (PS Kenya) in Kenya, an independently governed organization. In accordance with the provisions of ASC 810-10, *Consolidation*, PS Kenya was deconsolidated for financial reporting purposes as of the effective date. During the years ended December 31, 2019 and 2018, PS Kenya sold commodities on behalf of PSI programs. Effective December 31, 2018, PS Kenya purchased the commodities from PSI through a loan agreement for \$4.9 million. For the years ended December 31, 2019 and 2018, PS Kenya owed PSI \$3,252,992 and \$5,026,621 in connection with the sale of these goods. As of December 31, 2019, PS Kenya owed PSI \$631,855 for additional costs incurred outside of the loan agreement.

### (y) *Accounting Pronouncements Adopted*

In May 2014, the FASB issued ASU 2014-09. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. PSI adopted this update, along with all subsequent amendments (collectively, "ASC 606") in 2019 under the modified retrospective method. Additionally, PSI applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The effect of PSI's adoption of ASC 606 is outlined below.

In June 2018, the FASB issued ASU 2018-08. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. PSI adopted this update on a prospective basis and the effects of the adoption are outlined below.

The effect of ASC 606 and ASU 2018-08 on PSI's consolidated financial statements were examined in conjunction with one another. Most of PSI's revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. Prior to the clarifications provided in ASU 2018-08, transactions with customers that benefited the general public were considered to be exchange transactions. Under the clarified guidance, such transactions constitute contributions. PSI reassessed the nature of its revenue-producing arrangements to ensure alignment with the definition of a contract under ASC 606 and an exchange transaction under ASU 2018-08. As a result, certain arrangements that had been classified as exchange transactions in previous years were now concluded to be contributions under ASU 2018-08. The following changes in

# Population Services International

## Notes to Consolidated Financial Statements

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accounting policies occurred during the year ended December 31, 2019, as a result of the implementation of the ASC 606 and ASU 2018-08.

PSI revenue from grants and contracts and program income were previously accounted for as exchange transactions since the arrangement with the customer benefited the general public, and revenue was recognized as expenses were incurred. Historically, deferred revenue was recorded for cash received in advance of performance of work under these arrangements. Under ASU 2018-08, PSI revenue from grants and contracts and program income are considered contributions because the customer does not receive commensurate value for the consideration received by PSI; rather, the purpose of these arrangements are for the benefit of the general public. With the clarifications outlined in ASU 2018-08, PSI management reviewed existing agreements as of the effective date, as well as new agreements for 2019, and concluded that there are no material changes in revenue related to contributions.

- **Grants and contracts:** Under ASU 2018-08, these arrangements constitute contributions since the customer does not receive commensurate value for the consideration received by PSI; rather, the purpose of an arrangement is for the benefit of the general public. Therefore, PSI management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. Therefore, under the prospective approach, there was no material change in the revenue recognition for government grants and contracts. Under ASU 2018-08, a refundable advance is recorded when PSI receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of December 31, 2018, there was \$92,105,130 in deferred revenue recorded related to government grants and contracts. In accordance with the prospective transition approach in ASU 2018-08, the deferred revenue balances were reclassified to refundable grant and fee advances on January 1, 2019.
- **Program Income:** Under ASU 2018-08, these arrangements constitute contributions since the customer does not receive commensurate value for the consideration received by PSI; rather, the purpose of an arrangement is for the benefit of the general public. Therefore, PSI management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is based on incurring qualifying expenses, the pattern of revenue recognition remained consistent with previous years. Therefore, under the prospective approach, there was no material change in the revenue recognition for program income. Under ASU 2018-08, a refundable advance is recorded when PSI receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of December 31, 2018, there was \$23,042,598 in deferred program income recorded. In accordance with the prospective transition approach in ASU 2018-08, the deferred revenue balances were reclassified to refundable program income on January 1, 2019.

PSI enters into for profit activities in several countries referred to as Social Enterprise activities. These activities fall under ASC 606. There were no material changes in PSI's pattern of recognition for these arrangements.

# Population Services International

## Notes to Consolidated Financial Statements

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In addition, PSI elected the net asset release policy option for contributions with donor restrictions that were initially conditional contributions. As part of this election, PSI reports contributions restricted by donors (that were conditional in nature) as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. PSI has not changed its policy for unconditional contributions such that PSI reports contributions restricted by donors (that were unconditional in nature) as increases in net assets with donor restrictions. When the donor restriction expires on an unconditional contribution, the release is reported as net assets released from donor restrictions in the consolidated statements of activities.

As part of ASU 2018-08, PSI elected to early-adopt the standards for “contributions made” using the prospective approach to adoption. For awards made to other organizations prior to the effective date (January 1, 2019) that are conditional in nature are not recorded as expenses until the condition has been satisfied. Payments made in advance to other organizations for which conditions have not yet been satisfied are classified as “Advances, prepaid expenses, and other assets” in the consolidated statements of financial position. As the conditions are satisfied, expenses are recorded in the consolidated statements of activities and the advances are reduced. PSI notes this is consistent with presentation in prior periods.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. The update affects the accounting for equity investments and financial liabilities under the fair value option, as well as the presentation and disclosure requirements for financial instruments. The guidance is effective for PSI year ending December 31, 2019. The adoption of this update did not have a material effect on PSI’s consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*. The update standardizes how certain transactions should be classified in the statement of cash flows. The guidance is effective for PSI’s year ending December 31, 2019. The adoption of this update did not have a material effect on PSI’s consolidated financial statements.

In October 2018, the FASB issued ASU 2018-16, *Derivatives and Hedging (Topic 815) Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting*. In the United States, eligible benchmark interest rates under Topic 815 are interest rates on direct Treasury obligations of the U.S. government (UST), the London Interbank Offered Rate (LIBOR) swap rate, and the Overnight Index Swap (OIS) Rate based on the Fed Funds Effective Rate. When the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, in August 2017, it introduced the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Rate as the fourth permissible U.S. benchmark rate. The new ASU adds the OIS rate based on SOFR as a U.S. benchmark interest rate to facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes. PSI adopted ASU 2017-12 for the year ended December 31, 2019 (see Note 17).

### **(z) Accounting Pronouncements to be Adopted**

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required

# Population Services International

## Notes to Consolidated Financial Statements

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quantitative and qualitative lease disclosures. The guidance is effective for PSI's year ending December 31, 2022. Management continues to evaluate the potential impact of this update on PSI's consolidated financial statements.

### *(aa) Reclassifications*

Certain prior year amounts have been reclassified in the consolidated financial statements and accompanying notes to conform to the current year presentation.

### **3. Funds Maintained in Foreign Accounts**

Certain items reflected in the consolidated statements of financial position, including cash and cash equivalents of \$15,659,691 and \$10,356,253 in local currencies at December 31, 2019 and 2018, respectively, and \$10,400,656 and \$13,891,290 in U.S. dollars, Canadian dollars, British Pounds, or Euros at December 31, 2019 and 2018, respectively are maintained at financial institutions in foreign countries. For financial reporting purposes, the year-end foreign currency balances are translated into U.S. dollars using current exchange rates in effect at the date of the consolidated statements of financial position.

### **4. Fair Market Value of Financial Instruments**

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as PSI would use in pricing PSI's asset or liability based on independently derived and observable market data.

The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. The fair value of certain bonds and other investments are estimated using recently executed transactions, bid/ask prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

In determining the appropriate levels, PSI performs a detailed analysis of the assets and liabilities that are subject to the codification provisions of ASC 820.

PSI investments consisted of institutional mutual funds and fixed income securities as of December 31, 2019 and 2018, respectively. The fair values of the participation units owned by PSI in mutual

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funds and fixed income securities, invested in security portfolios, are based on the underlying investments and are based on the net asset value of the shares held by PSI as determined by quoted market prices at the end of the year. Investment income from the investments reflects earnings of the respective underlying investments, including investment income and investment return of the fair value of the investments.

The table below presents the balances of investments measured at fair value on a recurring basis by hierarchy level at December 31, 2019 and 2018, respectively:

		2019		
		Level 1	Level 2	Level 3
Equity mutual funds	\$	12,929,665	\$ -	\$ -
Fixed income mutual funds		10,214,905	-	-
Fixed income securities		3,603,906	-	-
<b>Total investments</b>	<b>\$</b>	<b>26,748,476</b>	<b>\$ -</b>	<b>\$ -</b>

  

		2018		
		Level 1	Level 2	Level 3
Equity mutual funds	\$	10,704,301	\$ -	\$ -
Fixed income mutual funds		5,143,152	-	-
Fixed income securities		7,828,075	-	-
<b>Total investments</b>	<b>\$</b>	<b>23,675,528</b>	<b>\$ -</b>	<b>\$ -</b>

### 5. Investments

Investments are summarized at fair value as follows at December 31:

		2019		2018	
Equity mutual funds	\$	12,929,665	\$	10,704,301	
Fixed income mutual funds		10,214,905		5,143,152	
Fixed income securities		3,603,906		7,828,075	
<b>Total investments</b>	<b>\$</b>	<b>26,748,476</b>	<b>\$</b>	<b>23,675,528</b>	

Investment return for the year ended December 31 consists of the following:

		2019		2018	
Interest and dividend income	\$	1,069,525	\$	1,043,647	
Realized gain (loss)		2,771,344		(420,999)	
Unrealized gain (loss)		48,075		(1,563,212)	
<b>Total investment return (loss)</b>	<b>\$</b>	<b>3,888,944</b>	<b>\$</b>	<b>(940,564)</b>	

**Population Services International**  
**Notes to Consolidated Financial Statements**

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Investment management fees for the years ended December 31, 2019 and 2018 were not considered material by management.

**6. Trade Receivables**

The amounts due from the sales of commodities consist of the following, as of December 31:

	2019	2018
Trade receivables	\$ 5,985,631	\$ 6,762,980
Less allowance for doubtful accounts	(233,527)	(471,197)
<b>Total trade receivables, net</b>	<b>\$ 5,752,104</b>	<b>\$ 6,291,783</b>

**7. Grants and Contracts Receivable and Refundable Grant and Fee Advances**

The amounts due from grants and contracts consist of the following, as of December 31:

	2019	2018
Billed	\$ 17,571,326	\$ 24,907,464
Unbilled	50,823,965	43,302,569
	<b>68,395,291</b>	<b>68,210,033</b>
Less allowance for doubtful accounts	(4,863,031)	(4,076,385)
<b>Total grants and contracts receivable, net</b>	<b>\$ 63,532,260</b>	<b>\$ 64,133,648</b>
U.S. government	\$ 35,650,704	\$ 33,800,493
Non-U.S. governments	10,078,505	22,957,207
International organizations	18,605,781	9,158,773
Foundations and corporations	4,060,301	2,293,560
	<b>68,395,291</b>	<b>68,210,033</b>
Less allowance for doubtful accounts	(4,863,031)	(4,076,385)
<b>Total grants and contracts receivable, net</b>	<b>\$ 63,532,260</b>	<b>\$ 64,133,648</b>

Unbilled amounts are expected to be billed and collected within the next year. Unbilled receivables represent allowable costs incurred in excess of amounts billed.

# Population Services International

## Notes to Consolidated Financial Statements

Refundable grant and fee advances represent advances from various program sponsors. The following amounts were advanced from the program sponsors, as of December 31:

	2019	2018
U.S. government	\$ 729,660	\$ 2,056,139
Non-U.S. governments	20,838,966	15,350,751
International organizations	32,119,773	43,303,502
Foundations and corporations	25,780,455	31,394,738
<b>Total refundable grant and fee advances</b>	<b>\$ 79,468,854</b>	<b>\$ 92,105,130</b>

### 8. Contributions Receivable

Unconditional promises to give at December 31, 2019 and 2018 of \$2,991,584 and \$3,953,924 respectively and considered fully collectible within three years. As of December 31, 2019 and 2018 there were no conditional promises to give. The discount related to the long term portion of the contribution receivable balance was not considered material by management. There are no contributions receivable that are considered to be uncollectible at December 31, 2019 or 2018.

### 9. Revenue

The following reflects PSI's revenues disaggregated by type for the year ended December 31, 2019:

	2019
Grants, fees, and donated commodities:	
Cost reimbursable	\$ 453,449,675
Non-cost reimbursable	4,922,553
	<b>458,372,228</b>
Program income	9,281,691
Enterprise-funded sales	24,845,384
Contributions	7,053,021
Other revenue	404,714
<b>Total operating revenue</b>	<b>\$ 499,957,038</b>
<b>Commercial rental income</b>	<b>\$ 2,051,805</b>

#### Conditional Contributions

At December 31, 2019, PSI had remaining available award balances on grants and contracts of \$458,275,547. These award balances are not recognized as assets and will be recognized as revenue as the underlying projects progress and conditions are met, generally as expenses are incurred.

**Population Services International**  
**Notes to Consolidated Financial Statements**

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**10. Property and Equipment**

Property and equipment consists of the following at December 31:

	2019		2018
Land	\$ 24,829,978	\$	24,784,424
Building	23,945,959		23,891,378
Leasehold improvements	12,422,706		11,491,668
Equipment held under capital leases	321,879		321,879
Furniture and equipment	3,919,212		8,921,062
	65,439,734		69,410,411
Less accumulated depreciation	(15,415,062)		(19,508,225)
<b>Total property and equipment, net</b>	<b>\$ 50,024,672</b>	<b>\$</b>	<b>49,902,186</b>

Depreciation and amortization expense totaled \$1,842,808 and \$1,883,841 for the years ended December 31, 2019 and 2018, respectively.

**11. Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for use based on the following specific donor restrictions, as of December 31:

	2019		2018
Subject to expenditure for specified purpose:			
HIV/AIDS	\$ 640,932	\$	1,196,202
Family planning and maternal health	3,593,263		4,199,459
Other program uses or locations	7,170,574		6,086,999
	\$ 11,404,769	\$	11,482,660
<b>Total net assets with donor restrictions</b>	<b>\$ 11,404,769</b>	<b>\$</b>	<b>11,482,660</b>

Net assets were released from donor restrictions by incurring expenses satisfying the specific donor restrictions. Purpose restrictions accomplished for the year ended December 31, were as follows:

	2019		2018
HIV/AIDS program expense	\$ 555,269	\$	595,468
Family planning and maternal health program expense	1,488,945		2,816,422
Other program uses or locations	3,680,590		924,363
	\$ 5,724,804	\$	4,336,253
<b>Total net assets released from restriction due to satisfaction of purpose restrictions</b>	<b>\$ 5,724,804</b>	<b>\$</b>	<b>4,336,253</b>

# Population Services International

## Notes to Consolidated Financial Statements

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### 12. Related Party Transactions

PSI Europe (PSI/E) was formed in 1996 as an independently governed organization that is not consolidated in these financial statements. PSI appointed one of three founding members of PSI/E. During 2019 and 2018, PSI paid PSI/E approximately \$947,000 and \$1.1 million, respectively, in sub-award expenses. As of December 31, 2019, and 2018, PSI/E owed PSI approximately \$220,000, and \$238,000 in relation to advances received from PSI that were not yet spent.

PSI has entered into certain transactions with Greenstar Social Marketing Pakistan (Guarantee) Limited (Greenstar), an organization of which PSI representatives are Board members of Greenstar, and a member of Greenstar's Board is a board member on the PSI governing Board of Directors. During 2019 and 2018, PSI paid Greenstar approximately \$5.0 million and \$2.3 million, respectively in subaward expenses.

Effective January 1, 2012, SFH Nigeria became an independently governed organization. In accordance with the accounting guidance on consolidation, SFH Nigeria was deconsolidated for financial reporting purposes as of the effective date. PSI representatives are Board members of SFH Nigeria and an SFH Nigeria representative is a board member on the PSI governing Board of Directors. For the years ended December 31, 2019 and 2018, PSI paid SFH Nigeria approximately \$1.7 million and \$1 million, respectively. SFH Nigeria owed PSI approximately \$271,000 and \$0 for the years ended December 31, 2019 and 2018, respectively.

PSI representatives are on the PS Kenya governing Board of Directors and support PS Kenya management. Furthermore, a PS Kenya representative was a board member on the PSI governing Board of Directors until December 31, 2019. PSI paid PS Kenya approximately \$164,000 and \$4.2 million for the years ended December 31, 2019 and 2018, respectively. This reduction in payment is due to the offsetting of amounts owed to PSI through the loan agreement (see Note 2x). During 2018, PS Kenya sold PSI commodities totaling approximately \$3.5 million for PSI programs of which approximately \$3.0 million was used to fund sub-award expenses with PS Kenya.

### 13. Accrued Wages and Benefits

PSI merged three related defined contribution employee benefit plans into one plan that includes four tiers of eligibility. PSI makes contributions into the tiers of this plan for eligible employees residing in developed or less developed countries (as defined in the plan document) and having completed at least one year and 1,000 hours of service, based on the following criteria. Tier 1 (formerly Plan I, established January 1, 1980 and amended January 1, 1998) receives 6% of covered compensation earned for international employees permanently assigned to less developed countries. Tier 2 (formerly Plan II, established January 1, 1996) receives 2% of covered compensation earned for employees residing in or serving in developed countries. Tier 3 (formerly Plan III, established January 1, 1998 and the surviving consolidated plan) receives 11% of covered compensation earned for employees residing in or serving in developed countries. Tier 4 receives discretionary supplemental contributions for certain eligible executive employees.

Pension expense for all pension plans aggregated \$2,778,356 and \$2,835,289, respectively for the years ended December 31, 2019 and 2018.

**Population Services International**  
**Notes to Consolidated Financial Statements**

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**14. Lease Commitments**

PSI has operating lease commitments for its offices and warehouses maintained throughout the world. These leases are generally renewable on an annual basis. Rent expense for PSI's space in foreign offices and warehouses was approximately \$9.3 million and \$10.2 million for the years ended December 31, 2019 and 2018, respectively.

**15. Lease Rental Income**

PSI occupies approximately 60% of its headquarters building, and its portion of the occupancy costs is included in management and general expenses. PSI leases the remaining commercial space to various third parties. The terms of the leases range from 2 to 10 years, including renewal options.

Future minimum lease income is as follows:

*Years ending December 31,*

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2020	\$ 1,753,205
2021	1,938,305
2022	1,984,272
2023	2,169,560
2024	2,195,406
Thereafter	11,293,584
<hr/>	
Total future minimum lease income	\$ 21,334,332

**16. Notes and Bonds Payable**

In 2007 PSI acquired the building that housed its headquarters operations. The building was initially financed by a Deed of Trust Note (the 2007 Note) of \$21.3 million and the issuance of Variable Rate Revenue Bonds (Variable Rate Revenue Bonds) through the District of Columbia, in the amount of \$28.2 million. In 2008 PSI made a paydown of the taxable loan in the amount of \$4 million.

**Loan Agreement**

Under the 2007 Note, monthly payments were required with a maturity on November 15, 2019 when the remaining balance of \$10.1 million was to be paid. From January to May 2, 2018, interest was payable at the beginning of each month at a variable interest rate based on one-month LIBOR.

On May 2, 2018 PSI retired the 2007 Note and secured a new Second Amended Deed of Trust Note (2018 Note) in the amount of \$11.9 million. Monthly payments are due through maturity on February 1, 2031. The new interest is payable for remaining term of 2018 Note at a variable interest rate based on one-month LIBOR. On June 1, 2019, PSI entered into an interest rate swap agreement to fix the interest rate (see Note 17). The interest rate was 3.40% and 3.35% as of December 31, 2019 and 2018, respectively. The 2018 Note is secured by the land, building and its improvements.

# Population Services International

## Notes to Consolidated Financial Statements

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### Variable Rate Revenue Bonds

The Variable Rate Revenue Bonds totaling \$28,200,000 were scheduled to mature on May 1, 2048. Installment payments were to begin on February 1, 2031, and were to range from \$907,000 to \$2.1 million per year through the maturity date. Interest was based on one-month LIBOR. From 2007 to 2018, PSI had a letter of credit agreement with a bank totaling \$28,576,000 to provide enhanced security and liquidity for the weekly remarketing of the bonds. The letter of credit was scheduled to expire in 2019.

On May 2, 2018 the letter of credit was replaced with a Lender Mode Credit Agreement (the Credit Agreement) from a bank. The Credit Agreement required the lender to purchase all the Variable Rate Bonds and to lend the same amount of the repurchased Variable Rate Bonds to PSI as a loan. The Credit Agreement carries various financial covenants including maintaining certain debt coverage ratios, maintaining certain liquidity ratios, limitations on other debt and limitations on sale, lease or assignment of assets with a net book value exceeding certain amounts per fiscal year. As of December 31, 2019 and 2018, PSI was in compliance with all of these covenants. On April 1, 2019, PSI entered into an interest rate swap agreement to fix the interest rate (see Note 17). The interest rate was 2.25% and 2.00% at December 31, 2019 and 2018, respectively. The Bonds and the Credit Agreement are secured by the land, building and its improvements. Installment payments begin on February 1, 2031 and continue through the maturity date of May 1, 2038.

As of December 31, 2019, the aggregate maturities of the loan agreements, including the payments under the terms described above, are as follows:

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2020	\$	798,164
2021		827,612
2022		858,146
2023		889,807
2024		922,636
Thereafter		34,639,554
<hr/>		
Total payments	\$	38,935,919

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Interest expense on the Loan Agreements for the years ended December 31, 2019 and 2018 was \$1,247,126 and \$945,588, respectively, of which \$78,382 and \$98,866, respectively is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

### Line of Credit

PSI entered into a \$10 million line of credit with a bank on May 2, 2018. The line of credit was increased to \$20 million on April 23, 2019. The line of credit will accrue interest at LIBOR plus 0.95%. The line of credit had a one year term. Subsequent to December 31, 2019, the line of credit was extended to November 30, 2021. There was no outstanding line of credit balance for the years ended December 31, 2019 and 2018.

**Population Services International**  
**Notes to Consolidated Financial Statements**

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**17. Interest Rate Swap**

PSI is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to manage interest rate risk associated with the Variable Rate Bonds issued by PSI's financing subsidiary. Under such arrangements, a portion of variable rate indebtedness is converted to fixed rates based on a notional principal amount. The interest rate swap agreements are derivative instruments that are recognized at fair value and recorded on the statement of financial position. At December 31, 2019, the aggregate notional principle amount under the interest rate swap agreements, with maturity dates ranging from calendar year 2031 through 2033, totaled \$38.9 million. The estimated fair value of the interest rate swap agreements was a liability of approximately \$3.1 million and is included in interest rate swap liability in the accompanying consolidated statement of financial position as of December 31, 2019.

ASC 815-10, *Derivatives and Hedging*, requires that an entity recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with that Subtopic, the Organization designates interest rate swaps as cash flow hedges of variable-rate receivables.

For the valuation of the interest rate swap agreements at December 31, 2019, the Organization used significant other observable inputs as of the valuation date, including interest rate yield curves. In accordance with ASC 815-10-35-1 the changes in fair value is recorded to net assets without donor restrictions in the period in which the change in value occurs.

As of December 31, 2019, the following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges.

	Carrying Amount of Hedged Liability	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liability
<b>Notes and Bonds Payable</b>		
Tax Exempt Bonds	\$ 28,200,000	\$ (2,648,970)
Taxable Note	10,735,919	(443,823)
<b>Total</b>	<b>\$ 38,935,919</b>	<b>\$ (3,092,793)</b>

As of December 31, 2019, the total notional amount of PSI's pay-fixed/receive-variable interest rate swaps were \$28,200,000.

	Balance Sheet Location	Fair Value
Interest Rate Agreement	Interest rate swap	\$ (3,092,793)

# Population Services International

## Notes to Consolidated Financial Statements

### 18. Liquidity and Availability of Resources

The following reflects financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position date. Amounts not available include amounts set aside for satisfaction of donor restrictions.

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Financial assets		
Cash and cash equivalents (notes 2c and 3)	\$ 53,818,965	\$ 65,300,472
Investments (notes 2e and 5)	26,748,476	23,675,528
Trade receivables, net (notes 2f and 6)	5,752,104	6,291,783
Grants and contracts receivable, net (notes 2g and 7)	63,532,260	64,133,648
Contributions receivable (notes 2p and 8)	2,991,584	3,953,924
Due from independent network members (note 2x)	3,884,847	5,011,580
<b>Total financial assets available within one year</b>	<b>156,728,236</b>	<b>168,366,935</b>
Less:		
Amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	(11,404,769)	(11,482,660)
Contributions scheduled to be collected in more than one year	(385,896)	(310,909)
Network member receivables due in more than one year	(2,552,992)	(3,252,992)
<b>Total amounts unavailable for general expenditures within one year</b>	<b>(14,343,657)</b>	<b>(15,046,561)</b>
<b>Total financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 142,384,579</b>	<b>\$153,320,374</b>

PSI's operations are primarily funded by grants, contracts, and contributions from various funders, some of which are restricted for time and or purpose. For some funders, PSI receives funding in advance of program expenses being incurred, which is noted on the Statement of Financial Position as \$79,468,854 and \$92,105,130 as of December 31, 2019 and 2018, respectively, in refundable grant and fee advances. PSI is obligated to spend this advance funding in accordance with its contractual obligations over the next 12 months. PSI also holds a further \$18,768,658 and \$23,881,295 as of December 31, 2019 and 2018, respectively, in refundable program income which may be spent in accordance with the award requirements or returned to the funder. These amounts should be taken into consideration when reviewing financial assets available to meet our cash needs.

As part of PSI's liquidity management, PSI structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. PSI has a goal to maintain financial assets on hand to meet at least 60 days of normal operating expenses which are on average, approximately \$81 million. Given PSI's diverse global operational portfolio, management circumvents foreign currency risk exposure by retaining funds in U.S. dollars as much as possible to minimize declines in foreign currency volatility. To help manage unanticipated liquidity needs, PSI has short-term investments totaling \$27 million and \$24 million as of December 31, 2019 and 2018, respectively, that could be used to cover cash short-falls as needed. Additionally, PSI also has access to a \$20

# Population Services International

## Notes to Consolidated Financial Statements

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million and \$10 million line of credit, as of December 31, 2019 and 2018, respectively, with a bank that can be drawn on if needed.

### 19. Commitments and Contingencies

Grants: PSI receives a substantial portion of its revenue from both U.S. and non-U.S. government grants and contracts, which are subject to audit. The ultimate determination of amounts received under these projects generally is based upon allowable costs reported to and audited by the governments or their designees. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amounts received in excess of allowable costs. Management has accrued for potential disallowed expenses for the years ended December 31, 2019 and December 31, 2018 for their various funding sources.

The reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal awards revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to PSI's financial position or change in net assets without donor restrictions.

Foreign operations: Due to the nature of its operations, PSI is subject to the continuing impact of foreign governments and their policy changes. Such changes could have wide-ranging impact on PSI's operations; however no material event has occurred previously.

Other: PSI is party to various legal actions and claims arising in the ordinary course of its business. PSI's management believes that their ultimate disposition will not have a material adverse effect on PSI's financial position or change in net assets.

### 20. Subsequent Events

PSI evaluated subsequent events through August 6, 2020 which is the date the consolidated financial statements were available to be issued. The following subsequent events have occurred:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations.

Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

The Organization's operations are heavily dependent on both public and private funding from governments, foundations, corporations and individuals, as well as the sale of certain products.

# Population Services International

## Notes to Consolidated Financial Statements

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Access to grants and contracts from federal, state and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown, which could result in a decline in funding opportunities from governments, foundations, corporations and individuals. As such, this may impact our ability to advance our mission and may negatively impact our financial position in 2020.

The Organization's ability to implement program activities is dependent on the local operating environment of the countries in which we implement, and as such may vary depending on local COVID circumstances. The Organization has demonstrated an ability to support program activities remotely to ensure smooth funder reporting which allows us to continue to receive payment for program implementation. However, the ability to implement is impacted by other factors outside of the Organization's control, including but not limited to:

- The Organization's global suppliers from have decreased production due to factory closures or reduced operating hours in those facilities. While the Organization considers this disruption to be temporary, continued disruption in the supply chain may lead to a delayed receipt of necessary products which could negatively impact program implementation and sales in fiscal year 2020.
- The Organization is dependent on receiving funding from its institutional funders, and their ability to reimburse and/or advance funding to PSI will be dependent on their own financial and/or economic situation as a result of COVID, so we may experience delays in receipt of receivables and/or new funding opportunities.
- The Organization is dependent on its workforce to deliver its products and services. Developments such as social distancing and shelter-in-place directives in the long term may impact our ability to implement program activities effectively. However, some program activities such as sanitation programming and digital engagement with consumers have increased due to COVID restrictions and continue to provide opportunities to evolve program activities.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses, including not for profits, harmed by COVID-19. PSI has applied for and received a SBA Paycheck Protection Program loan totaling \$4.3 million, and will be applying for forgiveness of this loan during 2020.

Additionally, PSI renewed its line of credit agreement in March 2020 (see Note 16).

## Supplemental Schedule

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# Population Services International

## Consolidated Schedule of Revenues by Funding Source

Year ended December 31, 2019

(with summarized comparative financial information for the year ended December 31, 2018)

	Unrestricted					Total Unrestricted	With Donor Restriction	Totals 2019	Totals 2018
	U.S. Government	Non-U.S. Governments	International Organizations	Foundations / Corporations	Other				
Revenue, gains, and other support:									
Grants, fees, donated commodities, program income, and other support:									
Grants, fees and donated commodities	\$ 193,790,413	\$ 64,513,746	\$ 114,932,100	\$ 80,955,510	\$ 4,180,459	\$ 458,372,228	\$ -	\$ 458,372,228	\$ 490,776,027
Program income	1,876,173	2,738,642	1,012,060	2,095,842	1,558,974	9,281,691	-	9,281,691	19,774,797
Enterprise-Funded sales	-	-	-	-	24,845,384	24,845,384	-	24,845,384	25,969,811
Other	-	-	-	-	404,714	404,714	-	404,714	628,765
Contributions	-	-	-	-	1,406,108	1,406,108	5,646,913	7,053,021	6,140,898
<b>Total grants, fees, donated commodities, program income, and other support</b>	<b>195,666,586</b>	<b>67,252,388</b>	<b>115,944,160</b>	<b>83,051,352</b>	<b>32,395,639</b>	<b>494,310,125</b>	<b>5,646,913</b>	<b>499,957,038</b>	<b>543,290,298</b>
Investment return / (loss)	-	-	-	-	3,888,944	3,888,944	-	3,888,944	(940,564)
Net assets released from restrictions	-	-	-	-	5,724,804	5,724,804	(5,724,804)	-	-
<b>Total revenue, gains, and other support</b>	<b>\$ 195,666,586</b>	<b>\$ 67,252,388</b>	<b>\$ 115,944,160</b>	<b>\$ 83,051,352</b>	<b>\$ 42,009,387</b>	<b>\$ 503,923,873</b>	<b>\$ (77,891)</b>	<b>\$ 503,845,982</b>	<b>\$ 542,349,734</b>

*See accompanying notes to the consolidated financial statements.*