

Population Action International

Audited Financial Statements

*Years ended December 31, 2022 and 2021
with Report of Independent Auditors*

Population Action International

Audited Financial Statements

Years ended December 31, 2022 and 2021

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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, 2022 and 2021, 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, 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 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, effective January 1, 2022, PAI adopted Financial Accounting Standards Board Accounting Standards Update 2016-02 and subsequent amendments, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The World Bank Financial Reports - Project / Grant No. TF0B8205 on pages 24 - 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style with large, connected loops.

Vienna, Virginia
June 29, 2023

Population Action International

Statements of Financial Position

As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 2,409,511	\$ 3,356,818
Restricted cash	3,717,125	3,022,884
Investments	4,880,616	5,627,665
Service contracts receivable	133,674	346,921
Accounts receivable	18,722	16,928
Pledges receivable, net	2,460,267	5,931,784
Prepaid expenses and deposits	160,501	131,993
Property and equipment, net	272,333	390,799
Right-of-use asset - operating lease	<u>2,743,672</u>	<u>-</u>
Total assets	<u>\$ 16,796,421</u>	<u>\$ 18,825,792</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 504,414	\$ 560,740
Grants payable	-	606,240
Deferred rent	-	555,219
Lease liability - operating lease	<u>3,230,055</u>	<u>-</u>
Total liabilities	3,734,469	1,722,199
Net assets:		
Without donor restrictions		
Undesignated	2,345,784	3,107,387
Board designated	<u>2,830,200</u>	<u>2,830,200</u>
	5,175,984	5,937,587
With donor restrictions		
Perpetual in nature	156,668	156,668
Purpose restrictions	6,600,953	10,471,335
Time-restricted for future periods	<u>1,128,347</u>	<u>538,003</u>
	<u>7,885,968</u>	<u>11,166,006</u>
Total net assets	<u>13,061,952</u>	<u>17,103,593</u>
Total liabilities and net assets	<u>\$ 16,796,421</u>	<u>\$ 18,825,792</u>

See accompanying notes to the financial statements.

Population Action International

Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Support and revenue			
Grants and contributions	\$ 1,895,699	\$ 11,341,568	\$ 13,237,267
Donated services	112,170	-	112,170
Service contracts	375,432	-	375,432
Investment income, net	124,012	-	124,012
Other	6,049	-	6,049
Net assets released from restrictions	<u>14,621,606</u>	<u>(14,621,606)</u>	<u>-</u>
Total support and revenue	17,134,968	(3,280,038)	13,854,930
Expenses			
Program services:			
Supporting International SRHR Advocacy	9,334,102	-	9,334,102
Championing U.S. Government Support of SRHR	446,060	-	446,060
Incubating New Partnerships PHCPI	<u>4,867,465</u>	<u>-</u>	<u>4,867,465</u>
Total program services	14,647,627	-	14,647,627
Supporting services:			
Fundraising	662,271	-	662,271
Management and general	<u>1,672,344</u>	<u>-</u>	<u>1,672,344</u>
Total supporting services	<u>2,334,615</u>	<u>-</u>	<u>2,334,615</u>
Total expenses	<u>16,982,242</u>	<u>-</u>	<u>16,982,242</u>
Change in net assets from operations	152,726	(3,280,038)	(3,127,312)
Change in fair value of investments	<u>(914,329)</u>	<u>-</u>	<u>(914,329)</u>
Change in net assets	(761,603)	(3,280,038)	(4,041,641)
Net assets, beginning of year	<u>5,937,587</u>	<u>11,166,006</u>	<u>17,103,593</u>
Net assets, end of year	<u>\$ 5,175,984</u>	<u>\$ 7,885,968</u>	<u>\$ 13,061,952</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
Support and revenue			
Grants and contributions	\$ 1,860,206	\$ 5,316,509	\$ 7,176,715
Donated services	73,141	-	73,141
Service contracts	997,064	-	997,064
Investment income, net	92,141	-	92,141
Other	5,391	-	5,391
PPP income	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
Expenses			
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 Functional Expenses

Year ended December 31, 2022

	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	\$ 3,207,942	\$ 346,453	\$ 840,944	\$ 4,395,339	\$ 415,613	\$ 141,936	\$ 557,549	\$ 4,952,888
Professional fees	942,666	892	823,193	1,766,751	108,542	565,089	673,631	2,440,382
International partnership grants	4,390,003	-	2,996,878	7,386,881	-	-	-	7,386,881
Office supplies	715	-	520	1,235	-	25,590	25,590	26,825
Telephone	-	-	-	-	-	23,849	23,849	23,849
Postage and delivery	15	-	-	15	858	3,843	4,701	4,716
Occupancy	298,055	59,611	59,611	417,277	59,611	317,925	377,536	794,813
Equipment rental and maintenance	27,899	-	172	28,071	-	86,971	86,971	115,042
Printing and publications	7,828	1,734	5,526	15,088	17,104	8,303	25,407	40,495
Advertising	-	-	12,105	12,105	8,533	129,233	137,766	149,871
Travel and meetings	387,198	4,229	109,690	501,117	10,024	89,535	99,559	600,676
Dues and subscriptions	5,802	23,824	9,509	39,135	25,719	100,087	125,806	164,941
Corporate expenses	19,395	-	-	19,395	6,950	130,294	137,244	156,639
Depreciation and amortization	46,584	9,317	9,317	65,218	9,317	49,689	59,006	124,224
	<u>\$ 9,334,102</u>	<u>\$ 446,060</u>	<u>\$ 4,867,465</u>	<u>\$ 14,647,627</u>	<u>\$ 662,271</u>	<u>\$ 1,672,344</u>	<u>\$ 2,334,615</u>	<u>\$ 16,982,242</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 expenses	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

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in net assets	\$ (4,041,641)	\$ (6,914,166)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	124,224	125,415
Change in fair value of investments	914,329	(354,935)
Gain on forgiveness of debt	-	(731,800)
Noncash lease expense	610,828	-
Changes in assets and liabilities:		
Service contract receivable	213,247	(259,935)
Accounts receivable	(1,794)	1,302
Prepaid expenses and deposits	(28,508)	33,565
Pledges receivable, net of discount	3,471,517	5,875,777
Grants payable	(606,240)	(290,063)
Accounts payable and accrued expenses	(56,326)	159,108
Deferred rent	-	(48,754)
Lease liability	<u>(679,664)</u>	<u>-</u>
Net cash flows from operating activities	(80,028)	(2,404,486)
Cash flows from investing activities		
Proceeds from sale of investments	1,692,528	989,459
Purchases of investments and reinvested earnings	(1,859,808)	(1,079,126)
Purchases of property and equipment	<u>(5,758)</u>	<u>(26,311)</u>
Net cash flows from investing activities	(173,038)	(115,978)
Net change in cash and cash equivalents	(253,066)	(2,520,464)
Cash and cash equivalents, beginning of year	<u>6,379,702</u>	<u>8,900,166</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,126,636</u></u>	<u><u>\$ 6,379,702</u></u>
Cash and cash equivalents		
Cash	\$ 2,409,511	\$ 3,356,818
Restricted cash	<u>3,717,125</u>	<u>3,022,884</u>
	<u><u>\$ 6,126,636</u></u>	<u><u>\$ 6,379,702</u></u>
Supplemental cash flow information -non-cash financing activity		
PPP loan forgiveness	<u><u>\$ -</u></u>	<u><u>\$ 731,800</u></u>

See accompanying notes to the financial statements.

Population Action International

Notes to Financial Statements

Years ended December 31, 2022 and 2021

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)

Adoption of Accounting Standards

PAI adopted ASC Topic 842, *Leases* on January 1, 2022. Among other requirements, lessees are required to identify leases as either operating or finance and to recognize the following for all leases (with the exception of short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use (ROU) asset, which is an asset that represents the lessee's ROU, or control the use of a specified asset for the lease term. On adoption, PAI elected to utilize the year of adoption modified retrospective approach. PAI also elected to apply all practical expedients applicable to PAI in the updated guidance for transition for leases in effect at adoption, including using hindsight to determine the lease term of existing leases, the option to not reassess whether an existing contract is a lease or contains a lease and whether the lease is an operating or finance lease. As a result of adoption, PAI recognized a ROU asset of \$3,354,501 and a lease liability of \$3,909,719 on January 1, 2022.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which are classified as donated services on the statements of activities. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Under the ASU, not-for-profit entities are required to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. PAI adopted the provisions of this ASU during the year ending December 31, 2022. There was no effect on the amounts reported in the financial statements as a result of adoption.

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 \$3,717,125 and \$3,022,884 as of December 31, 2022 and 2021, respectively, relates to funding received from the Bill and Melinda Gates Foundation and for 2022, from the World Bank. Unused funds are deposited in a separate money market account, as required by the funders.

Population Action International
Notes to Financial Statements (Continued)

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

Investments and Fair Value Measurements

PAI invests in professionally managed portfolios that contain exchange-traded funds (ETFs) 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.

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 are expected to be paid in the next reporting period.

Population Action International
Notes to Financial Statements (Continued)

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

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 PPP Income 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.

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, 2022 and 2021.

Population Action International

Notes to Financial Statements (Continued)

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

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

Leases

PAI determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as an operating or finance lease. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. PAI records a right-of-use (ROU) asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. PAI has elected the risk free rate as the discount rate for its underlying leased asset. ROU assets are subject to review for impairment.

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term.

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, 2022 and 2021, PAI recorded donated services in the statements of activities of \$112,170 and \$73,141, respectively. See Note 11 for further details.

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. In 2021, salaries, professional fees, supplies, occupancy, insurance and depreciation and amortization were allocated based on estimates of time spent by PAI personnel. In 2022, salaries, occupancy, depreciation and amortization are allocated based on estimates of time spent by PAI personnel. Professional fees, supplies, insurance, and other expenses are directly charged to the programs and supporting services benefited.

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, 2022.

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 29, 2023, 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.

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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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,409,511	\$ 3,356,818
Short-term investments	1,437,718	1,496,035
Service contract receivable	133,674	346,921
Accounts receivable	<u>18,722</u>	<u>16,928</u>
	<u>\$ 3,999,625</u>	<u>\$ 5,216,702</u>

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, 2022 and 2021 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:

	<u>2022</u>	<u>2021</u>	<u>Fair Value Level</u>
Exchange Traded Funds (ETFs)			
Equity	\$ 2,049,891	\$ 2,479,233	Level 1
Fixed income	<u>2,716,747</u>	<u>3,123,460</u>	Level 1
Total investments at fair value	4,766,638	5,602,693	
Cash and money market funds	<u>113,978</u>	<u>24,972</u>	N/A
Total investments	<u>\$ 4,880,616</u>	<u>\$ 5,627,665</u>	

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Notes to Financial Statements (Continued)

Note 3 - Investments and Fair Value Measurement (Continued)

ETFs 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:

	2022	2021
Computer equipment and software	\$ 382,626	\$ 369,840
Leasehold improvements	503,110	503,110
Furniture and equipment	<u>469,926</u>	<u>476,953</u>
	1,355,662	1,349,903
Less: Accumulated depreciation	<u>1,083,329</u>	<u>959,104</u>
Net property and equipment	<u><u>\$ 272,333</u></u>	<u><u>\$ 390,799</u></u>

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.

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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, 2022 and 2021:

	Balance December 31, 2021	Additions	Released	Balance December 31, 2022
Purpose restricted:				
Supporting International SRHR Advocacy	\$ 4,577,605	\$ 9,631,462	\$ (8,711,681)	\$ 5,497,386
Championing U.S. Government Support of SRHR	200,000	200,000	(200,000)	200,000
Incubating New Partnerships	5,693,730	10,106	(4,800,269)	903,567
Time restricted for future periods	538,003	1,500,000	(909,656)	1,128,347
Perpetual in nature	156,668	-	-	156,668
	<u>\$ 11,166,006</u>	<u>\$ 11,341,568</u>	<u>\$ (14,621,606)</u>	<u>\$ 7,885,968</u>
	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>

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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, 2022 and 2021:

	With Donor Restriction	Without Donor Restriction	Total
Original gift amount required to be maintained	\$ 156,668	\$ -	\$ 156,668
Board designated for operating reserves	-	2,830,200	2,830,200
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.

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Notes to Financial Statements (Continued)

Note 7 - Operating Leases

PAI is obligated under a non-cancelable lease for its headquarters office expiring in December 2026. Under the terms of the agreement, PAI is committed to annual rental payments adjusted for defined escalations based on building operating expenses. PAI has an option to renew the lease for a period of five years or such shorter period as determined by the landlord. PAI has not recognized the renewal option as part of the ROU asset and liability as it is not reasonably certain to be exercised. The lease is secured by a letter of credit in the amount of \$59,162.

PAI's lease costs, terms and discount rate are as follows for the year ending December 31, 2022:

Lease cost:	
Operating lease cost	\$ 737,845

Other Information

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	823,322
ROU assets obtained in exchange for new operating lease liabilities	3,354,501
Weighted-average remaining lease term - operating leases	4.0 years
Weighted-average discount rate - operating leases	2.24%

Future minimum lease payments and reconciliation to the statement of financial position as of December 31, 2022 are as follows:

2023	\$ 843,905
2024	865,002
2025	886,627
2026	<u>908,793</u>
Total undiscounted future lease payments	3,504,327
Less: present value adjustment	<u>(274,272)</u>
Lease liability	<u><u>\$ 3,230,055</u></u>

PAI does not have any lease commitments that have not yet commenced as of December 31, 2022.

Prior to the adoption of ASC Topic 842, *Leases*, rent expense was \$788,026 for the year ended December 31, 2021.

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Notes to Financial Statements (Continued)

Note 8 - Retirement Plans

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 \$226,081 and \$263,154 in 2022 and 2021, respectively to the Plan. Participants are fully vested in employer contributions after one year of employment.

PAI sponsors and maintains a nonqualified deferred compensation plan under Internal Revenue Code Section 457(b) for the benefit of the President and CEO. Employer contributions to the 457(b) plan for the year ended December 31, 2022 totaled \$25,000.

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 2022, the discount rate was 4.23%. For fiscal year 2021, there was no discount on the pledge receivable balance as all balances were due in less than one year.

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

	2022	2021
Pledges receivable		
Due in less than one year	\$ 2,000,000	\$ 5,931,784
Due in one to five years	500,000	-
Less: Discount on long-term portion	<u>(39,733)</u>	<u>-</u>
Pledges receivable, net of discount	<u>\$ 2,460,267</u>	<u>\$ 5,931,784</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.

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Notes to Financial Statements (Continued)

Note 11 - Donated Services

During the years ended December 31, 2022 and 2021, PAI recognized \$112,170 and \$73,141, respectively, of donated services as follows:

<u>Non-financial asset/service</u>	<u>2022</u>	<u>2021</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
Contributed advertising	\$ 112,170	\$ 73,141	All program services and supporting services	None	The value of donated services are calculated based on the fair value of the service.