



Population Services International

Consolidated Financial Statements Years Ended December 31, 2022 and 2021

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 Years Ended December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases* on January 1, 2022. Our opinion is not modified with respect to this matter.

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.

BDO USA, LLP

June 16, 2023

Consolidated Financial Statements

Population Services International
Consolidated Statements of Financial Position

<i>December 31,</i>	2022	2021
Assets		
Cash and cash equivalents (notes 2c and 3)	\$ 72,371,668	\$ 100,647,720
Investments (notes 2e and 4)	30,892,158	30,827,856
Trade receivables, net (notes 2f)	8,755,332	5,749,864
Interest rate swap asset (note 10)	2,032,818	-
Grants and contracts receivable, net (notes 2g and 5)	39,875,475	40,874,621
Inventory (note 2h)	31,795,593	28,219,366
Advances to third-party recipients (note 2i)	19,817,282	13,940,081
Prepaid expenses (note 2i)	5,126,502	5,539,784
Other assets (note 2i)	10,594,680	12,704,713
Contributions receivable (notes 2o)	3,159,809	3,067,901
Due from independent network member	1,800,745	2,528,658
Operating lease right of use assets (note 2w and 12)	3,702,384	-
Property and equipment, net (notes 2j, 2k, 6, 12, and 13)	47,185,153	47,884,264
Total assets	\$ 277,109,599	\$ 291,984,828
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 5,737,458	\$ 8,912,935
Interest rate swap liability (note 10)	-	3,832,235
Accrued expenses	10,949,559	15,517,784
Accrued wages and benefits (note 7)	22,309,831	21,630,633
Refundable grant and fee advances (notes 2p and 5)	94,406,311	101,775,388
Deferred commodities (note 2h)	18,908,508	19,523,508
Refundable program income (note 2q)	16,979,995	18,372,817
Operating lease liabilities (note 12)	3,431,770	-
Bonds and notes payable (note 9)	36,452,653	37,310,143
Total liabilities	209,176,085	226,875,443
Commitments and contingencies (notes 2d, 7, 8, 9, 10, 12, and 16)		
Net assets		
Without donor restrictions (note 2l)	55,275,545	52,344,489
With donor restrictions (note 2l)	12,657,969	12,764,896
Total net assets	67,933,514	65,109,385
Total liabilities and net assets	\$ 277,109,599	\$ 291,984,828

See accompanying notes to the consolidated financial statements.

Population Services International

Consolidated Statements of Activities

<i>For the year ended December 31,</i>	2022			2021		
	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	\$ 203,541,379	\$ -	\$ 203,541,379	\$ 180,307,484	\$ -	\$ 180,307,484
Non-U.S. governments	32,634,049	-	32,634,049	47,104,794	-	47,104,794
International organizations	42,083,558	-	42,083,558	103,666,383	-	103,666,383
Foundations and corporations	53,562,336	-	53,562,336	60,631,088	-	60,631,088
Other	35,686,344	-	35,686,344	54,577,637	-	54,577,637
Contributions (note 2o)	1,277,615	4,151,745	5,429,360	2,071,590	5,720,439	7,792,029
Contributions In-Kind (note 2s)	1,101,202	-	1,101,202	1,057,938	-	1,057,938
Total grants, fees, program income, donated commodities, and other support	369,886,483	4,151,745	374,038,228	449,416,914	5,720,439	455,137,353
Investment return, net	(4,152,470)	-	(4,152,470)	2,435,074	-	2,435,074
Net assets released from restrictions	4,258,672	(4,258,672)	-	3,342,709	(3,342,709)	-
Total revenue, gains, and other support	369,992,685	(106,927)	369,885,758	455,194,697	2,377,730	457,572,427
Expenses:						
Program services	339,686,585	-	339,686,585	406,812,993	-	406,812,993
Management and general	32,461,195	-	32,461,195	38,291,023	-	38,291,023
Fundraising	1,185,435	-	1,185,435	1,249,248	-	1,249,248
Total expenses	373,333,215	-	373,333,215	446,353,264	-	446,353,264
Change in net assets before commercial rent, foreign currency gain (loss), and gain on interest rate swap	(3,340,530)	(106,927)	(3,447,457)	8,841,433	2,377,730	11,219,163
Commercial rental income	2,351,596	-	2,351,596	2,130,319	-	2,130,319
Commercial rental expense	(2,271,454)	-	(2,271,454)	(2,062,442)	-	(2,062,442)
Realized foreign currency transaction loss (note 2n)	(970,831)	-	(970,831)	(1,476,733)	-	(1,476,733)
Unrealized foreign currency translation gain (loss) (note 2n)	1,297,222	-	1,297,222	(109,923)	-	(109,923)
Gain on interest rate swap (note 10)	5,865,053	-	5,865,053	2,272,615	-	2,272,615
Change in net assets	2,931,056	(106,927)	2,824,129	9,595,269	2,377,730	11,972,999
Net assets, beginning of year	52,344,489	12,764,896	65,109,385	42,749,220	10,387,166	53,136,386
Net assets, end of year	\$ 55,275,545	\$ 12,657,969	\$ 67,933,514	\$ 52,344,489	\$ 12,764,896	\$ 65,109,385

See accompanying notes to the consolidated financial statements.

Population Services International

Consolidated Statement of Functional Expenses Year ended December 31, 2022

	Program Services	Supporting Services			Commercial Building	Totals 2022
		Management and General	Fundraising	Total		
Salaries and related expenses	\$ 96,243,761	\$ 23,965,864	\$ 714,815	\$ 24,680,679	\$ -	\$ 120,924,440
Travel	17,389,571	742,614	43,042	785,656	-	18,175,227
Consultants and contracts	21,088,029	2,868,873	324,425	3,193,298	-	24,281,327
Furniture and equipment	4,457,598	1,103,971	-	1,103,971	-	5,561,569
Commodities	51,064,537	(66)	-	(66)	-	51,064,471
Subrecipients	94,924,128	413,759	-	413,759	-	95,337,887
Promotions and advertising	14,397,035	1,130	-	1,130	-	14,398,165
Office costs	13,728,169	1,917,853	94,288	2,012,141	1,606,779	17,347,089
Other direct and indirect costs	26,280,436	109,818	8,865	118,683	-	26,399,119
Total expenses before depreciation and amortization	339,573,264	31,123,816	1,185,435	32,309,251	1,606,779	373,489,294
Depreciation and amortization	113,321	1,337,379	-	1,337,379	664,675	2,115,375
Total expenses	\$ 339,686,585	\$ 32,461,195	\$ 1,185,435	\$ 33,646,630	\$ 2,271,454	\$ 375,604,669

See accompanying notes to the consolidated financial statements.

Population Services International

Consolidated Statement 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	19,597,674	195,568	9,068	204,636	-	19,802,310
Consultants and contracts	30,657,337	3,516,653	215,731	3,732,384	-	34,389,721
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	14,938,228	8,625	-	8,625	-	14,946,853
Office costs	18,223,154	8,983,538	118,557	9,102,095	1,214,251	28,539,500
Other direct and indirect costs	25,823,211	84,944	5,884	90,828	-	25,914,039
Total expenses before depreciation and amortization	406,737,347	36,899,640	1,249,248	38,148,888	1,214,251	446,100,486
Depreciation and amortization	75,646	1,391,383	-	1,391,383	848,191	2,315,220
Total expenses	\$ 406,812,993	\$ 38,291,023	\$ 1,249,248	\$ 39,540,271	\$ 2,062,442	\$ 448,415,706

See accompanying notes to the consolidated financial statements.

Population Services International

Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 2,824,129	\$ 11,972,999
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Depreciation and amortization	2,115,375	2,315,220
Change in allowance for grants and contracts	993,669	(1,820,436)
Bad debt expense	386,358	1,368,517
Loss on disposal of property and equipment	-	121,871
Realized and unrealized loss (gain) on investments, net	5,124,828	(1,662,657)
Stock received in lieu of cash payment	(13,370,222)	(11,029,345)
Payroll Protection Program (PPP) loan forgiveness	-	(4,334,145)
(Increase) decrease in assets:		
Trade receivables	(3,554,838)	(183,483)
Interest rate swap asset	(2,032,818)	-
Grants and contracts receivable	168,489	16,917,732
Inventory	(3,576,227)	28,940,121
Advances, prepaid expenses, and other assets	(3,711,705)	13,755,761
Contributions receivable	(91,908)	(1,855,730)
Due from independent network members	727,913	700,000
Right of use assets	(3,702,384)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(7,743,703)	(10,715,591)
Interest rate swap liability	(3,832,235)	(2,272,615)
Accrued wages and benefits	679,200	(333,236)
Refundable grant and fee advances	(7,369,077)	(14,906,861)
Deferred commodities	(615,000)	(27,031,811)
Refundable program income	(1,392,822)	1,691,737
Lease liabilities	3,431,770	-
Net cash (used in) provided by operating activities	(34,541,208)	1,638,048
Cash flows from investing activities:		
Purchase of property and equipment	(1,058,446)	(474,600)
Purchase of investments	(20,455,077)	(12,974,822)
Proceeds from sales and maturity of investments	28,636,169	23,293,162
Net cash provided by investing activities	7,122,646	9,843,740
Cash flows from financing activities:		
Repayments on notes payable	(857,490)	(827,612)
Net cash used in financing activities	(857,490)	(827,612)
Net (decrease) increase in cash and cash equivalents	(28,276,052)	10,654,176
Cash and cash equivalents, beginning of year	100,647,720	89,993,544
Cash and cash equivalents, end of year	\$ 72,371,668	\$ 100,647,720
Supplemental data:		
Cash paid for interest	\$ 1,035,391	\$ 1,102,066
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 the following: either a majority voting interest in the Board of Directors or a majority source of funding. All significant intercompany balances and transactions have been eliminated in consolidation.

Population Services International

Notes to Consolidated Financial Statements

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>
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 (PASMO S.A.)</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)³</i>
Honduras	<i>PSI Honduras</i>
Honduras	<i>Organización Panamericana de Mercadeo Social (Honduras) S.A. de C.V.</i>
India	<i>PSI India⁴</i>
India	<i>PSI India IPL</i>
Kenya	<i>PSI Kenya</i>
Kenya	<i>Vive Kenya</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>
Malawi	<i>Family Health Services (FHS) Malawi⁵</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>

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Notes to Consolidated Financial Statements

Country	Legal Name of Entity ¹
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>
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 Sudan⁶</i>
Tanzania	<i>PSI Tanzania</i>
Trinidad and Tobago	<i>PSI Caribbean⁷</i>
Uganda	<i>Programme for Accessible Health, Communication & Education (PACE)⁸</i>
Uganda	<i>PSI Uganda</i>
Vietnam	<i>PSI Vietnam</i>
Zambia	<i>Society for Family Health Zambia⁹</i>
Zimbabwe	<i>PSH Zimbabwe¹⁰</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 OHMaSS Haiti ended programmatic activities in 2021

⁴ PSI India was deconsolidated 2021

⁵ FHS Malawi was deconsolidated 2022

⁶ PSI South Sudan ended programmatic activities in 2021

⁷ PSI Caribbean ended programmatic activities in 2021

⁸ PACE Uganda was deconsolidated in 2021

⁹ Society for Family Health Zambia ended programmatic activities in 2021

¹⁰ PSH Zimbabwe was deconsolidated in 2021

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Notes to Consolidated Financial Statements

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)</i>
Malawi	<i>Family Health Services (FHS) Malawi⁴</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*

⁴ *FHS Malawi was deconsolidated in 2022*

(c) *Cash and Cash Equivalents*

Cash and cash equivalents total \$72,371,668 and \$100,647,720 at December 31, 2022 and 2021, respectively, and includes \$6,598,282 and \$12,233,714 of money market accounts and liquid investments with original maturities of three months or less.

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 \$44,118,024 and \$69,573,368 at December 31, 2022 and 2021, 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.

(d) *Financial Risks*

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.

Population Services International
Notes to Consolidated Financial Statements

(e) Investments

Investments are measured and reported at fair value or at the net asset value (NAV) in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 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 in hedge funds are measured and reported at NAV determined by the fund management. The practical expedient guidance contained in ASC 820 permits the use of NAV without adjustment under certain circumstances, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. In accordance with FASB Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, NAV in many instances may not equal fair value that would be calculated pursuant to ASC 820.

Donated stocks are reported at their fair value as of the date of donation and are immediately liquidated upon receipt. Sales are reflected on a trade-date basis.

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

<i>December 31,</i>	2022	2021
Trade receivables	\$ 9,954,166	\$ 6,815,835
Less allowance for doubtful accounts	(1,198,834)	(1,065,971)
	\$ 8,755,332	\$ 5,749,864

(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 \$3,337,891 and \$4,331,560 for the years ended December 31, 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements

(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 in, first out method. Inventory as of December 31, 2022 and 2021 does not include obsolete inventory. 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>	2022	2021
Inventory from grantors	\$ 18,908,508	\$ 19,523,508
Social Business inventory	12,887,085	8,695,858
	\$ 31,795,593	\$ 28,219,366

A deferred commodity balance exists for all donor-funded inventory purchased or donated that has not yet been distributed. Deferred commodities totaled \$18,908,508 and \$19,523,508 for the years ended December 31, 2022 and 2021, 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 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, 2022 and 2021.

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(l) Net Assets

In accordance with the provisions of 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 where the stipulations are expected to be met either by actions of PSI and/or the passage of time and net assets where the principal amount must be maintained in perpetuity.

When a purpose restriction is met or a 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:

	2022		2021	
Undesignated - Without donor restrictions	\$	55,275,545	\$	52,344,489
Restricted for specific purposes - With donor restrictions		12,657,969		12,764,896
	\$	67,933,514	\$	65,109,385

(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 come primarily from both federal and foreign governments, as well as from large domestic and international donors with longstanding relationships with PSI. Approximately 55% of PSI's revenues in 2022 resulted from grants and contracts with two parties, including the U.S. government. Approximately 52% of PSI's revenues in 2021 resulted from grants and contracts with two parties, including the U.S. government. At December 31, 2022 and 2021, approximately 43% and 85% of grants and contracts receivable, respectively, were from these parties.

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.

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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 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.

(o) Contributions Revenue and Receivable

Contributions, which include unconditional promises to give, are accounted for in accordance with ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). 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, 2022 and 2021 were \$3,159,809 and \$3,067,901, respectively and considered fully collectible within three years. As of December 31, 2022 and 2021, there were no conditional promises to give. The discount related to the long-term portion of the contributions receivable balance was not considered material by management. There are no contributions receivable that are considered to be uncollectible at December 31, 2022 or 2021. 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.

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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, 2022 and 2021, PSI had remaining available award balances on grants and contracts for sponsored projects of \$619,320,821 and \$687,716,492, 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 \$109,279,428 and \$83,360,454 as of December 31, 2022 and 2021, 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) 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)* and recognized at a point in time when the transaction occurs. Social Business sales revenue and cost of goods sold is recognized at the time the products are sold.

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(s) *In-Kind Contributions*

PSI receives various forms of contributed non-financial assets contributions including media, facility usage, donated goods and equipment, and in-kind services. In-Kind contributions are recognized as revenue and as expenses or assets, at the fair value of those services, goods or supplies when provided to and/or paid on behalf of PSI's program. It is PSI's policy that In-Kind contributions are not sold and goods and equipment are only distributed for program services.

Contributions of non-financial assets included in the consolidated statement of activities are comprised of the following:

Category	Valuation Techniques and Inputs	2022	2021
Media	Third party estimates using billing rate "in-like" circumstances	\$ 1,049,288	\$ 748,890
Rental	Estimated prices of identical or similar products when rented or purchased in the region	12,904	-
Office supplies	Estimated prices of identical or similar products when purchased in the region	2,640	23,387
Transportation	Estimated prices of identical or similar usage when traveled in the region	112	98,355
Meals	Estimated prices of identical or similar products when purchased in the region	-	23,061
Professional services	Standard industry pricing for similar services	36,258	164,245

PSI receives donated commodities that support programs for general public good and may be distributed through sales. Surplus from distribution is redirected in line with the associated programmatic goals, and non-distributed commodities are required to be returned to the donor. Donated commodities, valued at fair market value using the actual purchase cost when available or estimated using a recent actual purchase cost of a close proxy, have been reflected in the consolidated statement of activities within grants, fees and donated commodities revenue. PSI received \$18,129,394 and \$15,787,837 of donated commodities, equipment, and services for the years ended December 31, 2022 and 2021, 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

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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 provides overall support and direction for PSI.
- *Fundraising:* Expenditures related to fund-raising strategies that provide the revenue for operations to further PSI's mission.
- *Commercial Building:* Expenditures related to the tenant-occupied portion of the building owned by PSI where its headquarters is located.

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 expense category and require allocation on a reasonable basis that is consistently applied. Some direct country costs not readily attributable to a single project including rent and 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. PSI pays a nominal amount of tax relating to the revenue from debt-financed property. 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 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 2019.

There were no material interest or penalties recorded for the years ended December 31, 2022 and 2021, 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

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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.

(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) Leases

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. At the inception of the contract, PSI determines if an arrangement contains a lease based on whether there is an identified asset and whether PSI controls the use of the identified asset. PSI also determines whether the lease classification is an operating or financing lease at the commencement date.

A right-of-use asset represents PSI's right to use an underlying asset and a lease liability represents PSI's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement.

PSI's lease terms may include options to extend or terminate the lease. PSI generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that PSI will exercise those options. PSI's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a matter of policy, PSI elected to exclude leases with terms of 12 months or less (short-term) from the consolidated statement of financial position. Short-term lease expense is recognized on a straight-line basis over the expected term of the lease.

(x) Recently Adopted Authoritative Guidance

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 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. PSI adopted ASC Topic 842 using the modified retrospective transition method, under which amounts in prior periods presented herein were not restated. For contracts existing at the time of adoption, management elected the practical expedient and did not reassess (i) whether any are or contain leases, (ii) lease classification, and (iii) initial direct costs. The implicit rates for PSI's leases are not readily determinable; therefore PSI has elected the allowed practical expenditure to use a risk-

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free discount rate at the lease commencement date for all new leases and at January 1, 2022 (the “Adoption Date”). PSI’s real estate operating leases typically include non-lease components such as common-area maintenance costs, utilities, and other maintenance costs. PSI has elected the practical expedient to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed. Non-lease components that are neither fixed nor variable based on an index or rate are expensed as incurred as variable lease payments. For PSI, the adoption of ASC Topic 842 resulted in the following as of the adoption date of January 1, 2022:

Recognition of:

Operating lease right-of-use assets	\$ 4,134,093
Operating lease liabilities	\$ 4,134,093

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. PSI adopted the ASU on a retrospective basis for its reporting year ended December 31, 2022. See Note 2(s) for information on the impact to PSI.

(y) *Accounting Pronouncements Not Yet Adopted*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, which eliminates the requirement that a credit loss on a financial instrument be “probable” prior to recognition. Instead, a valuation allowance will be recorded to reflect an entity’s current estimate of all expected credit losses, based on both historical and forecasted information related to an instrument. The update is effective for private business entities for annual and interim reporting periods beginning after December 15, 2022, and should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. Early adoption is permitted. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. In December 2022, the FASB issued ASU 2022-06 *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848 (ASU 2022-06)*. ASU 2022-06 extends the temporary optional guidance to ease the potential burden in accounting for reference rate reform through December 31, 2024. 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, 2022 and 2021, and deemed they were not applicable to PSI and are not anticipated to have a material effect on the consolidated financial statements.

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3. Funds Maintained in Foreign Accounts

Certain items reflected in the consolidated statements of financial position, including cash and cash equivalents of \$15,233,709 and \$15,691,524 in local currencies at December 31, 2022 and 2021, respectively, and \$16,881,996 and \$14,632,828 in U.S. dollars, Canadian dollars, British Pounds, or Euros at December 31, 2022 and 2021, 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.

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 leveling, PSI performs a detailed analysis of the assets and liabilities that are subject to the codification provisions of ASC 820. PSI applies the practical expedient guidance contained in ASC 820 to determine the fair value for some of its investments at the NAV reported by the fund management. As of December 31, 2022, PSI had no plans to sell investments at amounts different from NAV. Investments measured at NAV as a practical expedient are not classified in the fair value hierarchy.

PSI investments that are carried at estimated fair value using the valuation hierarchy framework consisted of institutional mutual funds, fixed income securities, long term certificates of deposit, and a hedge fund as of December 31, 2022 and 2021, respectively. The fair values of the participation units owned by PSI in mutual funds, long term certificates of deposit, 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. The hedge fund represents an investment in a hedge fund-of-funds that pursues nondirectional strategies to diversify risks and reduce volatility. The hedge fund's composite portfolio includes government securities, common stocks, credit-oriented securities and private equity investments.

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The interest rate swap asset or 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, 2022 and 2021, respectively:

	As of December 31, 2022 Fair Value Hierarchy Level			NAV	Total
	Level 1	Level 2	Level 3		
Equity mutual funds and exchange traded funds	\$ 12,068,704	\$ -	\$ -	\$ -	\$ 12,068,704
Fixed income mutual funds and exchange traded funds	4,287,659	-	-	-	4,287,659
Fixed income securities	5,854,133	-	-	-	5,854,133
Long-term Certificates of Deposit	4,612,000	-	-	-	4,612,000
Hedge fund	-	-	-	4,069,662	4,069,662
Total investments	\$ 26,822,496	\$ -	\$ -	\$ 4,069,662	\$ 30,892,158
Interest rate swap asset	\$ -	\$ -	\$ 2,032,818	\$ -	\$ 2,032,818

* Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

	As of December 31, 2021 Fair Value Hierarchy Level			NAV	Total
	Level 1	Level 2	Level 3		
Equity mutual funds and exchange traded funds	\$ 16,108,709	\$ -	\$ -	\$ -	\$ 16,108,709
Fixed income mutual funds and exchange traded funds	5,910,329	-	-	-	5,910,329
Fixed income securities	8,808,818	-	-	-	8,808,818
Total investments	\$ 30,827,856	\$ -	\$ -	\$ -	\$ 30,827,856
Interest rate swap liability	\$ -	\$ -	\$ 3,832,235	\$ -	\$ 3,832,235

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The following table summarizes information about the attributes of the investments measured at NAV, as a practical expedient as of December 31, 2022:

	NAV Value	Redemption frequency	Unfunded Commitment(s)	Redemption notice period (in days)
Investments measured at NAV:				
Hedge Fund	\$ 4,069,662	Quarterly	\$ -	30

5. 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:

	2022	2021
Billed	\$ 16,208,046	\$ 13,229,117
Unbilled	27,005,320	31,977,064
	43,213,366	45,206,181
Less: allowance for doubtful accounts	(3,337,891)	(4,331,560)
Total grants and contracts receivable, net	\$ 39,875,475	\$ 40,874,621
U.S. government	27,338,594	21,016,663
Non-U.S. governments	4,475,215	7,580,062
International organizations	8,157,325	9,472,001
Foundations and corporations	3,242,232	7,137,455
	43,213,366	45,206,181
Less: allowance for doubtful accounts	(3,337,891)	(4,331,560)
Total grants and contracts receivable, net	\$ 39,875,475	\$ 40,874,621

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

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

	2022	2021
U.S. government	\$ 12,285,632	\$ 8,171,959
Non-U.S. governments	12,049,909	18,543,400
International organizations	28,946,008	34,660,223
Foundations and corporations	41,124,762	40,399,806
Total refundable grant and fee advances	\$ 94,406,311	\$ 101,775,388

6. Property and Equipment

Property and Equipment consisted of the following at December 31:

	2022	2021
Land	\$ 24,829,978	\$ 24,829,978
Building	23,945,959	23,945,959
Building improvements	12,503,267	12,428,215
Equipment held under capital lease	-	13,212
Furniture and equipment	5,808,057	4,833,018
	67,087,261	66,050,382
Less: accumulated depreciation and amortization	(19,902,108)	(18,166,118)
Total property and equipment, net	\$ 47,185,153	\$ 47,884,264

Depreciation and amortization expense totaled \$2,115,375 and \$2,315,220 for the years ended December 31, 2022 and 2021, respectively.

7. Benefit Plans

PSI maintains a defined-contribution retirement plan under Section 403(b) of the Internal Revenue Code. PSI contributes to this plan for eligible employees up to a maximum of 10% in accordance with plan documents.

Pension expense for all pension plans, including statutorily required international plans, aggregated \$2,428,489 and \$1,581,886, respectively for the years ended December 31, 2022 and 2021. The related liabilities are recorded within accrued wages and benefits within the statements of financial position.

8. 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 was

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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.

9. Bonds and Notes Payable

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

	2022	2021
District of Columbia Revenue Bonds Series 2007 tax exempt, secured incurring interest at a floating rate of 4.15% with a maturity date of May 1, 2038	\$ 28,200,000	\$ 28,200,000
Notes payable, taxable incurring interest at a floating rate of 5.12% with a maturity date of February 1, 2031	8,252,653	9,110,143
Total bonds and notes payable	\$ 36,452,653	\$ 37,310,143

PSI used the debt proceeds to acquire 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, 2022 and 2021, 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 10). 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:

2023	\$ 889,807
2024	922,636
2025	956,677
2026	991,973
2027	1,028,571
Thereafter	31,662,989
Total bonds and notes payable	\$ 36,452,653

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Interest expense incurred, which includes cash payments made on interest, on total notes payable for the years ended December 31, 2022 and 2021 was \$1,172,488 and \$1,203,339, respectively, of which \$137,097 and \$101,273, 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 which expires, if not renewed, on November 30, 2023. The line-of-credit was originally \$20 million, and was subsequently amended in April 2022 to decrease the amount to \$18 million at PSI's request. The line-of-credit accrues interest at Secured Overnight Financing Rate (SOFR) plus 1.06% (5.36% at December 31, 2022). During fiscal year 2022, there were no drawdowns on the LOC. There was no outstanding line-of-credit balance for the years ended December 31, 2022 and 2021.

10. 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, 2022, the aggregate notional principal amount under the interest rate swap agreements, with payments due ranging from calendar year 2031 through 2033, totaled \$36.4 million at December 31, 2022. The estimated fair value of the interest rate swap asset is approximately \$2.0 million. At December 31, 2021, the aggregate notional principal amount totaled \$37.3 million and the estimated fair value of the interest rate swap liability was approximately \$3.8 million.

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, 2022, PSI used significant other observable inputs as of the valuation date, including interest rate yield curves. In accordance with ASC 815-10, the change in fair value is recorded to net assets without donor restrictions in the period in which the change in value occurs.

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As of December 31, 2022, 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 Receivable
Bonds and Notes Payable		
District of Columbia revenue bonds	\$ 28,200,000	\$ 1,570,747
Notes payable - taxable	8,252,653	462,071
Total	\$ 36,452,653	\$ 2,032,818

11. Revenue

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

	2022	2021
Grants, fees, and donated commodities:		
Cost reimbursable	\$ 324,594,494	\$ 386,972,298
Non-cost reimbursable	2,065,276	17,573,653
	326,659,770	404,545,951
Program income	3,275,595	3,461,257
Social Business sales	37,548,357	33,693,119
Contributions	5,429,360	7,792,029
Other revenue	23,944	4,587,059
	\$ 372,937,026	\$ 454,079,415
Commercial rental income	\$ 2,351,596	\$ 2,130,319

12. Leases

PSI has non-cancelable lease arrangements for corporate facilities in the United States and internationally which expire at various dates from fiscal year 2022 to fiscal year 2029. PSI had one lease classified as a finance lease that terminated during 2022. PSI does not have any material office space subleases.

All lease agreements for the year ended December 31, 2022 are accounted for under ASC Topic 842; for the year ended December 31, 2021, all leases were accounted for under the previous lease standard.

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Upon adoption of ASC Topic 842 and as described in Note 2(x), PSI has elected numerous practical expedients with respect to leases existing as of January 1, 2022.

Rental payments under these leases include base rental amounts for the terms of each lease unless the lease contains variable costs based (e.g., utilities, real estate taxes, operating expenses such as janitorial and common area maintenance, water, and insurance) on an index or rate. If a lease does include indexed or variable costs at a specific rate, PSI included those costs as part of operating lease expense.

Other leases contain variable costs for expenses which are not based on an index or rate. These variable lease payments are determined based on actual expenses incurred by the lessor and passed to PSI on a periodic basis. PSI expenses these nonlease components as incurred.

For leases that contain an option to extend for an additional period, management evaluated whether it is reasonably certain that PSI would, in fact, extend the lease. If PSI was not reasonably certain that a lease would be extended, the additional term was not included in the determination of the lease liability and right-of-use asset. If PSI was reasonably certain that a lease would be extended, the additional term was included in the determination of the lease liability and right-of-use asset.

Operating, variable and short-term lease expense in the consolidated statements of activities for the year ended December 31, 2022 was:

Operating lease expense	\$ 2,178,976
Short term lease expense	643,060
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Total lease expense	\$ 2,822,036

The weighted-average remaining lease term and discount rate related to PSI's lease liabilities as of December 31, 2022, were:

Weighted average remaining lease term	3.4 years
Weighted average discount rate	2.0%

Aggregate remaining maturities of lease liabilities as of December 31, 2022 are as follows:

2023	\$ 1,677,960
2024	825,976
2025	457,187
2026	324,031
2027	141,325
Thereafter	76,450
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Total operating lease payments	3,502,929
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Less: imputed interest	(71,069)
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Total operating lease liabilities	\$ 3,431,860

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Notes to Consolidated Financial Statements

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 for the year ended December 31, 2021.

13. Leasing Arrangements as a Lessor

PSI receives rental income from leasing approximately 52,000 square feet of space to 12 tenants in its headquarters building in Washington, D.C (The Property). Generally, PSI's tenants are subject to net lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and actual property operating expenses incurred. Rental payments are in substance fixed in accordance with the lease agreements and do not contain any residual value guarantees or material non-lease components. There are no variable payments that are based on indices specified in the leases. PSI manages the risk relating to residual value of its leased assets by calculating and monitoring the values through the use of applicable valuation models and ensuring the lease payments charged to its tenants adequately cover the residual value of the building.

At both December 31, 2022 and 2021, approximately 45% of The Property, is rented to tenants under non-cancelable, multi-year leases that provide, in some instances, rental rate escalation clauses based on both the Consumer Price Index and increases in property operating expenses. These increases are generally payable in equal installments throughout the year, based on estimated increases, with any differences adjusted in the succeeding year. The tenants pay PSI a base rent plus a percentage of the operating costs of the building. Individual tenants' square footage leased ranges from 844 square feet up to 13,941 square feet. Lease terms of the tenants are typically for a period of over five years to about fourteen years, with current lease terms of individual tenants up for renewal and extension varying through June 30, 2033. The exercise of lease renewals, if available under the lease options, is generally at PSI's discretion and is considered in PSI's assessment of the respective lease term. There is no option for a lessee to purchase the rental space in the lease agreement. Rental income under these leases was \$2,351,596 and \$2,130,319 for the years ended December 31, 2022 and 2021 respectively.

PSI assesses contracts at inception to determine whether an arrangement includes a lease, which conveys PSI's right to control the use of an identified asset for a period of time in exchange for consideration. PSI determines whether the lease classification is an operating, sales-type lease or direct financing lease at the commencement date.

Minimum future lease payments to be received are based on existing leases as of the date of these consolidated financial statements, and do not include amounts which may be received under tenant leases for charges to recover certain operating costs, lease extensions, or new tenancies upon expiration of existing leases.

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At December 31, 2022, the approximate minimum future lease payments to be received under the terms of the non-cancellable leases for each of the next five years and in the aggregate are as follows:

Years ending December 31,

2023	\$ 2,320,255
2024	2,541,254
2025	2,579,883
2026	2,552,674
2027	1,992,483
Thereafter	6,947,692
Total future minimum lease income	\$ 18,934,241

14. 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>	2022	2021
Financial assets		
Cash and cash equivalents	\$ 72,371,668	\$ 100,647,720
Investments	30,892,158	30,827,856
Trade receivables, net	8,755,332	5,749,864
Grants and contracts receivable, net	39,875,475	40,874,621
Contributions receivable	3,159,809	3,067,901
Due from independent network member	1,800,745	2,528,658
Total financial assets available within one year	\$ 156,855,187	\$ 183,696,620
Less:		
Amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	\$ (12,657,969)	\$ (12,764,896)
Contributions scheduled to be collected in more than one year	(1,355,000)	(1,458,444)
Network member receivables due in more than one year	(684,950)	(1,384,949)
Total amounts unavailable for general expenditures within one year	(14,697,919)	(15,608,289)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 142,157,268	\$ 168,088,331

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 \$94,406,311 and \$101,775,388 as of December 31, 2022 and 2021, respectively, in refundable grant and fee

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advances. PSI is obligated to spend this advance funding in accordance with its contractual obligations over the next 12 months. PSI also has \$16,979,995 and \$18,372,817 as of December 31, 2022 and 2021, 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 foreign currency volatility. To help manage unanticipated liquidity needs, PSI has short-term investments totaling approximately \$31 million as of December 31, 2022 and 2021, respectively, that could be used to address 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 as necessary.

15. Related Party Transactions

PSI Europe (PSI/E) was formed in 1996 as an independently governed organization that is not consolidated in the accompanying consolidated financial statements. PSI appointed one of three founding members to the Board of PSI/E. During 2022 and 2021, PSI paid PSI/E approximately \$424,000 and \$807,000, respectively, in sub-award expenses. As of December 31, 2022 and 2021, PSI/E owed PSI approximately \$118,000 and \$144,000, 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 2022 and 2021, PSI paid Greenstar approximately \$146,000 and \$689,000, respectively, in subaward expenses.

A PSI representative is a Board member of SFH Nigeria. For the years ended December 31, 2022 and 2021, PSI paid SFH Nigeria approximately \$5.2 million and \$3.4 million, respectively and in 2021, SFH Nigeria paid PSI approximately \$217,000. SFH Nigeria owed PSI approximately \$1.4 million and \$1.1 million for the years ended December 31, 2022 and 2021, respectively.

PSI representatives are on the PS Kenya governing Board of Directors and support PS Kenya management. PSI paid PS Kenya approximately \$2.3 million and \$3.4 million and PS Kenya paid PSI approximately \$213,000 and \$312,000 for the years ended December 31, 2022 and 2021, respectively. PSI owed PS Kenya approximately \$151,000 and \$735,000 for the years ended December 31, 2022 and 2021.

Effective January 1, 2021, PACE Uganda became an independently governed organization. PACE Uganda's financial transactions are no longer consolidated for financial reporting purposes. PSI representatives are Board members of PACE Uganda.

Effective October 1, 2021, PSH Zimbabwe became an independently governed organization. PSH Zimbabwe's financial transactions are no longer consolidated for financial reporting purposes. PSI representatives are Board members of PSH Zimbabwe. For the years ended December 31, 2022 and 2021, PSI paid PSH Zimbabwe approximately \$28.4 million and \$8.3 million, respectively and PSH

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Zimbabwe owed PSI approximately \$6.4 million and \$7.1 million for the years ended December 31, 2022 and 2021, respectively in sub-award advances.

Effective October 1, 2022, FHS Malawi became an independently governed organization. FHS Malawi's financial transactions are no longer consolidated for financial reporting purposes. PSI representatives are Board members of FHS Malawi. For the year ended December 31, 2022, PSI paid FHS Malawi approximately \$3.1 million and FHS Malawi owed PSI approximately \$2.1 million in sub-award advances.

16. 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, 2022 and 2021.

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.

17. Subsequent Events

PSI evaluated subsequent events through June 16, 2023 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.