



Population Services International

Consolidated Financial Statements and Supplemental Schedule

Years Ended December 31, 2021 and 2020

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, 2021 and 2020

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** (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 Consolidated 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.



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

June 28, 2022

**Consolidated
Financial Statements**

Population Services International

Consolidated Statements of Financial Position

<i>December 31,</i>	2021	2020
Assets		
Cash and cash equivalents (notes 2c and 3)	\$ 100,647,720	\$ 89,993,544
Investments (notes 2e and 4)	30,827,856	28,454,194
Trade receivables, net (notes 2f and 5)	5,749,864	6,154,281
Grants and contracts receivable, net (notes 2g and 6)	40,874,621	56,752,534
Inventory (note 2h)	28,219,366	57,159,487
Advances to third-party recipients (note 2i)	13,940,081	20,099,626
Prepaid expenses (note 2i)	5,539,784	14,800,536
Other assets (note 2i)	12,704,713	11,594,963
Contributions receivable (notes 2o)	3,067,901	1,212,171
Due from independent network members (note 2w)	2,528,658	3,228,658
Property and equipment, net (notes 2j, 2k, 7, 13, and 14)	47,884,264	49,291,969
Total assets	\$ 291,984,828	\$ 338,741,963
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 8,912,935	\$ 11,201,675
Interest rate swap (note 11)	3,832,235	6,104,850
Paycheck Protection Program (PPP) Loan (note 9)	-	4,334,145
Accrued expenses	15,517,784	23,944,635
Accrued wages and benefits (note 8)	21,630,633	21,963,869
Refundable grant and fee advances (notes 2p and 6)	101,775,388	116,682,249
Deferred commodities (note 2h)	19,523,508	46,555,319
Refundable program income (note 2q)	18,372,817	16,681,080
Bonds and notes payable (note 10)	37,310,143	38,137,755
Total liabilities	226,875,443	285,605,577
Commitments and contingencies (notes 2d, 8, 9, 10, 11, and 13)		
Net assets		
Without donor restrictions (note 2l)	52,344,489	42,749,220
With donor restrictions (note 2l)	12,764,896	10,387,166
Total net assets	65,109,385	53,136,386
Total liabilities and net assets	\$ 291,984,828	\$ 338,741,963

See accompanying notes to the consolidated financial statements.

Population Services International

Consolidated Statements of Activities

<i>For the years ended December 31,</i>	2021			2020		
	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	\$ 180,307,484	\$ -	\$ 180,307,484	\$ 187,248,924	\$ -	\$ 187,248,924
Non-U.S. governments	47,104,794	-	47,104,794	59,811,038	-	59,811,038
International organizations	103,666,383	-	103,666,383	121,902,776	-	121,902,776
Foundations and corporations	60,631,088	-	60,631,088	51,216,369	-	51,216,369
Other	54,577,637	-	54,577,637	29,583,341	-	29,583,341
Contributions (note 2o)	2,071,590	5,720,439	7,792,029	1,369,820	4,227,712	5,597,532
Total grants, fees, donated commodities, program income, and other support (note 12)	448,358,976	5,720,439	454,079,415	451,132,268	4,227,712	455,359,980
Investment return, net	2,435,074	-	2,435,074	1,812,301	-	1,812,301
Net assets released from restrictions	3,342,709	(3,342,709)	-	5,245,315	(5,245,315)	-
Total revenue, gains, and other support	454,136,759	2,377,730	456,514,489	458,189,884	(1,017,603)	457,172,281
Expenses:						
Program services	405,755,055	-	405,755,055	422,151,475	-	422,151,475
Management and general	38,291,023	-	38,291,023	32,387,655	-	32,387,655
Fundraising	1,249,248	-	1,249,248	899,839	-	899,839
Total expenses	445,295,326	-	445,295,326	455,438,969	-	455,438,969
Change in net assets before commercial rent, foreign currency gain (loss), and gain (loss) on interest rate swap	8,841,433	2,377,730	11,219,163	2,750,915	(1,017,603)	1,733,312
Commercial rental income	2,130,319	-	2,130,319	2,280,186	-	2,280,186
Commercial rental expense	(2,062,442)	-	(2,062,442)	(2,220,487)	-	(2,220,487)
Realized foreign currency transaction (loss) gain (note 2n)	(1,476,733)	-	(1,476,733)	1,791,439	-	1,791,439
Unrealized foreign currency translation loss (note 2n)	(109,923)	-	(109,923)	(1,984,113)	-	(1,984,113)
Gain (loss) on interest rate swap (note 11)	2,272,615	-	2,272,615	(3,012,057)	-	(3,012,057)
Change in net assets	9,595,269	2,377,730	11,972,999	(394,117)	(1,017,603)	(1,411,720)
Net assets, beginning of year	42,749,220	10,387,166	53,136,386	43,143,337	11,404,769	54,548,106
Net assets, end of year	\$ 52,344,489	\$ 12,764,896	\$ 65,109,385	\$ 42,749,220	\$ 10,387,166	\$ 53,136,386

See accompanying notes to the consolidated financial statements.

Population Services International

Consolidated Schedule of Functional Expenses Year ended December 31, 2021

	Program Services	Supporting Services			Commercial Building	Totals 2021
		Management and General	Fundraising	Total		
Salaries and related expenses	\$ 111,100,741	\$ 22,419,865	\$ 897,970	\$ 23,317,835	\$ -	\$ 134,418,576
Travel	19,476,258	195,568	9,068	204,636	-	19,680,894
Consultants and contracts	30,493,092	3,516,653	215,731	3,732,384	-	34,225,476
Furniture and equipment	6,558,288	1,207,536	2,038	1,209,574	-	7,767,862
Commodities	99,318,224	738	-	738	-	99,318,962
Subrecipients	80,520,490	482,173	-	482,173	-	81,002,663
Promotions and advertising	14,189,338	8,625	-	8,625	-	14,197,963
Office costs	18,199,767	8,983,538	118,557	9,102,095	1,214,251	28,516,113
Other direct and indirect costs	25,823,211	84,944	5,884	90,828	-	25,914,039
Total expenses before depreciation	405,679,409	36,899,640	1,249,248	38,148,888	1,214,251	445,042,548
Depreciation and amortization	75,646	1,391,383	-	1,391,383	848,191	2,315,220
Total expenses	\$ 405,755,055	\$ 38,291,023	\$ 1,249,248	\$ 39,540,271	\$ 2,062,442	\$ 447,357,768

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
		Management and General	Fundraising	Total		
Salaries and related expenses	\$ 123,344,888	\$ 23,794,928	\$ 516,492	\$ 24,311,420	\$ -	\$ 147,656,308
Travel	18,193,253	365,300	31,417	396,717	-	18,589,970
Consultants and contracts	27,452,382	3,225,638	331,001	3,556,639	-	31,009,021
Furniture and equipment	5,658,197	632,837	765	633,602	-	6,291,799
Commodities	102,084,541	221	-	221	-	102,084,762
Subrecipients	84,387,320	547,345	-	547,345	-	84,934,665
Promotions and advertising	14,698,224	2,117	-	2,117	-	14,700,341
Office costs	21,422,471	2,411,090	19,776	2,430,866	1,564,458	25,417,795
Other direct and indirect costs	24,806,600	115,737	388	116,125	-	24,922,725
Total expenses before depreciation	422,047,876	31,095,213	899,839	31,995,052	1,564,458	455,607,386
Depreciation and amortization	103,599	1,292,442	-	1,292,442	656,029	2,052,070
Total expenses	\$ 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 Statements of Cash Flows

<i>For the years ended December 31,</i>	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 11,972,999	\$ (1,411,720)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	2,315,220	2,052,070
Change in allowance for receivables	(1,820,436)	1,829,093
Bad debt expense	1,368,517	821,615
Loss on disposal of property and equipment	121,871	9,304
Realized and unrealized gain on investments, net	(1,662,657)	(1,063,552)
Stock received in lieu of cash payment	(11,029,345)	(14,608,812)
Payroll Protection Program (PPP) Loan forgiveness	(4,334,145)	-
Change in assets and liabilities		
Trade receivables	(183,483)	(355,898)
Grants and contracts receivable	16,917,732	4,082,739
Inventory	28,940,121	6,606,261
Advances, prepaid expenses, and other assets	13,755,761	(656,145)
Contributions receivable	(1,855,730)	1,779,413
Due from independent network members	700,000	656,189
Accounts payable, accrued expenses, and interest rate swap	(12,990,944)	(9,300,064)
Accrued wages and benefits	(333,236)	(1,364,362)
Refundable grant and fee advances	(14,906,861)	37,213,395
Deferred commodities	(27,031,811)	(4,648,237)
Refundable program income	1,691,737	(2,087,578)
Net cash provided by operating activities	1,635,310	19,553,711
Cash flows from investing activities:		
Purchases of property and equipment	(474,600)	(1,001,929)
Purchases of investments	(12,974,822)	(21,205,600)
Proceeds from sale and maturity of investments	23,293,162	35,172,246
Net cash provided by investing activities	9,843,740	12,964,717
Cash flows from financing activities:		
Loan from Payroll Protection Program (PPP)	-	4,334,145
Repayments on notes payable	(827,612)	(798,164)
Decrease in capital lease obligations	2,738	120,170
Net cash (used in) provided by financing activities	(824,874)	3,656,151
Net increase in cash and cash equivalents	10,654,176	36,174,579
Cash and cash equivalents, beginning of year	89,993,544	53,818,965
Cash and cash equivalents, end of year	\$ 100,647,720	\$ 89,993,544
Non-cash supplemental data		
Non-cash PPP loan forgiveness	\$ 4,334,415	\$ -

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. PSI focuses on global health, including the areas of sexual and reproductive health, malaria, HIV/AIDS, water, sanitation, and hygiene. PSI approaches care from the consumers' perspective, providing life-saving information, products, and services to tackle some of the world's most pressing health problems so that people can lead healthier, happier, and more productive lives. PSI aims to make universal health coverage more of a reality, by improving the market for products and services, and by developing solutions that are affordable, convenient, and effective.

PSI operates in over 40 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 through at least two of the following: 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 Bangladesh²</i>
Benin	<i>Association Béninoise pour le Marketing Social (ABMS)</i>
Benin	<i>PSI Benin</i>
Burundi	<i>PSI Burundi</i>

Population Services International

Notes to Consolidated Financial Statements

Country	Legal Name of Entity¹
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 Salvador)</i>
El Salvador	<i>PSI El Salvador</i>
Eswatini	<i>PSI Eswatini</i>
Ethiopia	<i>PSI Ethiopia</i>
Ethiopia	<i>PSI Ethiopia IGA</i>
Ghana	<i>PSI Ghana</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)⁵</i>
Honduras	<i>PSI Honduras</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)⁹</i>
Kenya	<i>PSI Kenya</i>
Kenya	<i>Vive Kenya</i>
Kyrgyzstan	<i>PSI Kyrgyzstan⁹</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 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 Sociedad Anónima (PASMO S.A.) Panama</i>
Papua New Guinea	<i>PSI Papua New Guinea⁷</i>

Population Services International

Notes to Consolidated Financial Statements

Country	Legal Name of Entity ¹
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 Sudan⁸</i>
Tajikistan	<i>PSI Tajikistan⁹</i>
Tanzania	<i>PSI Tanzania</i>
Trinidad and Tobago	<i>PSI Caribbean¹⁰</i>
Uganda	<i>Programme for Accessible Health, Communication & Education (PACE)⁴</i>
Uganda	<i>PSI Uganda</i>
Vietnam	<i>PSI Vietnam</i>
Zambia	<i>Society for Family Health Zambia⁶</i>
Zimbabwe	<i>PSH Zimbabwe¹¹</i>
Zimbabwe	<i>PSI Zimbabwe</i>

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

² PSI Bangladesh ended programmatic activities in 2021

³ PSI India was deconsolidated 2021

⁴ PACE Uganda was deconsolidated in 2021

⁵ OHMaSS Haiti ended programmatic activities in 2021

⁶ Society for Family Health Zambia ended programmatic activities in 2021

⁷ PSI Papua New Guinea ended programmatic activities in 2020

⁸ PSI South Sudan ended programmatic activities in 2021

⁹ PSI Central Asia ended programmatic activities in 2020

¹⁰ PSI Caribbean ended programmatic activities in 2021

¹¹ PSH Zimbabwe was deconsolidated in 2021

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>
India	<i>PSI India¹</i>
Ghana	<i>Total Family Health Organization</i>
Kenya	<i>Population Services Kenya (PS Kenya)</i>
Myanmar	<i>LPK Myanmar</i>
Latin America	<i>Asociación Panamericana de Mercadeo Social (Asociación PASMO)¹</i>
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>
Uganda	<i>PACE Uganda²</i>
Zimbabwe	<i>PSH Zimbabwe³</i>

¹ PSI India was deconsolidated in 2021

² PACE Uganda was deconsolidated in 2021

³ PSH Zimbabwe was deconsolidated in 2021

Population Services International

Notes to Consolidated Financial Statements

(c) *Cash and Cash Equivalents*

Cash and cash equivalents were \$100,647,720 and \$89,993,544 at December 31, 2021 and 2020, respectively and includes \$12,233,714 and \$6,244,802 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 Deposit Insurance Corporation Act (FDIC). Amounts held in excess of the FDIC limits were \$69,573,368 and \$64,823,833 at December 31, 2021 and 2020, 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 and therefore is subject to varying levels of political and economic volatility across those operations. 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 factors as collection history. The allowance for doubtful accounts totaled \$1,065,971 and \$756,341 for the years ended December 31, 2021 and 2020, respectively.

Population Services International
Notes to Consolidated Financial Statements

(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 \$4,331,560 and \$2,511,124 for the years ended December 31, 2021 and 2020, respectively.

(h) Inventory

PSI has products such as condoms, long-lasting insecticide-treated nets (LLINs), and family planning products 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, 2021 and 2020 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>	2021	2020
Inventory from grantors	\$ 19,523,508	\$ 46,555,319
Social Business inventory	8,695,858	10,604,168
	\$ 28,219,366	\$ 57,159,487

A deferred commodity balance exists for all donor-funded inventory purchased or donated that has not yet been distributed. Deferred commodities totaled \$19,523,508 and \$46,555,319 for the years ended December 31, 2021 and 2020, respectively.

(i) Advances, Prepaid Expenses, and Other Assets

Advances to third party recipients 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.

(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. Land is not depreciated

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or amortized. 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, 2021 and 2020.

(l) *Net Assets*

In accordance with the provisions of FASB 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.

PSI's net assets include the following as of December 31:

	2021	2020
Undesignated - Without Donor Restrictions	\$ 52,344,489	\$ 42,749,220
Restricted for Specific Purposes - With Donor Restrictions	12,764,896	10,387,166
	\$ 65,109,385	\$ 53,136,386

(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

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both federal and foreign governments, as well as from large international donors with longstanding relationships with PSI. Approximately 52% of PSI's revenues in 2021 resulted from grants and contracts with two parties, including the U.S. government. Approximately 58% of PSI's revenues in 2020 resulted from grants and contracts with two parties, including the U.S. government. At December 31, 2021 and 2020, approximately 85% and 42% 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 statements of activities. Transaction losses in 2021 were primarily due to volatility in the Myanmar Kyat. Transaction gains in 2020 were primarily due to volatility in the Haitian Gourde and the Great British Pound.

(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 present value if the due date extends beyond one year.

Unconditional promises to give at December 31, 2021 and 2020 were \$3,067,901 and \$1,212,171, respectively and considered fully collectible within three years. As of December 31, 2021 and 2020 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, 2021 or 2020.

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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 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, 2021 and 2020, PSI had remaining available award balances on grants and contracts for sponsored projects of \$377,855,893 and \$360,623,055, 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 \$83,360,454 and \$85,177,024 as of December 31, 2021 and 2020, respectively.

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

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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)* and recognized at a point in time when the transaction occurs.

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, fees and donated commodities revenue. PSI received \$15,787,837 and \$23,784,357 of donated commodities, equipment, and services for the years ended December 31, 2021 and 2020, respectively.

(t) Functional Expenses

Operating expenses are allocated to program and support categories based on separate activity types as defined below. PSI accounts for its functional expenditures in the following categories:

- **Program services:** Expenditures related to the broad spectrum of activities and actions critical to advancing PSI's mission. Such as, expenditures related to ensure universal access to sexual and reproductive health services, to increase access to effective malaria prevention and to affordable water, sanitation, and hygiene products and services, to bring healthcare for HIV and TB to those who need it as well as expenditures related to prevent cervical cancer, cardiovascular disease, and other non-communicable diseases.
- **Management and general:** Expenditures related to building and maintaining an efficient business infrastructure which provide for the overall support and direction for PSI.
- **Fundraising:** Expenditures related to fund-raising strategies that provide the revenue for operations to further PSI's mission.

The costs of providing programs and other activities have been summarized on a natural and functional basis in the consolidated statements of activities. Expenses that can be identified directly to a program and support service are charged according to their natural expenditure classifications. Management and general expenses include those costs that are not directly identifiable with any specific function. Certain expenses are attributable to more than one functional expenses category and require allocation on a reasonable basis that is consistently applied. Some direct field costs not readily attributable to a single project including rent and

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administrative support are allocated based on approved cost drivers indicative of level of efforts.

(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 year ended December 31, 2021 PSI paid \$34,000 for the previous year's 2020 income tax liabilities. In 2021, PSI did not make any payments towards its 2021 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 2018.

There were no material interest or penalties recorded for the years ended December 31, 2021 and 2020, 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, 2021, 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*

For the years ended December 31, 2021 and 2020, PS Kenya owed PSI \$2,528,658 and \$3,228,658, respectively.

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(x) *Reclassifications*

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods. The reclassifications had no impact on previously reported change in net assets.

(y) *Accounting Pronouncements to be Adopted*

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This update, along with related ASU's establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. The ASU is effective for PSI's year end December 31, 2022. Management is currently evaluating the impact of these ASUs on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and requires additional disclosures related to contributed nonfinancial assets. This ASU must be applied on a retrospective basis and is effective for PSI's year end December 31, 2022 consolidated financial statements. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

PSI has assessed other accounting pronouncements issued or effecting during the years ended December 31, 2021 and 2020, and deemed they were not applicable to PSI and are not anticipated to have a material effect on the consolidated financial statements.

3. Funds Maintained in Foreign Accounts

Certain items reflected in the consolidated statements of financial position, including cash and cash equivalents of \$15,691,524 and \$13,517,987 in local currencies at December 31, 2021 and 2020, respectively, and \$14,632,828 and \$10,881,051 in U.S. dollars, Canadian dollars, British Pounds, or Euros at December 31, 2021 and 2020, 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

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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.

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, 2021 and 2020, 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 interest rate swap liability approximates its carrying amount, which represents the amount PSI would pay to exit the swap agreement, taking into account current interest rates. Given the swap does not have a quoted market price and is not actively traded, its valuation is based on Level 3 inputs within the hierarchy used in measuring fair value.

The table below presents the balances of investments measured at fair value on a recurring basis by hierarchy level at December 31, 2021 and 2020, respectively:

	2021		
	Level 1	Level 2	Level 3
Equity mutual funds and exchange traded funds	\$ 16,108,709	\$ -	\$ -
Fixed income mutual funds and exchange traded funds	5,910,329	-	-
Fixed income securities	8,808,818	-	-
Total investments	\$ 30,827,856	\$ -	\$ -
Interest rate swap liability	\$ -	\$ -	\$3,832,235

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	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	\$ 28,454,194	\$ -	\$ -
Interest rate swap liability	\$ -	\$ -	\$ 6,104,850

5. Trade Receivables

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

	2021	2020
Trade receivables	\$ 6,815,835	\$ 6,910,622
Less allowance for doubtful accounts	(1,065,971)	(756,341)
Total trade receivables, net	\$ 5,749,864	\$ 6,154,281

6. 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:

	2021	2020
Billed	\$ 13,229,117	\$ 23,954,016
Unbilled	31,977,064	35,309,642
	45,206,181	59,263,658
Less allowance for doubtful accounts	(4,331,560)	(2,511,124)
Total grants and contracts receivable, net	\$ 40,874,621	\$ 56,752,534
U.S. government	21,016,663	38,570,108
Non-U.S. governments	7,580,062	10,370,045
International organizations	9,472,001	4,478,032
Foundations and corporations	7,137,455	5,845,473
	45,206,181	59,263,658
Less allowance for doubtful accounts	(4,331,560)	(2,511,124)
Total grants and contracts receivable, net	\$ 40,874,621	\$ 56,752,534

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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:

	2021	2020
U.S. government	\$ 8,171,959	\$ 2,821,304
Non-U.S. governments	18,543,400	18,326,242
International organizations	34,660,223	54,345,787
Foundations and corporations	40,399,806	41,188,916
Total refundable grant and fee advances	\$ 101,775,388	\$ 116,682,249

7. Property and Equipment

Property and Equipment consisted of the following at December 31:

	2021	2020
Land	\$ 24,829,978	\$ 24,829,978
Building	23,945,959	23,945,959
Leasehold improvements	12,428,215	12,418,365
Equipment held under capital leases	13,212	63,762
Furniture and equipment	4,833,018	4,908,132
	66,050,382	66,166,196
Less accumulated depreciation	(18,166,118)	(16,874,227)
Total property and equipment, net	\$ 47,884,264	\$ 49,291,969

Depreciation and amortization expense totaled \$2,315,220 and \$2,052,070 for the years ended December 31, 2021 and 2020, respectively.

8. 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 10% in line with the plan documents.

Pension expense for all pension plans aggregated \$1,581,886 and \$2,623,185, respectively for the years ended December 31, 2021 and 2020.

9. 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 balance was forgiven during the year ended December 31, 2021 and is

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reported as loan forgiveness within the consolidated statements of activities. In addition, due to the nature of PSI's Federal awards, PSI was required to credit the forgiven PPP loan amount to their indirect expense pools for the year ended December 31, 2021.

The Small Business Administration (the SBA) has stated that all PPP loans in excess of \$2 million, and other PPP loans as appropriate, will be subject to potential audit by the SBA for compliance with PPP requirements over a ten-year lookback period. If the SBA were to determine 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 a potential SBA audit.

10. Bonds and Notes Payable

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

	2021	2020
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	9,110,143	9,937,755
Total bonds and notes payable	\$ 37,310,143	\$ 38,137,755

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, 2021 and 2020, 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.

On April 1, 2019, PSI entered into an interest rate swap agreement to fix the interest rate (see Note 11). Installment payments for the bonds begin on February 1, 2031 and continue through the maturity date of May 1, 2038.

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

2022	\$ 858,146
2023	889,807
2024	922,636
2025	956,677
2026	991,973
Thereafter	32,690,904
Total bonds and notes payable	\$ 37,310,143

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Interest expense incurred, which includes cash payments made on interest, on total notes payable for the years ended December 31, 2021 and 2020 was \$1,203,339 and \$1,234,714, respectively, of which \$101,273 and \$103,483 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 (the LOC) with a bank. The LOC expired on November 30, 2021, and in January 2022 was extended through November 30, 2023. The line-of-credit was originally for \$20 million and then was amended in April 2022 to decrease the amount to \$18 million at PSI's request. The line-of-credit will accrue interest at Secured Overnight Financing Rate (SOFR) plus 1.06%. There was no outstanding line-of-credit balance for the years ended December 31, 2021, and 2020.

11. 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, 2021, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from calendar year 2031 through 2033, totaled \$37.3 million. The estimated fair value of the interest rate swap agreements was a liability of approximately \$3.8 million and is included in interest rate swap liability in the accompanying consolidated statements of financial position as of December 31, 2021.

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, 2021, 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, 2021, the following amounts were recorded on the consolidated statements of financial position 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
Bonds and Notes Payable		
District of Columbia revenue bonds	\$ 28,200,000	\$ (3,316,427)
Notes payable - taxable	9,110,143	(515,808)
Total	\$ 37,310,143	\$ (3,832,235)

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As of December 31, 2021, the total notional amount of PSI's pay-fixed/receive-variable interest rate swaps was \$28,200,000.

	Consolidated Statement of Financial Position Location	Fair Value
Interest Rate Agreement	Interest rate swap	\$ (3,832,235)

12. Revenue

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

	2021	2020
Grants, fees, and donated commodities:		
Cost reimbursable	\$ 386,972,298	\$ 413,641,545
Non-cost reimbursable	17,573,653	5,047,804
	404,545,951	418,689,349
Program income	3,461,257	5,126,148
Social Business sales	33,693,119	25,144,264
Contributions	7,792,029	5,597,532
Other revenue	4,587,059	802,687
	\$ 454,079,415	\$ 455,359,980
Commercial rental income	\$ 2,130,319	\$ 2,280,186

13. 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 \$6.7 million and \$8.4 million for the years ended December 31, 2021 and 2020, respectively.

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14. 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,

2022	\$ 2,140,381
2023	2,271,187
2024	2,323,017
2025	2,370,176
2026	2,380,529
Thereafter	7,532,369

Total future minimum lease income	\$ 19,017,659
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15. 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>	2021	2020
Financial assets		
Cash and cash equivalents	\$ 100,647,720	\$ 89,993,544
Investments	30,827,856	28,454,194
Trade receivables, net	5,749,864	6,154,281
Grants and contracts receivable, net	40,874,621	56,752,534
Contributions receivable	3,067,901	1,212,171
Due from independent network members	2,528,658	3,228,658
Total financial assets available within one year	\$ 183,696,620	\$ 185,795,382
Less:		
Amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	\$ (12,764,896)	\$ (10,387,166)
Contributions scheduled to be collected in more than one year	(1,458,444)	(33,000)
Network member receivables due in more than one year	(1,384,949)	(1,852,992)
Total amounts unavailable for general expenditures within one year	(15,608,289)	(12,273,158)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 168,088,331	\$ 173,522,224

Population Services International

Notes to Consolidated Financial Statements

PSI's operations are primarily funded by grants, contracts, and contributions from various funders, some of which are restricted for purpose. For some funders, PSI receives funding in advance of program expense incurred, which is classified on the statement of financial position as \$101,775,388 and \$116,682,249 as of December 31, 2021 and 2020, 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 \$18,372,817 and \$16,681,080 as of December 31, 2021 and 2020, 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 \$31 million and \$28 million as of December 31, 2021 and 2020, respectively, that could be used to cover cash short-falls as needed. Additionally, PSI also has access to an \$18 million line-of-credit with a bank that can be drawn on if needed.

16. Related Party Transactions

PSI Europe (PSI/E) was formed in 1996 as an independently governed organization that is not consolidated in the accompanying financial statements. PSI appointed one of three founding members to the Board of PSI/E. During 2021 and 2020, PSI paid PSI/E approximately \$807,000 and \$878,000, respectively, in sub-award expenses. As of December 31, 2021 and 2020, PSI/E owed PSI approximately \$144,000 and \$303,000, 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 2021 and 2020, PSI paid Greenstar approximately \$689,000 and \$1.7 million, respectively, in subaward expenses.

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, 2021 and 2020, PSI paid SFH Nigeria approximately \$3.4 million and \$3.0 million, respectively and in 2021, SFH Nigeria paid PSI approximately \$217,000. SFH Nigeria owed PSI approximately \$1,119,842 and \$343,000 for the years ended December 31, 2021 and 2020, respectively.

PSI representatives are on the PS Kenya governing Board of Directors and support PS Kenya management. PSI paid PS Kenya approximately \$3.4 million and \$588,000 for the years ended December 31, 2021 and 2020, respectively. PSI owed PS Kenya approximately \$735,000 and \$659,000 for the years ended December 31, 2021 and 2020. In 2021 and 2020, payments to PS Kenya were offset by the loan amounts due in the respective years (see Note 2w).

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Notes to Consolidated Financial Statements

Effective January 1, 2021, PACE Uganda became an independently governed organization. In accordance with authoritative guidance on consolidation, PACE Uganda's financial transactions are no longer consolidated for financial reporting purposes. PSI representatives are Board members of PACE Uganda. For the year ended December 31, 2021, PACE Uganda paid PSI approximately \$36,000.

Effective October 1, 2021, PSH Zimbabwe became an independently governed organization. In accordance with authoritative guidance on consolidation, PSH Zimbabwe's financial transactions are no longer consolidated for financial reporting purposes. PSI representatives are Board members of PSH Zimbabwe. For the year ended December 31, 2021, PSI paid PSH Zimbabwe approximately \$8.3 million and PSH Zimbabwe owed PSI approximately \$7.1 million.

17. 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, 2021 and 2020.

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, there have been no material events occurring in previous years.

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

18. Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a new strain of coronavirus. As a result of the risks to the international community as the virus has spread globally beyond its point of origin, on March 11, 2020 the WHO declared the novel coronavirus a global pandemic.

Despite the impact of COVID-19 on the global supply chain and economies, PSI has been able to continue implementation of program activities in both 2021 and in 2020. While the ongoing impact of COVID-19 is still uncertain, PSI does not expect a material impact on its operations and financial results.

Population Services International
Notes to Consolidated Financial Statements

19. Subsequent Events

PSI evaluated subsequent events through June 28, 2022 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 except the extension of the line-of-credit as disclosed in Note 10.

Supplemental Schedule

Population Services International
Consolidated Schedule of Revenues by Funding Source

Year ended December 31, 2021

(with summarized comparative financial information for the year ended December 31, 2020)

	Unrestricted					Total Unrestricted	With Donor Restriction	Totals 2021	Totals 2020
	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	\$ 179,601,873	\$ 45,194,306	\$ 103,531,433	\$ 60,420,613	\$ 15,797,727	\$ 404,545,952	\$ -	\$ 404,545,952	\$ 418,689,349
Program income	705,611	1,910,488	134,950	210,475	499,733	3,461,257	-	3,461,257	5,126,148
Enterprise-Funded sales	-	-	-	-	33,693,118	33,693,118	-	33,693,118	25,144,264
Other	-	-	-	-	4,587,059	4,587,059	-	4,587,059	802,687
Contributions	-	-	-	-	2,071,590	2,071,590	5,720,439	7,792,029	5,597,532
Total grants, fees, donated commodities, program income, and other support	180,307,484	47,104,794	103,666,383	60,631,088	56,649,227	448,358,976	5,720,439	454,079,415	455,359,980
Investment return	-	-	-	-	2,435,074	2,435,074	-	2,435,074	1,812,301
Net assets released from restrictions	-	-	-	-	3,342,709	3,342,709	(3,342,709)	-	-
Total revenue, gains, and other support	\$ 180,307,484	\$ 47,104,794	\$ 103,666,383	\$ 60,631,088	\$ 62,427,010	\$ 454,136,759	\$ 2,377,730	\$ 456,514,489	\$ 457,172,281

See accompanying notes to the consolidated financial statements.