



Population Services International

Consolidated Financial Statements and Supplemental Schedule

Years Ended December 31, 2020 and 2019

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

Consolidated Financial Statements and Supplemental Schedule Years Ended December 31, 2020 and 2019

Population Services International

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the **Population Services International** (collectively, referred to as PSI or the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

July 1, 2021

**Consolidated
Financial Statements**

Population Services International
Consolidated Statements of Financial Position

<i>December 31,</i>	2020	2019
Assets		
Cash and cash equivalents (notes 2c and 3)	\$ 89,993,544	\$ 53,818,965
Investments (notes 2e and 5)	28,454,194	26,748,476
Trade receivables, net (notes 2f and 6)	6,154,281	5,752,104
Grants and contracts receivable, net (notes 2g and 7)	56,752,534	63,532,260
Inventory (note 2h)	57,159,487	63,765,748
Advances, prepaid expenses, and other assets (note 2i)	46,495,125	46,165,722
Contributions receivable (note 2o)	1,212,171	2,991,584
Due from independent network member (note 2w)	3,228,658	3,884,847
Property and equipment, net (notes 2j, 2k, 8, 12, and 13)	49,291,969	50,024,672
Total assets	\$ 338,741,963	\$ 316,684,378
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 11,201,675	\$ 22,257,621
Interest rate swap (note 15)	6,104,850	3,092,793
Paycheck Protection Program (PPP) Loan (note 17)	4,334,145	-
Accrued expenses	23,944,635	25,080,640
Accrued wages and benefits (note 11)	21,963,869	23,328,231
Refundable grant and fee advances (notes 2p and 7)	116,682,249	79,468,854
Deferred commodities (note 2h)	46,555,319	51,203,556
Refundable program income (note 2q)	16,681,080	18,768,658
Bonds and notes payable (note 14)	38,137,755	38,935,919
Total liabilities	285,605,577	262,136,272
Commitments and contingencies (notes 2d, 11, 12, 14, 15 and 17)		
Net assets		
Without donor restrictions (note 2l)	42,749,220	43,143,337
With donor restrictions (notes 2l and 9)	10,387,166	11,404,769
Total net assets	53,136,386	54,548,106
Total liabilities and net assets	\$ 338,741,963	\$ 316,684,378

See accompanying notes to the consolidated financial statements.

Population Services International
Consolidated Statements of Activities and Change in Net Assets

<i>For the year ended December 31,</i>	2020			2019		
	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	\$ 187,248,924	\$ -	\$ 187,248,924	\$ 195,666,586	\$ -	\$ 195,666,586
Non-U.S. governments	59,811,038	-	59,811,038	67,252,388	-	67,252,388
International organizations	121,902,776	-	121,902,776	115,944,160	-	115,944,160
Foundations and corporations	51,216,369	-	51,216,369	83,051,352	-	83,051,352
Other	29,583,341	-	29,583,341	30,989,531	-	30,989,531
Contributions (note 2o)	1,369,820	4,227,712	5,597,532	1,406,108	5,646,913	7,053,021
Total grants, fees, program income, donated commodities, and other support	451,132,268	4,227,712	455,359,980	494,310,125	5,646,913	499,957,038
Investment return (note 5)	1,812,301	-	1,812,301	3,888,944	-	3,888,944
Net assets released from restrictions (note 9)	5,245,315	(5,245,315)	-	5,724,804	(5,724,804)	-
Total revenue, gains, and other support	458,189,884	(1,017,603)	457,172,281	503,923,873	(77,891)	503,845,982
Expenses:						
Program services						
Malaria	139,925,570	-	139,925,570	110,788,515	-	110,788,515
Reproductive health/HIV	198,771,339	-	198,771,339	272,257,743	-	272,257,743
Other services	83,454,566	-	83,454,566	75,522,689	-	75,522,689
Total program services	422,151,475	-	422,151,475	458,568,947	-	458,568,947
Management and general	32,387,655	-	32,387,655	44,030,522	-	44,030,522
Fundraising	899,839	-	899,839	1,614,551	-	1,614,551
Total expenses	455,438,969	-	455,438,969	504,214,020	-	504,214,020
Change in net assets before commercial rent, foreign currency (loss) gain, and loss on interest rate swap	2,750,915	(1,017,603)	1,733,312	(290,147)	(77,891)	(368,038)
Commercial rental income	2,280,186	-	2,280,186	2,051,805	-	2,051,805
Commercial rental expense	(2,220,487)	-	(2,220,487)	(2,212,715)	-	(2,212,715)
Realized foreign currency transaction gain (note 2n)	1,791,439	-	1,791,439	588,447	-	588,447
Unrealized foreign currency translation (loss) gain (note 2n)	(1,984,113)	-	(1,984,113)	1,432,746	-	1,432,746
Loss on interest rate swap (note 15)	(3,012,057)	-	(3,012,057)	(3,092,793)	-	(3,092,793)
Change in net assets	(394,117)	(1,017,603)	(1,411,720)	(1,522,657)	(77,891)	(1,600,548)
Net assets, beginning of year	43,143,337	11,404,769	54,548,106	44,665,994	11,482,660	56,148,654
Net assets, end of year	\$ 42,749,220	\$ 10,387,166	\$ 53,136,386	\$ 43,143,337	\$ 11,404,769	\$ 54,548,106

See accompanying notes to the consolidated financial statements.

Population Services International
Consolidated Schedule of Functional Expenses
Year ended December 31, 2020

	Program Services				Supporting Services			Commercial Building	Totals 2020
	Malaria	Reproductive Health/HIV	Other Services	Total	Management and General	Fundraising	Total		
Salaries and related expenses	\$ 23,342,309	\$ 71,471,916	\$ 28,530,663	\$ 123,344,888	\$ 23,794,928	\$ 516,492	\$ 24,311,420	\$ -	\$ 147,656,308
Travel	5,235,199	10,203,058	2,754,996	18,193,253	365,300	31,417	396,717	-	18,589,970
Consultants and contracts	4,855,931	15,621,365	6,975,086	27,452,382	3,225,638	331,001	3,556,639	-	31,009,021
Furniture and equipment	1,869,696	2,857,051	931,450	5,658,197	632,837	765	633,602	-	6,291,799
Commodities	51,047,584	33,148,074	17,888,883	102,084,541	221	-	221	-	102,084,762
Subrecipients	31,509,397	38,302,341	14,575,582	84,387,320	547,345	-	547,345	-	84,934,665
Promotions and advertising	2,179,077	7,956,247	4,562,900	14,698,224	2,117	-	2,117	-	14,700,341
Office costs	4,143,658	12,952,876	4,325,937	21,422,471	2,411,090	19,776	2,430,866	1,564,458	25,417,795
Other direct and indirect costs	15,739,767	6,231,841	2,834,992	24,806,600	115,737	388	116,125	-	24,922,725
Total expenses before depreciation	139,922,618	198,744,769	83,380,489	422,047,876	31,095,213	899,839	31,995,052	1,564,458	455,607,386
Depreciation and amortization	2,952	26,570	74,077	103,599	1,292,442	-	1,292,442	656,029	2,052,070
Total expenses	\$ 139,925,570	\$ 198,771,339	\$ 83,454,566	\$ 422,151,475	\$ 32,387,655	\$ 899,839	\$ 33,287,494	\$ 2,220,487	\$ 457,659,456

See accompanying notes to the consolidated financial statements.

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		
Salaries and related expenses	\$ 19,640,772	\$ 88,664,901	\$ 21,681,878	\$ 129,987,551	\$ 25,142,957	\$ 798,132	\$ 25,941,089	\$ -	\$ 155,928,640
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
Total expenses before depreciation	110,783,745	272,249,842	75,433,304	458,466,891	43,849,317	1,614,551	45,463,868	653,168	504,583,927
Depreciation and amortization	4,770	7,901	89,385	102,056	181,205	-	181,205	1,559,547	1,842,808
Total expenses	\$ 110,788,515	\$ 272,257,743	\$ 75,522,689	\$ 458,568,947	\$ 44,030,522	\$ 1,614,551	\$ 45,645,073	\$ 2,212,715	\$ 506,426,735

See accompanying notes to the consolidated financial statements.

Population Services International
Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (1,411,720)	\$ (1,600,548)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	2,052,070	1,842,808
Change in allowance for receivables	1,829,093	548,976
Bad debt expense	821,615	296,254
Loss on disposal of property	9,304	91
Net gain on investments	(1,063,552)	(2,815,922)
Stock received in lieu of cash payment	(14,608,812)	(33,236,762)
Change in assets and liabilities:		
Trade receivables	(355,898)	566,540
Grants and contracts receivable	4,082,739	(624,125)
Inventory	6,606,261	(5,241,235)
Advances, prepaid expenses, and other assets	(656,145)	(2,113,475)
Contributions receivable	1,779,413	962,340
Due from independent network members	656,189	1,126,733
Accounts payable, accrued expenses and interest rate swap	(4,965,919)	13,363,642
Accrued wages and benefits	(1,364,362)	732,528
Refundable grant and fee advances	37,213,395	(12,636,276)
Deferred commodities	(4,648,237)	1,071,328
Refundable program income	(2,087,578)	(4,273,940)
Net cash provided by (used in) operating activities	23,887,856	(42,031,043)
Cash flows from investing activities:		
Purchase of property and equipment	(1,001,929)	(1,740,401)
Purchase of investments	(21,205,600)	(23,425,188)
Proceeds from sale and maturity of investments	35,172,246	56,404,923
Net cash provided by investing activities	12,964,717	31,239,334
Cash flows from financing activities:		
Repayments on notes payable	(798,164)	(769,764)
Increase in capital lease obligations	120,170	79,966
Net cash used in financing activities	(677,994)	(689,798)
Net decrease in cash and cash equivalents	36,174,579	(11,481,507)
Cash and cash equivalents, beginning of year	53,818,965	65,300,472
Cash and cash equivalents, end of year	\$ 89,993,544	\$ 53,818,965

See accompanying notes to the consolidated financial statements.

Population Services International

Notes to Consolidated Financial Statements

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 all 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 locally managed social franchise clinics, pharmacy outlets, mobile outreach teams, community-based health workers and distribution agents across our country networks.

Malaria: PSI has supported efforts to increase access to effective malaria prevention and treatment interventions working 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.

Population Services International

Notes to Consolidated Financial Statements

PSI operates in over 45 countries worldwide using a variety of organizational structures as determined by local laws and customs. These organizational structures include locally registered 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, D.C.

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:

Country	Legal Name of Entity¹
Angola	<i>PSI Angola</i>
Bangladesh	<i>PSI Bangladesh</i>
Benin	<i>Association Béninoise 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 (Asociación PASMO El</i>

Population Services International

Notes to Consolidated Financial Statements

Country	Legal Name of Entity ¹
	<i>Salvador</i>
Eswatini	<i>PSI Eswatini</i>
Ethiopia	<i>PSI Ethiopia</i>
Ghana	<i>PSI Ghana²</i>
Guatemala	<i>Asociación Panamericana de Mercadeo Social (Asociación PASMO Guatemala)⁵</i>
Guatemala	<i>Organización de Mercadeo Social (Guatemala), Sociedad Anónima (S.A PASMO.)</i>
Guatemala	<i>PSI Guatemala</i>
Guatemala	<i>Franquicias para el Bienestar CMRS, Sociedad Anónima</i>
Haiti	<i>Organisation Haïtienne de Marketing Social pour la Santé (OHMaSS)</i>
Honduras	<i>Asociación Panamericana de Mercadeo Social (Asociación PASMO Honduras)⁵</i>
Honduras	<i>Organización Panamericana de Mercadeo Social (Honduras) S.A. de C.V.</i>
India	<i>PSI India³</i>
India	<i>PSI India IPL</i>
Kazakhstan	<i>PSI Central Asia Region (CAR)⁸</i>
Kenya	<i>PSI Kenya</i>
Kyrgyzstan	<i>PSI Kyrgyzstan⁸</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>Asociación Panamericana de Mercadeo Social (Asociación PASMO Nicaragua)⁵</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>Asociación Panamericana de Mercadeo Social (PASMO) Panamá⁵</i>
Panama	<i>Organización Panamericana de Mercadeo Social Sociedad Anónima (PASMO S.A.) Panama</i>
Papua New Guinea	<i>PSI Papua New Guinea⁷</i>
Paraguay	<i>PSI Paraguay Sociedad Anónima</i>
Somaliland	<i>PSI Somaliland</i>
Sierra Leone	<i>PSI Sierra Leone</i>
South Africa	<i>PSI South Africa</i>
South Africa	<i>Society for Family Health South Africa</i>
South Sudan	<i>PSI South Sudan</i>
Tajikistan	<i>PSI Tajikistan⁸</i>
Tanzania	<i>PSI Tanzania</i>

Population Services International

Notes to Consolidated Financial Statements

Country	Legal Name of Entity ¹
Trinidad & Tobago	<i>PSI Trinidad</i>
Uganda	<i>Programme for Accessible Health, Communication & Education (PACE)</i> ⁴
Uganda	<i>PSI Uganda</i>
Vietnam	<i>PSI Vietnam</i>
Zambia	<i>Society for Family Health Zambia</i> ⁶
Zimbabwe	<i>PSI Zimbabwe</i>

¹ PSI's negotiated indirect cost rate (NICRA) is applied to these controlled entities.

² PSI Ghana ceased operations in 2018 but became active again in 2020.

³ PSI India was subsequently deconsolidated April 1, 2021.

⁴ PACE Uganda subsequently deconsolidated January 1, 2021.

⁵ Association PASMO (Guatemala, Honduras, Nicaragua, Panama) were deconsolidated on April 1, 2020.

⁶ Society for Family Health Zambia subsequently ended programmatic activities in 2021.

⁷ PSI Papua New Guinea ended programmatic activities in 2020.

⁸ PSI Central Asia ended programmatic activities in 2020.

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

Country or Region	Legal Name of Entity
Europe	<i>PSI Europe</i>
Ghana	<i>Total Family Health Organization</i>
Kenya	<i>Population Services Kenya (PS Kenya)</i>
Latin America	<i>Asociación Panamericana de Mercadeo Social (Asociación PASMO)</i> ¹
Namibia	<i>Society for Family Health Namibia (SFH Namibia)</i>
Nigeria	<i>Society for Family Health Nigeria (SFH Nigeria)</i>
Pakistan	<i>Greenstar Social Marketing Pakistan (Guarantee) Limited (Greenstar)</i>
Rwanda	<i>Society for Family Health Rwanda (SFH Rwanda)</i>
Senegal	<i>L'Agence pour le Développement du Marketing Social (ADEMAS)</i>

¹PASMO A.C (Guatemala, Honduras, Nicaragua, Panama) were deconsolidated on April 1, 2020.

(c) Cash and Cash Equivalents

Cash and cash equivalents were \$89,993,544 and \$53,818,965 at December 31, 2020 and 2019, respectively and includes \$6,244,802 and \$710,277 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 \$64,823,833 and \$27,523,698 at December 31, 2020 and 2019, 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.

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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. 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.

(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 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 \$756,341 and \$233,527 for the years ended December 31, 2020 and 2019, 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 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. The allowance for doubtful accounts totaled \$2,511,124 and \$4,863,031 for the years ended December 31, 2020 and 2019, respectively.

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(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, 2020 and 2019 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 Social Businesses operate, unrestricted funds are used to purchase inventory from vendors for the purpose of resale. Inventory held consisted of the following:

<i>December 31,</i>	2020	2019
Inventory from grantors	\$ 46,555,319	\$ 51,203,556
Social Business inventory	10,604,168	12,562,192
	\$ 57,159,487	\$ 63,765,748

A deferred commodity balance exists for all donor-funded inventory purchased or donated that has not yet been distributed. Deferred commodities totaled \$46,555,319 and \$51,203,556 for the years ended December 31, 2020 and 2019, respectively.

(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 are comprised of the following:

<i>December 31,</i>	2020	2019
Advances to third parties and others	\$ 20,099,626	\$ 25,664,259
Prepaid expenses	14,800,536	9,132,108
Other assets	11,594,963	11,369,355
	\$ 46,495,125	\$ 46,165,722

(j) Property and Equipment

PSI capitalizes property and equipment with a cost of \$5,000 or more. Property and equipment are 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

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Notes to Consolidated Financial Statements

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, 2020 and 2019.

(l) Net Assets

In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 *Not-for-Profit Entities - Presentation of Financial Statements*, PSI presents information regarding its financial position and activities in two classes of net assets:

- *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.

When a purpose restriction is met or stipulated time restriction ends, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the consolidated statement of activities as net assets released from restrictions.

(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 58% of PSI's revenues in 2020 resulted from grants and contracts with two parties, including the U.S. government. Approximately 50% of PSI's revenues in 2019 resulted from grants and contracts with two parties, including the U.S. government. At December 31, 2020 and 2019, approximately 42% and 70% of grants and contracts receivable, respectively, were from these parties.

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(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 statement 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 in 2020 were primarily due to volatility in the Haitian Gourde and the Great British Pound. In 2019, transaction gains were primarily due to volatility in the Angolan Kwanza.

(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.

Unconditional promises to give at December 31, 2020 and 2019 were \$1,212,171 and \$2,991,584, respectively and considered fully collectible within three years. As of December 31, 2020 and 2019 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, 2020 or 2019.

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

In accordance with ASU 2018-08, government grants and contracts that PSI receives are primarily considered to be contribution transactions, the majority of which are cost-reimbursable grants. PSI has elected the "simultaneous release" accounting policy option such that grants received and used within the same period are reported in net assets without donor restriction. Revenue, including approved indirect cost recovery, is recognized when qualified

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expenditures are incurred, or a milestone or other deliverable is satisfied and conditions or the grant agreement are met.

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.

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.

At December 31, 2020 and 2019, PSI had remaining available award balances on grants and contracts for sponsored projects of \$360,623,055 and \$458,275,547, respectively. 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.

PSI has awarded conditional grants to subrecipients related to performance of these sponsored projects, which have outstanding commitments of up to \$85,177,024 as of December 31, 2020.

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 commodities are 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. 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 award 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) Social Business Sales

PSI engages in for-profit activities in line with PSI's mission in several countries referred to as Social Business activities. These activities are considered exchange transactions under ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

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In instances where PSI unrestricted 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 Social Business 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 \$23,784,357 and \$17,882,972 of donated commodities, equipment, and services for the years ended December 31, 2020 and 2019, respectively.

(t) *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 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.

(u) *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, 2020 and 2019, 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 2020 PSI requested a refund from the IRS for overpayments in prior years. 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 2017.

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There were no material interest or penalties recorded for the years ended December 31, 2020 and 2019, 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, 2020, there were certain tax positions for which a liability was recorded related to international tax matters.

(v) *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.

(w) *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, 2020 and 2019, 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, 2020 and 2019, PS Kenya owed PSI \$2,552,992 and \$3,252,992 in connection with the sale of these goods. As of December 31, 2020 and 2019, PS Kenya owed PSI \$675,666 and \$631,855, respectively, for additional costs incurred outside of the loan agreement.

(x) *Accounting Pronouncements Adopted*

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the current guidance by providing criteria regarding the accounting for grants and contracts as exchange transactions or contributions, and for distinguishing between conditional and unconditional contributions. ASU 2018-08 is effective for annual periods beginning after June 15, 2018 for contributions received and effective for annual periods beginning after December 15, 2019 for contributions made for most nonprofit entities. PSI adopted the amendments for contributions received for fiscal year 2019 and adopted the amendments for contributions made for fiscal year 2020 on a prospective basis. For awards made to other organizations prior to the effective date (January 1, 2020) 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. PSI does not make

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significant contributions and the impact of ASU 2018-08 related to contributions made is not material to the consolidated financial statement or disclosures (see Note 2p).

(y) 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 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.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to present contributed nonfinancial assets prominently and to enhance disclosures about the valuation of those contributions and their use in programs and other activities. The guidance is effective for PSI's year ending December 31, 2021. Management is currently evaluating impact of the additional disclosures.

(z) 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 \$13,517,987 and \$15,659,691 in local currencies at December 31, 2020 and 2019, respectively, and \$10,881,051 and \$10,400,656 in U.S. dollars, Canadian dollars, British Pounds, or Euros at December 31, 2020 and 2019, 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.

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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.

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, 2020 and 2019, respectively. The fair values of the participation units owned by PSI in mutual 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, 2020 and 2019, respectively:

	2020		
	Level 1	Level 2	Level 3
Equity mutual funds and exchange traded funds	\$ 13,568,448	\$ -	\$ -
Fixed income mutual funds and exchange traded funds	5,854,587	-	-
Fixed income securities	9,031,159	-	-
Total investments	\$ 28,454,194	\$ -	\$ -
	2019		
	Level 1	Level 2	Level 3
Equity mutual funds and exchange traded funds	\$ 12,929,665	\$ -	\$ -
Fixed income mutual funds and exchange traded funds	10,214,905	-	-
Fixed income securities	3,603,906	-	-
Total investments	\$ 26,748,476	\$ -	\$ -

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5. Investments

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

	2020	2019
Equity mutual funds and exchange traded funds	\$ 13,568,448	\$ 12,929,665
Fixed income mutual funds and exchange traded funds	5,854,587	10,214,905
Fixed income securities	9,031,159	3,603,906
Total investments	\$ 28,454,194	\$ 26,748,476

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

	2020	2019
Interest and dividend income	\$ 748,749	\$ 1,069,525
Realized gain	61,520	2,771,344
Unrealized gain	1,002,032	48,075
Total investment return	\$ 1,812,301	\$ 3,888,944

Investment management fees for the years ended December 31, 2020 and 2019 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:

	2020	2019
Trade receivables	\$ 6,910,622	\$ 5,985,631
Less allowance for doubtful accounts	(756,341)	(233,527)
Total trade receivables, net	\$ 6,154,281	\$ 5,752,104

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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:

	2020	2019
Billed	\$ 23,954,016	\$ 17,571,326
Unbilled	35,309,642	50,823,965
	<u>59,263,658</u>	<u>68,395,291</u>
Less allowance for doubtful accounts	(2,511,124)	(4,863,031)
Total grants and contracts receivable, net	\$ 56,752,534	\$ 63,532,260
U.S. government	38,570,108	\$ 35,650,704
Non-U.S. governments	10,370,045	10,078,505
International organizations	4,478,032	18,605,781
Foundations and corporations	5,845,473	4,060,301
	<u>59,263,658</u>	<u>68,395,291</u>
Less allowance for doubtful accounts	(2,511,124)	(4,863,031)
Total grants and contracts receivable, net	\$ 56,752,534	\$ 63,532,260

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

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

	2020	2019
U.S. government	\$ 2,821,304	\$ 729,660
Non-U.S. governments	18,326,242	20,838,966
International organizations	54,345,787	32,119,773
Foundations and corporations	41,188,916	25,780,455
	<u>\$ 116,682,249</u>	<u>\$ 79,468,854</u>
Total refundable grant and fee advances	\$ 116,682,249	\$ 79,468,854

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8. Property and Equipment

Property and Equipment consisted of the following at December 31:

	2020	2019
Land	\$ 24,829,978	\$ 24,829,978
Building	23,945,959	23,945,959
Leasehold improvements	12,418,365	12,422,706
Equipment held under capital leases	63,762	321,879
Furniture and equipment	4,908,132	3,919,212
	66,166,196	65,439,734
Less accumulated depreciation	(16,874,227)	(15,415,062)
Total property and equipment, net	\$ 49,291,969	\$ 50,024,672

Depreciation and amortization expense totaled \$2,052,070 and \$1,842,808 for the years ended December 31, 2020 and 2019, respectively.

9. 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:

	2020	2019
<i>Subject to expenditure for specified purpose:</i>		
HIV/AIDS	\$ 277,072	\$ 640,932
Family planning and maternal health	2,324,766	3,593,263
Other program uses or locations	7,785,328	7,170,574
	\$ 10,387,166	\$ 11,404,769
Total net assets with donor restrictions	\$ 10,387,166	\$ 11,404,769

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:

	2020	2019
HIV/AIDS program	\$ 363,996	\$ 555,269
Family planning and maternal health program	1,140,160	1,488,945
Other program uses or locations	3,741,159	3,680,590
	\$ 5,245,315	\$ 5,724,804
Total net assets released from restriction due to satisfaction of purpose restrictions	\$ 5,245,315	\$ 5,724,804

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10. 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 2020 and 2019, PSI paid PSI/E approximately \$878,000 and \$947,000, respectively, in subaward expenses. As of December 31, 2020 and 2019, PSI/E owed PSI approximately \$303,000 and \$220,000, 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 2020 and 2019, PSI paid Greenstar approximately \$1.7 million and \$5.0 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 while a SFH Nigeria representative was a board member on the PSI governing Board of Directors until December 31, 2020. For the years ended December 31, 2020 and 2019, PSI paid SFH Nigeria approximately \$3.0 million and \$1.7 million, respectively. SFH Nigeria owed PSI approximately \$343,000 and \$271,000 for the years ended December 31, 2020 and 2019, 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 \$588,000 and \$164,000 for the years ended December 31, 2020 and 2019, respectively. PSI owed PS Kenya approximately \$659,000 and \$0 for the years ended December 31, 2020 and 2019. In 2020 and 2019, payments to PS Kenya were offset by the loan amounts due in the respective years (see Note 2w).

11. Accrued Wages and Benefits

PSI maintains a defined-contribution retirement plan under section 403(b) of the IRS Code. PSI contributes to this plan for eligible employees up to a maximum of 11% in line with the plan documents.

Pension expense for all pension plans aggregated \$2,623,185 and \$2,778,356, respectively for the years ended December 31, 2020 and 2019.

12. 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 offices and warehouses was approximately \$8.4 million and \$9.3 million for the years ended December 31, 2020 and 2019, respectively.

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13. 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 two to 10 years, including renewal options. Future minimum lease income is as follows:

Years ending December 31,

2021	\$ 1,645,058
2022	1,816,667
2023	1,985,347
2024	2,030,031
2025	2,069,865
Thereafter	9,605,079

Total future minimum lease income	\$ 19,152,047
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14. Bonds and Notes Payable

Bonds and notes payable consists of the following at December 31:

	2020	2019
District of Columbia Revenue Bonds Series 2007 tax exempt, secured incurring interest at 3.06% with a maturity date of May 1, 2038	\$ 28,200,000	\$ 28,200,000
Notes payable, taxable incurring interest at 3.40% with a maturity date of February 1, 2031	9,937,755	10,735,919
Total bonds and notes payable	\$ 38,137,755	\$ 38,935,919

PSI uses debt to finance acquiring the building that houses its headquarters operations. Debt is secured by the land, building and its improvements, and is reported at carrying value. As of December 31, 2020 and 2019, PSI was in compliance with all financial debt covenants, including requirements to maintain certain coverage ratios and liquidity ratios, limitations on other debt and certain specified limitations.

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 bonds. The letter was originally scheduled to expire in 2019; however, it was replaced on May 2, 2018 with a Lender Mode Credit Agreement (the Credit Agreement) from a bank. The Credit Agreement requires 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. On April 1, 2019, PSI entered into an interest rate swap agreement to fix the interest rate (see Note 15). Installment payments for the Bonds begin on February 1, 2031 and continue through the maturity date of May 1, 2038.

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The following schedule of amounts due is based on the maturity dates per the debt agreements:

2021	\$	827,612
2022		858,146
2023		889,807
2024		922,636
2025		956,677
Thereafter		33,682,877

Total bonds and notes payable	\$	38,137,755
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Interest expense incurred on total notes payable for the years ended December 31, 2020 and 2019 was \$1,234,714 and \$1,247,126, respectively, of which \$103,483 and \$78,382 respectively is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

PSI has an open-end revolving line of credit with a bank with a maturity date of November 30, 2021. The line of credit was amended on April 23, 2019 to increase amount to \$20 million, and was renewed in March 2020. The line of credit will accrue interest at LIBOR plus 0.95%. There was no outstanding line of credit balance for the years ended December 31, 2020 and 2019.

15. 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. At December 31, 2020, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from calendar year 2031 through 2033, totaled \$38.1 million. The estimated fair value of the interest rate swap agreements was a liability of approximately \$6.1 million and is included in interest rate swap liability in the accompanying consolidated statement of financial position as of December 31, 2020.

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, PSI designates interest rate swaps as cash flow hedges of variable-rate receivables.

For the valuation of the interest rate swap agreements at December 31, 2020, PSI used significant other observable inputs as of the valuation date, including interest rate yield curves. In accordance with ASC 815-10-35-1, the change 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, 2020, the following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges.

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	Carrying Amount of Hedged Liability	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liability
Bonds and Notes Payable		
District of Columbia revenue bonds	\$ 28,200,000	\$ (5,094,799)
Notes payable - taxable	9,937,755	(1,010,051)
Total	\$ 38,137,755	\$ (6,104,850)

As of December 31, 2020, 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	\$ (6,104,850)

16. Revenue

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

	2020	2019
Grants, fees, and donated commodities:		
Cost reimbursable	\$ 413,641,545	\$ 453,449,675
Non-cost reimbursable	5,047,804	4,922,553
	418,689,349	458,372,228
Program income	5,126,148	9,281,691
Social Business sales	25,144,264	24,845,384
Contributions	5,597,532	7,053,021
Other revenue	802,687	404,714
Total operating revenue	\$ 455,359,980	\$ 499,957,038
Commercial rental income	\$ 2,280,186	\$ 2,051,805

17. Paycheck Protection Program Loan

In May 2020, PSI received funds under the Paycheck Protection Program (PPP) of the CARES Act amounting to \$4,334,145. The receipt of the PPP Loan required PSI to, in good faith, certify that the then current economic uncertainty made the loan request necessary to support the ongoing operations of PSI. The receipt of these funds, and the forgiveness of the PPP loan, is dependent on PSI having initially qualified for the PPP loan and qualifying for the forgiveness of such loan based on PSI's adherence to the forgiveness criteria. This amount is reported as a liability in the accompanying consolidated statement of financial position. The obligations under the loan bear

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interest at a rate of 1% per year. Installment payments for principal and interest for the loan begin in December 2020 and continue through the maturity date of May 2022. As permitted by the lender, PSI is not required to begin payments until the Small Business Administration (SBA) has made a final decision on PSI's forgiveness application.

The SBA has stated that all PPP loans in excess of \$2 million, and other PPP loans as appropriate, will be subject to review by the SBA for compliance with PPP requirements. If the SBA determines in the course of its review that PSI lacked an adequate basis for the required certification concerning the necessity of the loan request or the subsequent use of loan proceeds, the SBA will seek repayment of the PPP loan, including interest and potential penalties. While PSI believes the PPP loan was properly obtained, there can be no assurance regarding the outcome of an SBA review and related forgiveness of the PPP loan. (see Note 21).

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>	2020	2019
Financial assets		
Cash and cash equivalents	\$ 89,993,544	\$ 53,818,965
Investments	28,454,194	26,748,476
Trade receivables, net	6,154,281	5,752,104
Grants and contracts receivable, net	56,752,534	63,532,260
Contributions receivable	1,212,171	2,991,584
Due from independent network members	3,228,658	3,884,847
Total financial assets available within one year	\$ 185,795,382	\$ 156,728,236
Less:		
Amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	\$ (10,387,166)	\$ (11,404,769)
Contributions scheduled to be collected in more than one year	(33,000)	(385,896)
Network member receivables due in more than one year	(1,852,992)	(2,552,992)
Total amounts unavailable for general expenditures within one year	(12,273,158)	(14,343,657)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 173,522,224	\$ 142,384,579

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 \$116,682,249 and \$79,468,854 as of December 31, 2020 and 2019, 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 \$16,681,080 and \$18,768,658

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Notes to Consolidated Financial Statements

as of December 31, 2020 and 2019, 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 \$28 million and \$27 million as of December 31, 2020 and 2019, respectively, that could be used to cover cash short-falls as needed. Additionally, PSI also has access to a \$20 million line of credit with a bank, both as of December 31, 2020 and 2019, 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, 2020 and 2019 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. COVID-19 Pandemic Matters

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 virus). On March 11, 2020, the WHO declared the novel coronavirus a global pandemic.

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To further limit health risks associated with the COVID-19 virus, management has had its offices work remotely, where required by local authorities, to mitigate further spread of the virus. PSI is complying with health officials in its host countries and WHO recommendations to do its part in reducing the impact to its employees.

Funding from PSI's U.S. Government and non-U.S. Government grants and cooperative agreements remained robust throughout 2020 with programs still being implemented in the vast majority of PSI's operating locations, albeit in many instances utilizing more regional personnel or remote activities due to travel restrictions globally.

While there has been progress in developing and distributing a COVID-19 vaccine, there continues to be uncertainty around the breadth and duration of the business disruption globally, as well as its impact on the global economy. Nonetheless, PSI will continue to monitor the financial and business implications of the pandemic on its operations and will implement new strategies as appropriate. See Note 18 for information regarding PSI's liquidity and availability of resources.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" was signed into law. Among other things, the CARES Act 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 Small Business Administration (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 harmed by COVID-19.

PSI's management has evaluated the relief provisions of the CARES Act. See Note 16 regarding PPP funding received under the CARES Act.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the Act) was passed, which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. PSI believes that the Act will have no impact on its operations.

21. Subsequent Events

PSI evaluated subsequent events through July 1, 2021 which is the date the consolidated financial statements were available to be issued. There were no events noted that required adjustment or disclosure to the consolidated financial statements other than as follows:

PSI applied for forgiveness of the PPP loan in May 2021. PSI received notification on June 28, 2021 that the SBA approved PSI's PPP loan forgiveness application resulting in no remaining PPP loan balance.

On March 11, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was passed, a \$1.9 trillion stimulus relief package that is intended to provide support to individuals and businesses affected by COVID-19. PSI continues to review the various provisions of the 2021 Act.

Supplemental Schedule

Population Services International
Consolidated Schedule of Revenues by Funding Source
Year ended December 31, 2020

(with summarized comparative financial information for the year ended December 31, 2019)

	Unrestricted					Total Unrestricted	With Donor Restriction	Totals 2020	Totals 2019
	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	\$ 186,022,160	\$ 57,761,793	\$ 121,811,753	\$ 50,667,466	\$ 2,426,177	\$ 418,689,349	\$ -	\$ 418,689,349	\$ 458,372,228
Program income	1,226,764	2,049,245	91,023	548,903	1,210,213	5,126,148	-	5,126,148	9,281,691
Social Business sales	-	-	-	-	25,144,264	25,144,264	-	25,144,264	24,845,384
Other	-	-	-	-	802,687	802,687	-	802,687	404,714
Contributions	-	-	-	-	1,369,820	1,369,820	4,227,712	5,597,532	7,053,021
Total grants, fees, donated commodities, program income, and other support	187,248,924	59,811,038	121,902,776	51,216,369	30,953,161	451,132,268	4,227,712	455,359,980	499,957,038
Investment return	-	-	-	-	1,812,301	1,812,301	-	1,812,301	3,888,944
Net assets released from restrictions	-	-	-	-	5,245,315	5,245,315	(5,245,315)	-	-
Total revenue, gains, and other support	\$ 187,248,924	\$ 59,811,038	\$ 121,902,776	\$ 51,216,369	\$ 38,010,777	\$ 458,189,884	\$ (1,017,603)	\$ 457,172,281	\$ 503,845,982

See accompanying notes to the consolidated financial statements.