

# **Population Action International**

## **Audited Financial Statements**

*Years ended December 31, 2021 and 2020  
with Report of Independent Auditors*

Population Action International

Audited Financial Statements

Years ended December 31, 2021 and 2020

Contents

Report of Independent Auditors.....1 - 2

Audited Financial Statements

Statements of Financial Position.....3  
Statements of Activities.....4 - 5  
Statements of Functional Expenses.....6 - 7  
Statements of Cash Flows.....8  
Notes to Financial Statements.....9 - 19

## Report of Independent Auditors

Board of Directors  
Population Action International

### ***Opinion***

We have audited the financial statements of Population Action International (PAI), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PAI 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 Financial Statements section of our report. We are required to be independent of PAI 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 PAI'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PAI'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.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned above the date and location information.

Vienna, Virginia  
June 3, 2022

Population Action International

Statements of Financial Position

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,356,818	\$ 3,991,125
Restricted cash	3,022,884	4,909,041
Investments	5,627,665	5,183,063
Service contracts receivable	346,921	86,986
Accounts receivable	16,928	18,230
Pledges receivable, net	5,931,784	11,807,561
Prepaid expenses and deposits	131,993	165,558
Property and equipment, net	<u>390,799</u>	<u>489,903</u>
Total assets	<u>\$ 18,825,792</u>	<u>\$ 26,651,467</u>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 560,740	\$ 401,632
Grants payable	606,240	896,303
Deferred rent	555,219	603,973
Paycheck Protection Program loan payable	<u>-</u>	<u>731,800</u>
Total liabilities	1,722,199	2,633,708
<b>Net assets:</b>		
Without donor restrictions		
Undesignated	3,107,387	1,852,267
Board designated	<u>2,830,200</u>	<u>2,830,200</u>
	5,937,587	4,682,467
With donor restrictions		
Perpetual in nature	156,668	156,668
Purpose restrictions	10,471,335	17,988,624
Time-restricted for future periods	<u>538,003</u>	<u>1,190,000</u>
	<u>11,166,006</u>	<u>19,335,292</u>
Total net assets	<u>17,103,593</u>	<u>24,017,759</u>
Total liabilities and net assets	<u>\$ 18,825,792</u>	<u>\$ 26,651,467</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
<b>Support and revenue</b>			
Grants and contributions	\$ 1,933,347	\$ 5,316,509	\$ 7,249,856
Service contracts	997,064	-	997,064
Investment income, net	92,141	-	92,141
Other	5,391	-	5,391
Gain on extinguishment of debt	731,800	-	731,800
Net assets released from restrictions	<u>13,485,795</u>	<u>(13,485,795)</u>	<u>-</u>
Total support and revenue	17,245,538	(8,169,286)	9,076,252
<b>Expenses</b>			
Program services:			
Supporting International SRHR Advocacy	10,374,701	-	10,374,701
Championing U.S. Government Support of SRHR	418,231	-	418,231
Incubating New Partnerships PHCPI	<u>3,730,472</u>	<u>-</u>	<u>3,730,472</u>
Total program services	14,523,404	-	14,523,404
Supporting services:			
Fundraising	1,212,241	-	1,212,241
Management and general	<u>609,708</u>	<u>-</u>	<u>609,708</u>
Total supporting services	<u>1,821,949</u>	<u>-</u>	<u>1,821,949</u>
Total expenses	<u>16,345,353</u>	<u>-</u>	<u>16,345,353</u>
Change in net assets from operations	900,185	(8,169,286)	(7,269,101)
Change in fair value of investments	<u>354,935</u>	<u>-</u>	<u>354,935</u>
Change in net assets	1,255,120	(8,169,286)	(6,914,166)
Net assets, beginning of year	<u>4,682,467</u>	<u>19,335,292</u>	<u>24,017,759</u>
Net assets, end of year	<u>\$ 5,937,587</u>	<u>\$ 11,166,006</u>	<u>\$ 17,103,593</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Activities

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
<b>Support and revenue</b>			
Grants and contributions	\$ 1,792,433	\$ 8,573,384	\$ 10,365,817
Service contracts	1,050,881	-	1,050,881
Investment income, net	122,351	-	122,351
Other	35,962	-	35,962
Net assets released from restrictions	<u>12,376,188</u>	<u>(12,376,188)</u>	<u>-</u>
Total support and revenue	15,377,815	(3,802,804)	11,575,011
<b>Expenses</b>			
Program services:			
Supporting International SRHR Advocacy	8,769,690	-	8,769,690
Championing U.S. Government Support of SRHR	1,454,719	-	1,454,719
Incubating New Partnerships PHCPI	<u>3,536,902</u>	<u>-</u>	<u>3,536,902</u>
Total program services	13,761,311	-	13,761,311
Supporting services:			
Fundraising	1,412,569	-	1,412,569
Management and general	<u>674,364</u>	<u>-</u>	<u>674,364</u>
Total supporting services	<u>2,086,933</u>	<u>-</u>	<u>2,086,933</u>
Total expenses	<u>15,848,244</u>	<u>-</u>	<u>15,848,244</u>
Change in net assets from operations	(470,429)	(3,802,804)	(4,273,233)
Change in fair value of investments	<u>388,677</u>	<u>-</u>	<u>388,677</u>
Change in net assets	(81,752)	(3,802,804)	(3,884,556)
Net assets, beginning of year	<u>4,764,219</u>	<u>23,138,096</u>	<u>27,902,315</u>
Net assets, end of year	<u>\$ 4,682,467</u>	<u>\$ 19,335,292</u>	<u>\$ 24,017,759</u>

See accompanying notes to the financial statements.

Population Action International  
Statement of Functional Expenses

Year ended December 31, 2021

	Program Services				Supporting Services			
	Supporting International SRHR Advocacy	Championing U.S. Government Support of SRHR	Incubating New Partnerships PHCPI	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 3,306,572	\$ 279,825	\$ 611,809	\$ 4,198,206	\$ 849,812	\$ 218,191	\$ 1,068,003	\$ 5,266,209
Professional fees	1,300,923	39,673	697,242	2,037,838	134,725	109,247	243,972	2,281,810
International partnership grants	4,962,805	-	2,279,564	7,242,369	-	-	-	7,242,369
Office supplies	5,497	491	2,307	8,295	1,315	1,997	3,312	11,607
Telephone	33,780	3,694	5,322	42,796	8,871	14,193	23,064	65,860
Postage and delivery	1,548	134	311	1,993	5,958	525	6,483	8,476
Occupancy	370,836	46,354	69,532	486,722	115,886	185,418	301,304	788,026
Equipment rental and maintenance	101,405	7,244	6,291	114,940	13,091	11,411	24,502	139,442
Printing and publications	13,020	57	591	13,668	17,212	-	17,212	30,880
Advertising	98,520	5,272	6,233	110,025	9,398	13,301	22,699	132,724
Travel and meetings	45,608	646	23,266	69,520	5,371	3,377	8,748	78,268
Dues and subscriptions	57,259	25,378	13,395	96,032	15,036	14,165	29,201	125,233
Corporate insurance	17,909	2,086	3,543	23,538	17,123	8,373	25,496	49,034
Depreciation and amortization	59,019	7,377	11,066	77,462	18,443	29,510	47,953	125,415
	<u>\$ 10,374,701</u>	<u>\$ 418,231</u>	<u>\$ 3,730,472</u>	<u>\$ 14,523,404</u>	<u>\$ 1,212,241</u>	<u>\$ 609,708</u>	<u>\$ 1,821,949</u>	<u>\$ 16,345,353</u>

*See accompanying notes to the financial statements.*



Population Action International  
Statement of Functional Expenses

Year ended December 31, 2020

	Program Services				Supporting Services			
	Supporting International SRHR Advocacy	Championing U.S. Government Support of SRHR	Incubating New Partnerships PHCPI	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 2,534,069	\$ 1,113,616	\$ 679,051	\$ 4,326,736	\$ 925,971	\$ 257,203	\$ 1,183,174	\$ 5,509,910
Professional fees	1,409,806	110,605	557,705	2,078,116	271,915	114,927	386,842	2,464,958
International partnership grants	4,119,351	-	2,183,274	6,302,625	-	-	-	6,302,625
Office supplies	8,192	1,563	3,941	13,696	1,561	1,178	2,739	16,435
Telephone	29,425	13,131	5,567	48,123	10,933	19,438	30,371	78,494
Postage and delivery	1,845	321	122	2,288	4,437	436	4,873	7,161
Occupancy	310,926	138,327	57,878	507,131	115,755	205,786	321,541	828,672
Equipment rental and maintenance	16,159	10,392	5,139	31,690	6,849	7,845	14,694	46,384
Printing and publications	4,987	31	-	5,018	19,196	-	19,196	24,214
Advertising	6,860	3,134	1,844	11,838	3,530	4,662	8,192	20,030
Travel and meetings	216,013	5,857	20,356	242,226	2,149	1,638	3,787	246,013
Dues and subscriptions	34,443	20,520	6,124	61,087	5,731	5,898	11,629	72,716
Corporate insurance	28,619	13,677	6,049	48,345	24,839	20,325	45,164	93,509
Depreciation and amortization	48,995	23,545	9,852	82,392	19,703	35,028	54,731	137,123
	<u>\$ 8,769,690</u>	<u>\$ 1,454,719</u>	<u>\$ 3,536,902</u>	<u>\$ 13,761,311</u>	<u>\$ 1,412,569</u>	<u>\$ 674,364</u>	<u>\$ 2,086,933</u>	<u>\$ 15,848,244</u>

*See accompanying notes to the financial statements.*

# Population Action International

## Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Change in net assets	\$ (6,914,166)	\$ (3,884,556)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	125,415	137,123
Change in fair value of investments	(354,935)	(388,677)
Gain on forgiveness of debt	(731,800)	-
Changes in assets and liabilities:		
Service contract receivable	(259,935)	88,671
Accounts receivable	1,302	(2,776)
Prepaid expenses and deposits	33,565	(30,305)
Pledges receivable, net of discount	5,875,777	6,582,682
Grants payable	(290,063)	(49,626)
Accounts payable and accrued expenses	159,108	(137,813)
Deferred rent	<u>(48,754)</u>	<u>(29,163)</u>
Net cash flows from operating activities	(2,404,486)	2,285,560
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	989,459	-
Purchases of investments and reinvested earnings	(1,079,126)	(118,211)
Purchases of property and equipment	<u>(26,311)</u>	<u>(6,300)</u>
Net cash flows from investing activities	(115,978)	(124,511)
<b>Cash flows from financing activities</b>		
PPP loan proceeds	<u>-</u>	<u>731,800</u>
Net cash flows from financing activities	<u>-</u>	<u>731,800</u>
Net change in cash and cash equivalents	(2,520,464)	2,892,849
Cash and cash equivalents, beginning of year	<u>8,900,166</u>	<u>6,007,317</u>
Cash and cash equivalents, end of year	<u>\$ 6,379,702</u>	<u>\$ 8,900,166</u>
<b>Cash and cash equivalents</b>		
Cash	\$ 3,356,818	\$ 3,991,125
Restricted cash	<u>3,022,884</u>	<u>4,909,041</u>
	<u>\$ 6,379,702</u>	<u>\$ 8,900,166</u>
<b>Supplemental cash flow information -non-cash financing activity</b>		
PPP loan forgiveness	<u>\$ 731,800</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

# Population Action International

## Notes to Financial Statements

Years ended December 31, 2021 and 2020

### **Note 1 - Nature of Activities and Significant Accounting Policies**

#### *Nature of Activities*

Population Action International (PAI) champions policies that make it possible for women to exercise their reproductive rights, and fights to remove the policy barriers between women and the care they need. We work with policymakers in Washington, D.C. and our network of partners in developing countries to advance women's reproductive rights (SRHR).

#### *Supporting International SRHR Advocacy*

A hallmark of PAI is working with local organizations in the Global South to provide them with financial resources and advocacy coaching to advance reproductive rights in their own countries. PAI's partner network—more than 73 local organizations in 24 countries—work to secure policy and funding decisions, and hold their governments accountable for advancing reproductive rights. In addition, PAI collaborates with partners in key countries to advocate for going beyond the mere access to reproductive health care to emphasize the quality of care delivered and the rights of the women and girls receiving that care. In 2015, PAI launched a special project to increase recognition and support for primary health care (PHC) in the global development arena, and in particular to advocate for PHC as a foundation pillar of universal health care.

#### *Championing U.S. Government Support of SRHR*

For more than 50 years, PAI has brought an unrelenting voice for reproductive rights to the U.S. Congress and executive branch. We lead the movement to protect U.S. government funding for international family planning and prevent attempts to pass harmful policies.

#### *Incubating New Partnerships*

In 2016, PAI was invited to assist with establishing a Secretariat in support of the Primary Health Care Performance Initiative (PHCPI), a partnership bringing together country policymakers, health system managers, practitioners, advocates, other development partners and community to catalyze and accelerate primary health care improvement in low- and middle-income countries through better measurements, knowledge management, advocacy and country engagement in order to achieve quality universal health coverage more quickly, efficiently and equitably.

A summary of PAI's significant accounting policies follows:

#### *Basis of Accounting*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance). Accordingly, revenue is recognized when earned and expenses when an obligation is incurred.

# Population Action International

## Notes to Financial Statements (Continued)

### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

#### *Cash and Cash Equivalents*

For purposes of reporting cash flows, PAI considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. All cash and investments, regardless of maturity, held by an investment advisor, are considered investments. At times PAI's cash accounts are in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits. Management monitors these balances and believes they do not represent significant credit risk to PAI.

The restricted cash of \$3,022,884 and \$4,909,041 as of December 31, 2021 and 2020, respectively, relates to funding received from the Bill and Melinda Gates Foundation. Unused funds are deposited in a separate money market account, as required by the funder.

#### *Investments and Fair Value Measurements*

PAI invests in professionally managed portfolios that contain exchange-traded funds (ETF's) and money market funds, which are recorded at fair value. The changes in fair value during the year (whether realized or unrealized), interest and dividends, net of related investment fees, are recognized in the statements of activities.

PAI's classifications for financial assets and financial liabilities are based on the framework established in the fair value measurement and disclosure accounting guidance. The framework is based on input in the valuation and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect PAI's significant assumptions. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that PAI has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, for substantially the entire period, for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are not observable for the asset or liability and are significant to the fair value measurement.

## Population Action International

### Notes to Financial Statements (Continued)

#### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

##### *Grants Payable*

Grant funds are expended only for project purposes and activities that are approved by PAI's board of directors. Commitments of grant funds were incurred during the grant period, as defined by the beginning and end dates of the agreements. Grants payable is recorded on an annual basis upon notification to the recipient at the time of approval or renewal. Grants payable recorded as of December 31, 2021 and 2020 are expected to be paid in the next reporting period.

##### *PPP Loan*

On April 20, 2020, PAI received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, for an aggregate principal amount of \$731,800 (the PPP Loan). The PPP Loan was reported as Paycheck Protection Program (PPP) loan payable on the statement of financial position and was reported at the outstanding principal balance of the debt plus accrued interest for the year ended December 31, 2020 in accordance with FASB ASC 470, Debt. On March 25, 2021, PAI received forgiveness of the PPP loan from the Small Business Administration, and the amount was recorded as a gain on extinguishment of debt on the statement of activities for the year ended December 31, 2021. See Note 10 for more information.

##### *Classification of Net Assets*

PAI's net assets have been classified into the following two classes:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions - Net assets subject to donor or certain grantor imposed restrictions. Some donor (or grantor)-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor (or grantor)-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# Population Action International

## Notes to Financial Statements (Continued)

### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

#### *Pledges Receivable*

Unconditional pledges are recognized as revenue or gains in the period received. Conditional pledges, with a measurable performance obligation or other barrier and a right of return, are not recognized in the statement of activities until the conditions on which they depend have been substantially met. Unconditional pledges that are expected to be collected within one year are reported net of any estimated uncollectable amounts. Pledges expected to be received beyond one year are reported net of any estimated uncollectable amounts and are discounted to present value using the United States Treasury Obligation risk-adjusted rate according to their corresponding terms. Management determines the allowance for doubtful pledges by using the historical experience applied to an aging of pledges. There was no provision for doubtful pledges, based on management's evaluation of the collection of pledges, as of December 31, 2021 and 2020.

#### *Property and Equipment*

PAI capitalizes all property and equipment with a cost greater than \$3,000. Property and equipment are stated at cost, and depreciated on a straight-line basis mid-year over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets. The estimated useful lives of property, equipment, software, and leasehold improvements, for the purpose of computing depreciation and amortization, are:

Computer equipment and software	3 to 5 years
Leasehold improvements	Life of the improvement or the life of the lease
Furniture and equipment	7 years
Equipment - capital lease	Life of the lease

#### *Revenue Recognition*

Grants and contributions, including unconditional promises to give, are recorded as an increase in net assets with or without donor restrictions depending on the existence of donor restrictions. When a restriction is satisfied (that is, when a stipulated time restriction ends or purpose restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Service contracts are considered conditional contributions and are accounted for on a cost reimbursement basis. As such, revenues are recorded as expenses are incurred in compliance with specific contract provisions. Amounts received in excess of expenditures are recorded as refundable advances on the statements of financial position. Amounts expended and uncollected at year-end are expected to be collected within the next fiscal year and are recorded as service contract receivable on the statements of financial position.

# Population Action International

## Notes to Financial Statements (Continued)

### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

#### *Donated Services*

Donated materials or services that meet the recording criteria, are recorded as revenue with a corresponding offset to expense. The value of donated services are calculated based on the fair value of the service. For the years ended December 31, 2021 and 2020, PAI recorded contributed services as contributions in the statements of activities of \$73,141 and \$2,186, respectively.

#### *Functional Allocation of Expenses*

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, have been allocated on a reasonable basis that is consistently applied among the programs and supporting services (fundraising and management and general) benefited. Salaries, professional fees, supplies, occupancy, insurance and depreciation and amortization are allocated based on estimates of time spent by PAI personnel.

#### *Income Taxes*

PAI is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC). PAI has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of IRC Section 509(a). Certain activity not considered exempt is subject to unrelated business income taxes. Management has concluded that PAI has maintained its exempt status and there are no significant uncertain tax positions as of December 31, 2021.

#### *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### *Subsequent Events*

PAI evaluated subsequent events through June 3, 2022, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements.

#### *COVID-19 risks and uncertainties*

The ongoing COVID-19 coronavirus pandemic (COVID-19) continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. PAI's operational and financial performance will depend on certain developments, including the duration and spread of COVID-19 and its impact on PAI and its donors, employees and vendors. The ultimate duration and impact of the COVID-19 outbreak on PAI's financial position cannot be reasonably estimated at this time.

## Population Action International

### Notes to Financial Statements (Continued)

#### **Note 2 - Liquidity and Availability of Resources**

PAI's financial assets available within one year of the date of the statement of financial position for general expenditures are as follows:

	2021	2020
Cash and cash equivalents	\$ 3,356,818	\$ 3,991,125
Short-term investments	1,496,035	1,512,546
Service contract receivable	346,921	86,986
Accounts receivable	16,928	18,230
	\$ 5,216,702	\$ 5,608,887

None of the financial assets listed above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position.

The endowment fund consists of one donor-restricted endowment and a board designated endowment. Investment earnings from the donor-restricted endowment are available for operations. The donor-restricted endowment fund is not available for general expenditure.

The board designated endowment of \$2,830,200 for the years ended December 31, 2021 and 2020 is subject to appropriation by a vote of the board of directors. Although PAI does not intend to spend from the board designated endowment (other than the amounts appropriated by the board), these amounts could be made available if necessary.

PAI has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 3 months of normal operating expenses.

#### **Note 3 - Investments and Fair Value Measurement**

The following table is a summary of PAI's investments measured at fair value within the GAAP fair value hierarchy as of December 31:

	2021	2020	Fair Value Level
Exchange Traded Funds (ETF's)			
Equity	\$ 2,479,233	\$ 2,265,793	Level 1
Fixed income	3,123,460	2,895,561	Level 1
Total investments at fair value	5,602,693	5,161,354	
Cash and money market funds	24,972	21,709	N/A
Total investments	\$ 5,627,665	\$ 5,183,063	



Population Action International  
Notes to Financial Statements (Continued)

**Note 3 - Investments and Fair Value Measurement (Continued)**

ETF's included in Level 1 assets are actively traded and fair values for identical assets are readily attainable.

Cash and money market funds held do not meet the definition of securities under accounting standards and thus are not subject to the GAAP fair value disclosure requirements.

**Note 4 - Property and Equipment**

Property and equipment is comprised of the following at December 31:

	2021	2020
Computer equipment and software	\$ 369,840	\$ 369,840
Leasehold improvements	503,110	483,826
Furniture and equipment	476,953	469,926
	1,349,903	1,323,592
Less: Accumulated depreciation	959,104	833,689
Net property and equipment	\$ 390,799	\$ 489,903

PAI leases certain equipment under terms of capital leases. The economic substance of the leases is that PAI is financing the acquisition of the assets through the lease, and, accordingly, the related assets and liabilities have been recorded in the statement of financial position.

Population Action International

Notes to Financial Statements (Continued)

**Note 5 - Net Assets With Donor Restrictions**

Net assets with donor restrictions were restricted for the following purposes or periods. Net assets with both purpose and time restrictions are reported as purpose restricted. Additionally, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	Balance December 31, 2020	Additions	Released	Balance December 31, 2021
Purpose restricted:				
Supporting International SRHR Advocacy	\$ 8,273,071	\$ 5,060,300	\$ (8,755,766)	\$ 4,577,605
Championing U.S. Government Support of SRHR	268,042	200,000	(268,042)	200,000
Incubating New Partnerships	9,447,511	52,709	(3,806,490)	5,693,730
Time restricted for future periods	1,190,000	3,500	(655,497)	538,003
Perpetual in nature	156,668	-	-	156,668
	<u>\$ 19,335,292</u>	<u>\$ 5,316,509</u>	<u>\$ (13,485,795)</u>	<u>\$ 11,166,006</u>
	Balance December 31, 2019	Additions	Released	Balance December 31, 2020
Purpose restricted:				
Supporting International SRHR Advocacy	\$ 9,264,750	\$ 6,633,384	\$ (7,625,063)	\$ 8,273,071
Championing U.S. Government Support of SRHR	-	440,000	(171,958)	268,042
Incubating New Partnerships	12,937,905	-	(3,490,394)	9,447,511
Time restricted for future periods	778,773	1,500,000	(1,088,773)	1,190,000
Perpetual in nature	156,668	-	-	156,668
	<u>\$ 23,138,096</u>	<u>\$ 8,573,384</u>	<u>\$ (12,376,188)</u>	<u>\$ 19,335,292</u>

## Population Action International

### Notes to Financial Statements (Continued)

#### Note 6 - Endowment

##### *Interpretation of Relevant Law*

The Board of Directors of PAI has interpreted the District of Columbia enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, PAI classifies as perpetual in nature net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature net assets is classified as purpose restricted net assets, until those amounts are appropriated for expenditures by PAI in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, PAI considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of PAI and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of PAI
- The investment policies of PAI

##### *Spending Policy*

Currently, PAI does not have a spending policy. Spending is in accordance with any donor imposed restrictions, if any exist.

Endowment net assets were comprised of the following for the years ended December 31, 2021 and 2020:

	<u>With Donor Restriction</u>	<u>Without Donor Restriction</u>	<u>Total</u>
Original gift amount required to be maintained	\$ 156,668	\$ -	\$ 156,668
Board designated for operating reserves	<u>-</u>	<u>2,830,200</u>	<u>2,830,200</u>
Endowment net assets, end of year	<u>\$ 156,668</u>	<u>\$ 2,830,200</u>	<u>\$ 2,986,868</u>

The general purpose of the board designated fund is to ensure the long-term financial stability of PAI and to position it to respond to varying economic conditions or unforeseen changes that may dramatically affect PAI's financial operations.

## Population Action International

### Notes to Financial Statements (Continued)

#### **Note 7 - Operating Leases**

PAI is obligated under a non-cancelable lease for its headquarters office expiring in 2026. Under the terms of the agreement, PAI is committed to annual rental payments adjusted for defined escalations based on building operating expenses. Rent expense, rent abatements, and other concessions are recognized on a straight-line basis over the term of the lease with the difference between the straight-line rent and actual rent payments being recorded as deferred rent. The lease is secured by a letter of credit in the amount of \$59,162.

On May 31, 2021, PAI renewed their telephone equipment lease for an additional 36 months expiring on May 31, 2024.

As of December 31, 2021, the following schedule summarizes the required minimum lease payments to be made for the years ended December 31:

2022	\$	852,102
2023		872,685
2024		876,994
2025		886,627
2026		<u>908,793</u>
	\$	<u>4,397,201</u>

Total rent expense on the office lease was \$788,026 and \$828,672 for the years ended December 31, 2021 and 2020, respectively.

#### **Note 8 - Retirement Plan**

PAI sponsors a 403(b) retirement plan (the Plan). All regular full and part time employees who have completed 30 days of service, and are at least 18 years old, are eligible to participate in the Plan. PAI contributed \$263,154 and \$307,461 in 2021 and 2020, respectively to the Plan. Participants are fully vested in employer contributions after one year of employment.

#### **Note 9 - Pledges Receivable**

Unconditional promises to contribute to PAI are recorded as pledges receivable at fair value based upon discounted estimated future cash flows adjusted for risk in the year the pledge is received. Rates used are commensurate with the duration of the donor's payment plan. For fiscal year 2021, there was no discount on the pledge receivable balance as all balances were due in less than one year. The discount rates for fiscal year 2020 ranged between 0.13 and 0.17 percent.

Population Action International  
Notes to Financial Statements (Continued)

**Note 9 - Pledges Receivable (Continued)**

Pledges receivable are expected to be collected as follows at December 31:

	<u>2021</u>	<u>2020</u>
Pledges receivable		
Due in less than one year	\$ 5,931,784	\$ 7,140,000
Due in one to five years	-	4,683,446
Less: Discount on long-term portion	<u>-</u>	<u>(15,885)</u>
Pledges receivable, net of discount	<u>\$ 5,931,784</u>	<u>\$ 11,807,561</u>

PAI's unconditional pledges receivable recorded at fair value, on a nonrecurring basis, are categorized as level 2 in the fair value hierarchy based on market valuation techniques. PAI took into account projected cash flow rates. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

**Note 10 - Paycheck Protection Program**

On April 20, 2020, PAI received a PPP Loan in the amount of \$731,800 and is a two year loan with a maturity date of April 1, 2022. The PPP Loan bears an annual interest rate of 1%, and is unsecured and guaranteed by the Small Business Administration (SBA). PAI received forgiveness of the PPP Loan from the SBA on March 25, 2021 and concurrently recorded a gain on debt extinguishment on the statement of activities for the forgiveness of principal \$731,800.