



Population Services International

**Consolidated Financial Statements,
Schedule of Expenditures of Federal
Awards, and Independent Auditor's
Reports Required by *Government Auditing
Standards* and the Uniform Guidance**
Years ended December 31, 2022 and 2021

Population Services International

**Consolidated Financial Statements, Schedule of Expenditures of
Federal Awards, and Independent Auditor's Reports Required by
Government Auditing Standards and the Uniform Guidance**

Years ended December 31, 2022 and 2021

Population Services International

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **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 consolidated financial position of **Population Services International** 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. 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.

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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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of fringe benefit rate calculation, schedule of subaward handling rate calculation and schedule of general and administrative rate calculation are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

For the year ended December 31,	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 Entity ¹
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>

Population Services International

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

Population Services International

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 India</i> ¹
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) Malawi</i> ⁴
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 Uganda</i> ²
Zimbabwe	<i>PSH Zimbabwe</i> ³

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.

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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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(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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Notes to Consolidated Financial Statements

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
Total lease expense	<u>\$ 2,822,036</u>

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	<u>2.0%</u>

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
Total operating lease payments	<u>3,502,929</u>
Less: imputed interest	<u>(71,069)</u>
Total operating lease liabilities	<u>\$ 3,431,860</u>

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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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Notes to Consolidated Financial Statements

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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Notes to Consolidated Financial Statements

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.

Schedule of Expenditures of Federal Awards

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Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor /Program Title	Federal Assistance Listing Number	Grant or Cooperative Agreement Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Agency for International Development:				
Foreign Assistance for Programs Overseas:				
Direct Awards - Foreign Assistance for Programs Overseas:				
Zimbabwe Strengthening Private Sector Services Project	98.001	AID-674-A-00-10-00081	\$ (750) \$	(963,036)
Ethiopia Transform: Water, Sanitation and Hygiene	98.001	AID-663-A-17-00003	1,781,334	5,727,496
COVID -19 - Ethiopia Transform: Water, Sanitation and Hygiene	98.001	AID-663-A-17-00003	35,558	52,331
Angola Health for All	98.001	AID-654-A-17-00003	2,500,292	11,655,592
COVID-19 - Angola Health for All	98.001	AID-654-A-17-00003	354,573	3,942,287
HIV Services for Key and Priority Populations	98.001	72066318CA00001	1,660,195	4,325,196
COVID - 19 - HIV Services for Key and Priority Populations	98.001	72066318CA00001	(6,561)	228,607
Cambodia Promoting Healthy Behaviors Activity	98.001	72044218CA00004	1,401,427	3,500,416
Improving market partnerships and access to commodities together (IMPACT)	98.001	72068718CA00001	2,405,316	10,865,263
Going the Last Mile for HIV Control	98.001	72061318CA00009	16,833,372	20,395,510
COVID -19 - Going the Last Mile for HIV Control	98.001	72061318CA00009	2,606,162	2,826,155
The Kampala Slum Maternal Newborn Project: Innovating for Better Systems Outcomes	98.001	7200AA18CA00052	20,558	441,658
Expanding Malawi HIV-AIDS Prevention with Local Organizations Working for an Effective Epidemic Response (EMPOWER)	98.001	72061220CA00003	538,899	3,818,690
COVID - 19 - Expanding Malawi HIV-AIDS Prevention with Local Organizations Working for an Effective Epidemic Response (EMPOWER)	98.001	72061220CA00003	-	290,891
Samagra: A Total Market for Comprehensive Consumer-Empowered Primary Health	98.001	72038620CA00002	1,299,115	3,157,724
COVID-19 - Samagra: A Total Market for Comprehensive Consumer-Empowered Primary Health	98.001	72038620CA00002	138,262	265,928
MOMENTUM Targeted MNCH/FP/RH Technical Assistance to Private Providers	98.001	7200AA20CA00007	8,308,001	19,952,781
Stop Djekoidjo	98.001	72062421CA00003	846,997	4,336,732
Mozambique Small Town Sanitation Project	98.001	72065622CA00009	-	525,474
Countywide Sanitation Activity (CWSA)	98.001	72066922CA00001	-	725,677
Tanzania Malaria Case Management Activity	98.001	72062122CA00008	-	578,095
Total Direct Awards - Foreign Assistance for Programs Overseas:			40,722,750	96,649,467

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Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor /Program Title	Federal Assistance Listing Number	Grant or Cooperative Agreement Number	Passed through to Subrecipients	Total Federal Expenditures
Foreign Assistance for Programs Overseas:				
Pass-through funds received from:				
Woman Care Global - Expanding Contraception	98.001	AID-OAA-A-13-00088	-	664,246
ABT Associates - Sustaining Health Outcomes through the Private Sector Project Plus (SHOPS Plus)	98.001	AID-OAA-A15-00067	(8,196)	(9,070)
SNV USA - Health and Hygiene Project	98.001	AID-367-A-16-00005	-	117,889
Pathfinder - Family Planning Integrated Project	98.001	AID-656-A-16-00005	-	(5)
Save The Children - Growth Through Nutrition	98.001	AID-633-A-16-00007	-	41,861
Social Marketing Company - Bangladesh Marketing Innovations for Sustainable Health Development	98.001	AID-388-A-16-00004	-	41,091
Community Partners International - UNAIDS in Support of the Unified Budget and Workplace	98.001	AIDGHAG000300007	127,340	198,671
JHPIEGO - Myanmar Essential Health Services Program	98.001	AID-482-A-17-00002	397,424	706,979
CONRAD - Next Generation Products for Prevention of HIV Infection in Women (NIX HIV)	98.001	AID-OAA-A-17-00014	-	148,796
FHI - Enhancing Quality of Healthcare Activity	98.001	72044218CA00006	-	1,306,788
Management Sciences for Health - Madagascar's Accessible Continuum of Care and Essential Services Sustained (ACCESS)	98.001	72068718CA00003	-	902,728
National Academy of Sciences - Evaluation Innovative Technologies and Approaches to addressing cervical cancer in the republic of Mozambique	98.001	AID-OAA-A-11-00012	-	1,039,632
FHI - Meeting Targets and Maintaining Epidemic Control (EpiC)	98.001	7200AA19CA00002	-	2,434,326
COVID -19 - FHI - Meeting Targets and Maintaining Epidemic Control (EpiC)	98.001	7200AA19CA00002	-	1,556,738
Pathfinder - Tubiteho	98.001	72069519CA00001	-	1,926,905
FHI - Research for Scalable Solutions (R4S)	98.001	7200AA19CA00041	49,898	381,148
COVID -19 - FHI - Research for Scalable Solutions (R4S)	98.001	7200AA19CA00041	-	7,738
PATH - Digital Health Initiative Accelerating the Cycle of Investment to Impact in Global Digital Health	98.001	AID-OAA-A-16-00084	-	197,669
Asociacion Panamericano de Mercadeo Social (PASMO) - HIV Prevention for High Risk Individuals	98.001	72052020CA00002	-	1,036,044
Beza Posterity - USAID HIV Prevention, Testing and Treatment Services for Key Populations	98.001	72066320CA00011	-	48,592
FHI - Meeting Targets and Maintaining Epidemic Control (EpiC)	98.001	7200AA19CA00002	-	(107)
COVID -19 - PATH and the Digital Health Initiative - Accelerating the Cycle for Investment	98.001	AID-OAA-A-16-00084	-	332,189
Pathfinder - Improved Family Planning Initiative	98.001	72065621CA00005	-	1,133,021
Community Partners International - TB/HIV Agency, Information and Services	98.001	72048221CA00003	1,210,990	1,651,035

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Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor /Program Title	Federal Assistance Listing Number	Grant or Cooperative Agreement Number	Passed through to Subrecipients	Total Federal Expenditures
Foreign Assistance for Programs Overseas: (continued)				
Pass-through funds received from:				
COVID - 19 - Community Partners International - American Rescue Plan Act (ARPA) COVID-19 Support	98.001	72048221CA00003	52,806	71,062
JHPIEGO - High Impact Maternal, Newborn and Child Health (HI-MNCH) Activity	98.001	72048222FA00004	-	3,767
Total Pass-through awards - Foreign Assistance for Programs Overseas:			1,830,262	15,939,733
Donated commodities (note 6)	98.001		-	8,257,777
Total U.S. Foreign Assistance for Programs Overseas			42,553,012	120,846,977
Cost-Reimbursable Contracts and Other Awards (98.NoAL):				
Direct Awards - Cost Reimbursable Contracts and Other Awards (98.NoAL):				
Advancing Progress in Malaria Service Delivery	98.NoAL	7200AA18C00014	13,796,995	41,667,922
COVID -19 - Advancing Progress in Malaria Service Delivery	98.NoAL	7200AA18C00014	3,996	219,882
Total Direct Awards - Cost Reimbursable Contracts and Other Awards (98.NoAL):			13,800,991	41,887,804
Cost-Reimbursable Contracts and Other Awards (98.NoAL):				
Pass-through funds received from:				
Chemonics - Global Health Supply Chain (GSHC) - Procurement and Supply Management (PSM)	98.NoAL	AID-OAA-I-15-00004	-	6,094,736
ABT Associates - Vector Control Indefinite Delivery Indefinite Quantity Contract (VC IDIQ, "Project")	98.NoAL	AID-OAA-I-17-00008	183,878	3,531,648
Tetra Tech ARD - USAID West Africa Municipal WASH (MuniWASH)	98.NoAL	AID-OAA-I-14-00059	-	405,921
RTI International - USAID Western Kenya Sanitation Project (WKSP)	98.NoAL	72061522C00001	-	310,541
Total Pass-through awards - Cost-Reimbursable Contracts and Other Awards (98.NoAL):			183,878	10,342,846
Donated commodities (note 6)	98.NoAL		-	6,725,587
Total Cost-Reimbursable Contracts and Other Awards (98.NoAL)			13,984,869	58,956,237
Total U.S. Agency for International Development			56,537,881	179,803,214

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Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor /Program Title	Federal Assistance Listing Number	Grant or Cooperative Agreement Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services:				
Global AIDS Projects:				
Direct Awards Global AIDS Projects:				
Strategic Scale Up of Community Based HIV Testing and Counseling	93.067	NU2GGH001935	-	2,327,156
COVID - 19 - Strategic Scale Up of Community Based HIV Testing and Counseling	93.067	NU2GGH001935	-	32,282
Scaling Up Targeted HIV Testing Services and Linkage to Treatment	93.067	NU2GGH002005	-	2,942,978
COVID -19 - Scaling Up Targeted HIV Testing Services and Linkage to Treatment	93.067	NU2GGH002005	-	(279)
Provision of Voluntary Medical Male Circumcision (VMMC) for HIV Prevention in the Republic of South Africa under the President's Emergency Plan for AIDS Relief (PEPFAR)	93.067	NU2GGH002138	-	6,695,888
Improving HIV/STI/TB Prevention, Treatment and Care Services for Mobile Populations	93.067	NU2GGH002295	707,963	2,364,835
COVID-19 - Improving HIV/STI/TB Prevention, Treatment and Care Services for Mobile Populations	93.067	NU2GGH002295	-	40,372
Total Direct Awards - Global AIDS:			707,963	14,403,232
Pass-through funds received from:				
Mildmay - Accelerating Epidemic Control in 7 Districts of Mubende Region in the Republic of Uganda under the President's Emergency Plan for AIDS Relief (PEPFAR)	93.067	NU2GGH002046	-	(1,981)
The Aurum Institute NPC - Programmatic Implementation and Technical Assistance (TA) for HIV/AIDS	93.067	NU2GGH001981	-	(702)
University of California San Francisco - Recent Infection Surveillance Consortium	93.067	NU2GGH002170	-	341,069
Total pass-through awards: Global AIDS Projects			-	338,386
Donated commodities (note 6)	93.067		-	232,586
Total Global AIDS Projects			707,963	14,974,204

Population Services International

Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor /Program Title	Federal Assistance Listing Number	Grant or Cooperative Agreement Number	Passed through to Subrecipients	Total Federal Expenditures
Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security				
Pass-through funds received from:				
COVID-19- The Task Force for Global Health - Vaccination Program Support in Eswatini	93.318	NU2RGH001916	-	70,386
Total pass-through awards: Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security Projects			-	70,386
Donated commodities (note 6)	93.318		-	-
Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security			-	70,386
Total U.S. Department of Health and Human Services			707,963	15,044,590
U.S. Department of Defense:				
Department of Defense HIV/AIDS Prevention Program:				
Direct awards - Department of Defense HIV/AIDS Prevention Program				
HIV/AIDS Prevention, Care and Treatment Support to the South African National Defense Force	12.350	N00244-16-1-0050	-	(42)
Lesotho-Military Specific HIV/AIDS Prevention, Care, and Treatment Program for PEPFAR Funded Countries	12.350	N00244-19-1-0004	-	606,476
Central America Regional Partnership for Sustainable HIV Epidemic Control in the Guatemalan, Honduran and Salvadoran Militaries	12.350	N00244-20-1-0007	-	423,396
CDI - DHAPP - FACI Partnership for Sustainable HIV Epidemic Control	12.350	N00244-21-1-0001	306,391	2,655,308
Advancing Multi-Country HIV Support in Collaboration with DHAPP and Partner Militaries for Sustainable HIV Epidemic Control (Multi-Country)	12.350	W81XWH2220077	-	114,693
Burundi National Defense Force (BNDF) Partnership for Sustainable HIV Epidemic Control	12.350	W81XWH2120045	-	2,128,046
Total Direct Awards : Department of Defense HIV/AIDS Prevention Program			306,391	5,927,877
Donated commodities (note 6)	12.350		-	-
Total U.S. Department of Defense			306,391	5,927,877

Population Services International

Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor /Program Title	Federal Assistance Listing Number	Grant or Cooperative Agreement Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of State:				
Criminal Justice System Program				
Direct awards - Criminal Justice Systems				
Costa Rica - Building Capacity to Prevent and Address Domestic Violence	19.703	SINLEC17GR0155	-	(161)
Total Direct Awards - Criminal Justice Systems			-	(161)
Donated commodities (note 6)	19.703		-	-
Total U.S. Department of State			-	(161)
Total Expenditures of Federal Awards			\$ 57,552,235	\$ 200,775,520

Population Services International

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Population Services International (“PSI” or the “Organization”) under programs of the Federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Organization.

PSI makes sub-awards to organizations to assist with project implementation in the country of performance. The Schedule for the year ended December 31, 2022 includes only reimbursable expenses reported by the subrecipients to PSI during the year ended December 31, 2022.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Commodities received directly from grantors are reported in the Schedule at the amount charged to the award at the time of receipt from the grantor. Commodities purchased with award funds are reported in the Schedule at the time of purchase at cost. Revenue is recognized to the extent allowable direct and indirect expenses are incurred.

Pass-through entity identifying numbers are presented where available.

The reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal grants 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 the Organization’s consolidated financial position or change in net assets.

Awarding agencies retain the right to disallow certain reimbursements and expenses claimed based on audit findings. In the event of final disallowance, the funds will be reimbursed to the awarding agency from PSI’s net assets without donor restrictions.

All of the Organization’s federal awards were in the form of cash assistance and donated commodities for the year ended December 31, 2022. The Organization had no federally funded insurance programs or loan guarantees during the year ended December 31, 2022.

3. Indirect Cost Rate

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Population Services International

Notes to Schedule of Expenditures of Federal Awards

4. Subrecipients

Of the federal expenditures presented in the Schedule, PSI provided federal awards to subrecipients for the year ended December 31, 2022 as follows:

Program Name	Federal Assistance Listing Number	Amounts Provided to Subrecipients
USAID - Foreign Assistance for Programs Overseas	98.001	\$ 42,553,012
USAID - Cost-Reimbursable Contracts and Other Awards	98.No AL	13,984,869
Department of Health and Human Services - Global AIDS	93.067	707,963
Department of Defense HIV / AIDS Prevention Program	12.350	306,391
Total provided to subrecipients		\$ 57,552,235

5. Reconciliation of SEFA

PSI records revenue adjustments to conform to U.S. GAAP which are not required to be recorded within the Schedule.

Year ended December 31, 2022

Schedule of Expenditures of Federal Awards	\$ 200,775,519
Fee earned on cost-reimbursable agreements	2,485,323
NICRA and other adjustments to conform to U.S. GAAP	280,537
Financial statement U.S. government grants, as reported	\$ 203,541,379

Population Services International

Notes to Schedule of Expenditures of Federal Awards

6. Donated Commodities

PSI receives commodities from various federal agencies for distribution in connection with its federally sponsored programs. In accordance with the Uniform Guidance, PSI reports the fair value of commodities received during the year in the Schedule. The fair value reported for these commodities was estimated using USAID's current contract price for commodities at December 31, 2022, and its record of quantities shipped and received by these programs during 2022. The fair value of commodities received during the year ended December 31, 2022 was as follows:

Eswatini	\$ 233,698
Ethiopia	716,294
Madagascar	6,048,076
Malawi	373,811
Mali	885,898
<hr/>	
Total Federal Assistance Listing #98.001	8,257,777
<hr/>	
Eswatini	232,586
<hr/>	
Total Federal Assistance Listing #93.067	232,586
<hr/>	
Burundi	2,531,444
Mali	4,194,143
<hr/>	
Total Federal Assistance Listing #98.NoAL	6,725,587
<hr/>	
Total donated commodities	\$ 15,215,950
<hr/>	

**Schedules of Fringe Benefit Rate Calculation, SubAward
Handling Rate Calculation, and General and Administrative
Rate Calculation**

Population Services International
Schedule of Fringe Benefit Rate Calculation
Year ended December 31, 2022

Fringe benefit pool:

FICA and Medicare	\$ 1,966,161
Earned vacation	3,206,829
Health, life, and disability insurance	4,247,827
Pension contributions	2,428,489
Unemployment tax	178,712
Severance	49,604

Total Fringe Benefits (A)	\$ 12,077,622	(A)
---------------------------	---------------	-----

Total salaries (B)	\$ 34,606,923	(B)
--------------------	---------------	-----

Fringe benefit rate: (A) divided by (B)	34.90%
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See accompanying notes to the schedule.

Population Services International
Schedule of Subaward Handling Calculation
Year ended December 31, 2022

	Indirect costs	Allocation	Amount after allocation
Management and general expenses:			
Indirect salaries and fringe benefits	\$ 3,000,009	\$ -	\$ 3,000,009
Indirect local office salaries and fringe benefits	225,152	-	225,152
Allowances	20,202	-	20,202
Total salaries and related expenses	3,245,363	-	3,245,363
Travel	76,333	-	76,333
Consultants and other contract services	343,653	(343,653)	-
Accounting and auditing services	-	104,076	104,076
Legal services	-	21,567	21,567
Other professional services	-	218,010	218,010
Furniture and equipment (expensed)	142,932	-	142,932
Promotions and advertising	5	-	5
Office costs	141,836	-	141,836
Other indirect costs	11,724	-	11,724
Total expenses before depreciation	3,961,846	-	3,961,846
Total allocable subaward handling costs	\$ 3,961,846	\$ -	\$ 3,961,846 (A)
Allocation base:			
Subaward costs	\$ 95,337,886	\$ -	\$ 95,337,886
	\$ 95,337,886	\$ -	\$ 95,337,886 (B)
Subaward handling rate: (A) divided by (B)			4.16%

See accompanying notes to the schedule.

Population Services International
Schedule of General and Administrative Rate Calculation
Year ended December 31, 2022

	Indirect costs	Allocation	Amount after allocation
Management and general expenses:			
Indirect salaries and fringe benefits	\$ 18,947,524	\$ -	\$ 18,947,524
Indirect local office salaries and fringe benefits	1,623,907	-	1,623,907
Allowances	149,071	-	149,071
Total salaries and related expenses	20,720,502	-	20,720,502
Travel	666,281	-	666,281
Consultants and other contract services	2,525,220	(2,525,220)	-
Accounting and auditing services	-	330,347	330,347
Legal services	-	90,023	90,023
Other professional services	-	2,104,850	2,104,850
Furniture and equipment (expensed)	961,038	-	961,038
Subrecipients	413,759	-	413,759
Promotions and advertising	1,126	-	1,126
Office costs	3,343,269	-	3,343,269
Other indirect costs	163,434	-	163,434
Total expenses before depreciation	28,794,629	-	28,794,629
Depreciation	511,581	-	511,581
Total allocable general and administrative costs	\$ 29,306,210	\$ -	\$ 29,306,210 (A)
Allocation base:			
Direct salaries	\$ 18,332,817	\$ -	\$ 18,332,817
Fringe on direct labor	6,398,153	-	6,398,153
Local office salaries and fringe benefits	67,297,771	-	67,297,771
Allowances	4,929,835	-	4,929,835
Travel	17,432,613	-	17,432,613
Consultants and contract services	21,412,455	-	21,412,455
Furniture and equipment	4,457,598	-	4,457,598
Promotion and advertising	14,397,035	-	14,397,035
Office costs	13,822,456	-	13,822,456
Other direct costs	26,289,300	-	26,289,300
Depreciation	113,321	-	113,321
Subaward handling costs	3,961,846	-	3,961,846
Total program services modified direct costs	\$ 198,845,200	\$ -	\$ 198,845,200 (B)
General and administrative rate: (A) divided by (B)			14.74%

See accompanying notes to the schedule.

Population Services International

Notes to the Schedule of Fringe Benefit Rate Calculation, Subaward Handling Rate Calculation and General and Administrative Rate Calculation **Year ended December 31, 2022**

1. Fringe Reimbursement

All U.S. government grants, contracts, and cooperative agreements administered by PSI allow for reimbursement of fringe charges based on negotiated indirect cost rates. The allocation base for fringe costs is direct and indirect labor costs for U.S. based employees. This includes both domestic and international staff.

2. Subaward Handling Reimbursement

All U.S. government grants, contracts, and cooperative agreements administered by PSI allow for reimbursement of subaward handling charges based on negotiated indirect cost rates. The allocation base for subaward handling costs is direct sub-recipient costs.

3. General and Administrative Reimbursement

All U.S. government grants, contracts, and cooperative agreements administered by PSI allow for reimbursement of general and administrative charges based on negotiated indirect cost rates. The allocation base for general and administrative costs is total direct costs, less commodities and sub-recipient costs, plus subaward handling costs.

4. Provisional Rates

Each grant, contract, and cooperative agreement allows for billing of indirect costs during the year based on negotiated provisional rates.

**Independent Auditor's Reports
Required by *Government Auditing Standards*
and the Uniform Guidance**



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **Population Services International** (the Organization), which comprise the Organization's consolidated statement of financial position as of December 31, 2022, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

McLean, Virginia
June 16, 2023



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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Population Services International** (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2022-001**, **2022-002**, **2022-004**, **2022-005** and **2022-006**. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.



Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2022-001**, **2022-002**, **2022-003**, **2022-004**, **2022-005** and **2022-006** to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

McLean, Virginia
June 16, 2023

Population Services International

Schedule of Findings and Questioned Costs Year ended December 31, 2022

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to consolidated financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ yes ☐ no

Identification of major federal programs:

Federal Assistance Listing Numbers

Name of Federal Program or Cluster

98.NoAL
93.067

USAID - Cost Reimbursable Contracts and Other Awards
Global AIDS

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

Population Services International

Schedule of Findings and Questioned Costs Year ended December 31, 2022

Section II - Financial Statement Findings

There were no findings related to the consolidated financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III - Federal Award Findings and Questioned Costs

2022-001 Internal Control over Compliance and Compliance with the Reporting Compliance Requirement

Information on the Federal Program:

United States Agency for International Development
Assistance Listing Number: 98.NoAL
Assistance Listing Name: USAID Cost Reimbursable Contracts and Other Awards
Grant Award Number:

Direct Award Number	Award Period
7200AA18C00014	February 12, 2018 through May 31, 2024

United States Department of Health and Human Services
Assistance Listing Number: 93.067
Assistance Listing Name: Global AIDS
Grant Award Number:

Direct Award Number	Award Period
NU2GGH002295	September 30, 2020 through September 29, 2025

Pass-through Award Information:

Pass-through Entity	Award Number	Award Period
University of California San Francisco	NU2GGH002170	September 30, 2020 through September 29, 2022

Criteria or Specific Requirement: In accordance with §200.303(a), *Internal Controls*, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

§200.328, *Monitoring and Reporting Program Performance*, documents that the non-federal entity is responsible for oversight of the operations of the federal award supported activities. The non-federal entity must monitor its activities under federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved. Monitoring by the non-federal entity must cover each program, function or activity. The non-federal entity must submit performance reports at the interval required by the federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for

Population Services International

Schedule of Findings and Questioned Costs Year ended December 31, 2022

example where more frequent reporting is necessary for the effective monitoring of the federal award or could significantly affect program outcomes.

In accordance with the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred to as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). The prime awardee is required to file a Transparency Act sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000.

Condition: During BDO’s testing of the performance reporting requirements, BDO noted management continues to rely upon a manual process related to tracking and monitoring performance reporting.

Programmatic Report Testing

For one of six performance reports tested for major program AL# 93.067, a report was submitted after the due date without approval for late submission.

Federal Funding Accountability and Transparency Act Reporting Testing

We also performed testing over the Transparency Act reporting requirements outlined in the criteria section above. The OMB Compliance Supplement requires certain information be included in the finding when non-compliance exists. Of the 72 subaward original agreements and modifications totaling \$10,993,519 (award amounts) for award 7200AA18C00014 that were tested, nine of the 72 reports with award amounts totaling \$505,573 were not submitted timely. Of the four subaward original agreements and modifications totaling \$731,250 (award amounts) for award NU2GGH002295 that were tested, one of the four reports with an award amount totaling \$166,250 was not submitted timely.

Questioned Costs: There are no questioned costs as the items described above are all related to late submission of reports.

Context: This is a condition identified during BDO’s testing of performance reports and Transparency Act reports. Our sample for performance reporting was selected through a non-statistical sample. Our sample for Transparency Act reporting was selected based on a population of Transparency Act reports provided by management as well as through our subrecipient monitoring testing at the subrecipient level. We tested all Transparency Act report submissions in 2022 for the subrecipients selected for testing. Our sample for Transparency Act reporting was selected through non-statistical sampling.

Cause: The quasi-manual performance reporting continues to challenge PSI given the number of awards under management and the number of reports required. PSI programmatic personnel have been unable to ensure the timely submission of reports because of this manual process.

Effect: Failure to properly track all performance reporting requirements and Transparency Act reporting requirements impacts the Federal agency from obtaining performance information required to assess award performance on a macro level. Such non-compliance also increases the risk of loss of future awards if compliance with award terms are not met.

Population Services International

Schedule of Findings and Questioned Costs Year ended December 31, 2022

Repeat Finding: This is a repeat finding from the prior year. This was reported as finding 2021-001 in the 2021 schedule of findings and questioned costs.

Recommendation: In order to facilitate accurate and timely reporting and compliance with the terms and conditions of federal awards, BDO recommends management ensure all performance reporting requirements are maintained, updated, and available in a central location. BDO also recommends management implement a process by which approvals, submission considerations and supporting documentation for programmatic reports and Transparency Act reports is maintained in a centralized location.

Views of Responsible Officials: *Management agrees with the finding and recommendations set forth within and will work with project teams to review and confirm the accuracy of reporting deadlines. Refer to management's corrective action plan for additional information.*

2022-002 Internal Control over Compliance and Compliance with Activities Allowed or Unallowed and Allowable Costs and Cost Principles

Information on the Major Federal Program(s):

U.S. Department of Health and Human Services
Assistance Listing Number: 93.067
Assistance Listing Name: Global AIDS
Grant Award Number(s):

Direct Award Number(s)	Award Period
NU2GGH002138	April 1, 2018 through September 29, 2023
NU2GGH001935	April 1, 2017 through September 29, 2022

United States Agency for International Development
Assistance Listing Number: 98.NoAL
Assistance Listing Name: USAID Cost Reimbursable Contracts and Other Awards
Grant Award Numbers:

Direct Award Number	Award Period
7200AA18C00014	February 12, 2018 through May 31, 2024

Pass-through Award Information:

Pass-through Entity	Award Number	Award Period
Chemonics	AID-OAA-I-15-00004	May 15, 2015 through November 28, 2023

Criteria or Specific Requirement: In accordance with §200.302 *Financial Management*, a non-federal entity's financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions;

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and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award. The financial management system of each non-federal entity must provide for the following:

- (1) Identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received.
- (2) Accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements set forth in §200.327 *Financial Reporting* and §200.328 *Monitoring and Reporting Program Performance*.
- (3) Records that identify adequately the source and application of funds for federally-funded activities.
- (4) Effective control over, and accountability for, all funds, property, and other assets.

Additionally, §200.303 *Internal Controls* states that a non-federal entity must (a) establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

In accordance with §200.475(e) *Travel Costs* states that airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations meet certain criteria.

Condition: PSI has documented expenditure policies and procedures. However, as identified below, the review and approval process did not operate as designed.

PSI's policies are designed to ensure expenses are reviewed and approved timely to ensure proper recording in the books and records. The following errors were identified during our testing of payroll and non-payroll expenditures:

- For AL# 98.NoAL, we tested 60 payroll samples and identified one sample for which management was unable to provide the suspension and debarment check for the employee selected for testing for award 7200AA18C00014.
- For AL# 98.NoAL, we tested 60 non-payroll samples and identified three samples, whereby, the underlying documentation did not support the expense recorded for 2022, representing \$872 in questioned costs for award 7200AA18C00014.
- For AL# 93.067, we tested 60 non-payroll samples and identified the following errors.
 - For two samples for award NU2GGH002138, the expenses incurred deviated from the established contract terms resulting in \$1,146 in questioned costs.
 - The PSI management team's reconciliation process for Value Added Tax did not provide sufficient detail to identify differences in amounts refunded and amounts credited in awards in the general ledger. This internal control matter was related to one sample for award NU2GGH002138.
- For AL# 93.067 and AL# 98.NoAL, BDO tested 120 payroll and non-payroll expenditures for each major program. Based on that testing, BDO identified instances in which the

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expenditures were reported within the incorrect period on an accrual basis. These expenditures were valid grant expenditures within the overall grant period.

- For AL# 98.NoAL we identified the following errors:

Award Number	Number of Instances	Amount
AID-OAA-I-15-00004	1 instance	\$28
7200AA18C00014	3 instances	\$4,661

- For AL# 93.067 we identified the following error:

Award Number	Number of Instances	Amount
NU2GGH002138	1 instance	\$3,248

Additionally, during our testing of the allowability of the expenses included within the pool of indirect costs, BDO identified one instance of 40 samples tested, where an employee took a business class flight, which was not the most basic least expensive unrestricted accommodations class offered by commercial airline. The cost of the airfare totaling \$10,665 is unallowable. This overstatement of expenses affects all awards with period of performance end dates of 2022 or later included within the schedule of expenditures of federal awards because they are included in the pool of costs that are allocated across all Federal awards.

BDO tested six donations of commodities as part of our allowable cost procedures in order to test the accuracy of the amounts reported on the schedule of expenditures of federal awards for AL# 93.067. For one of the six samples, PSI used an incorrect price per unit resulting in award NU2GGH001935 being undercharged in the amount of \$2,955.

Questioned Costs: The summation of the items above represent questioned costs totaling \$872 for AL# 98.NoAL, \$(1,848) for AL# 93.067, and \$10,665 across all federal programs related to indirect costs.

Context: This is a condition identified per review of PSI's compliance with allocability and allowability provisions of the Uniform Guidance. The prevalence of these findings is detailed in the condition section above. Samples were selected using a non-statistical method.

Cause: PSI has documented expenditure policies and procedures regarding the timely processing and approval of expenditures incurred in accordance with accounting principles generally accepted in the United States. However, as identified above, the review and approval process did not operate as designed resulting in errors noted.

Effect: The lack of adherence to the established internal control policies and procedures can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements which could ultimately lead to disallowed costs for the major programs.

Repeat Finding: This finding is a repeat finding from the two previous years. This was reported as finding 2021-002 in the 2021 schedule of findings and questioned costs and 2020-002 in the 2020 schedule of findings and questioned costs.

Recommendation: BDO recommends that PSI adhere to its documented policies and procedures regarding authorization and timely approval and recording of expenditures.

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Views of Responsible Officials: PSI management agrees with the finding and recommendations set forth within and will provide additional training to staff members to ensure compliance with established policies and procedures. PSI acknowledges the debarment check for the sample identified above was performed late; however, there were no issues noted in the results of the debarment and suspension check. Refer to management's corrective action plan for additional information.

2022-003 Internal Control over Compliance with Subrecipient Monitoring Requirements

Identification of the Major Federal Program:

United States Department of Health and Human Services
Assistance Listing Number: 93.067
Assistance Listing Name: Global AIDS
Grant Award Number:

Direct Award Number

NU2GGH002295

Award Period

September 30, 2020 through September 29, 2025

Criteria or Specific Requirement: §200.303 *Internal Controls* states that a non-federal entity must (a) establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: During the audit, we tested PSI's monitoring of the only subrecipient within the major program AL# 93.067. We noted that PSI has documented policies and procedures in addition to a multitude of tools to comply with the subrecipient monitoring process. However, in the single sample tested, PSI obtained the statutory audit report from the subrecipient and reviewed the contents of that audit report. However, the subrecipient's audit was not performed in accordance with 2 CFR 200, Subpart F. The Centers for Disease Control and Prevention (CDC) mandates a foreign-based subrecipient is required to conduct a single audit or program specific audit if expenditures are \$300,000 or greater in a given fiscal year. The subrecipient's statutory report did not comply with the CDC guidelines. PSI management provided email communication between PSI and the subrecipient inquiring about the need for an audit in accordance with 2 CFR 200, Subpart F; however, the email documentation did not document PSI management's considerations and conclusions regarding the fact that the subrecipient had a statutory audit performed, instead of an audit in accordance with 2 CFR 200, Subpart F.

Questioned Costs: There are no questioned costs.

Context: This is a condition identified based on our review of the internal control documentation used to support the monitoring of the subrecipient selected for testing. No sampling was required as there was only one subrecipient for the major program AL# 93.067.

Cause: PSI's subrecipient monitoring policies and procedures contain requirements for PSI to obtain subrecipient audit reports and review those reports. However, based on the matter identified, the policies and procedures do not contain adequate guidance to address a subrecipient's noncompliance with the audit requirements of 2 CFR 200, Subpart F.

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Effect: The lack of adherence to the established internal control policies and procedures can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements which could ultimately lead to disallowed costs for the major federal program.

Repeat Finding: This is not a repeat finding.

Recommendation: BDO recommends that PSI implement specific documentation requirements related to PSI management's considerations and conclusions regarding subrecipient noncompliance with a particular federal statute or condition of an award. While PSI's procedures may address risk associated with subrecipient noncompliance, the maintenance of written documentation to evidence considerations and conclusions is imperative to PSI's risk management process.

Views of Responsible Officials: PSI management agrees with the finding and recommendations set forth within and will work with program management teams to provide guidance and training related to non-U.S. subrecipient organization audit requirements. Refer to management's corrective action plan for additional information.

2022-004 Internal Control over Compliance and Compliance with Cash Management Requirements

Identification of the Major Federal Program:

United States Department of Health and Human Services
CFDA Number: 93.067
CFDA Name: Global AIDS
Grant Award Number:

Direct Award Number	Award Period
NU2GGH002005	April 1, 2017 through September 29, 2022

Pass-through Award Information:

Pass-through Entity	Award Number	Award Period
University of California San Francisco	NU2GGH002170	September 30, 2020 through September 29, 2022

Criteria or Specific Requirement: In accordance with §200.305, *Federal Payment*, for non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. Specifically, §200.305(b)(1), *Federal Payment*, indicates: Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs.

Also in accordance with §200.305(b)(9), *Federal Payment*, interest earned on amounts up to \$500 per year may be retained by the non-Federal entity for administrative purposes. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be

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remitted annually to the Department of Health and Human Services Payment Management System (PMS).

In accordance with the 2022 OMB Compliance Supplement, when the reimbursement payment method is used, program costs must be paid using non-federal entity funds before submitting a payment request to the federal awarding agency.

Condition: During our testing of compliance, we identified the following matters:

During our testing of advance payments received for major program AL# 93.067 - Award NU2GGH002005, management did not minimize the amount of time between the Federal advance payments and the actual disbursements for direct program expenditures and related indirect costs. In October 2022, PSI requested an advance payment of \$168,477 even though \$170,259 remained available from a previous cash advance. Additionally, in November 2022, PSI requested an additional advance payment of \$59,000 when an outstanding advance of \$276,230 still remained. As of December 31, 2022, PSI had \$348,287 in cash available from advance payments with no disbursements for direct expenditures. We noted that PSI provided a refund to the U.S. Department of Health and Human Services in February totaling \$250,600 and in May totaling \$56,103 related to the amount of cash available without actual disbursements as of December 31, 2022. The cash balance remaining as of the date of this report is being reconciled as part of PSI's close out process.

During our cash management testing, we identified instances where expenses were paid after the invoice to the federal government was submitted for reimbursement:

- For major program AL# 93.067, two instances of 10 samples tested, expenses totaling \$1,092 were paid after the invoice to the federal government was submitted - award NU2GGH002170.

Questioned Costs: For major program AL# 93.067, PSI earned interest on the available cash for the funds advanced for Award NU2GGH002005. We calculated an estimate of interest earned and determined the likely questioned costs are \$2,133 as of December 31, 2022. Interest continued to accrue on the available fund balance subsequent to year end and is estimated to be an additional \$2,448 of likely questioned costs.

There are no questioned costs related to the findings identified whereby expenses were paid after the invoice to the federal government was submitted for reimbursement.

Context: This is a condition based on testing of PSI's compliance with specified requirements. The prevalence of these findings is detailed in the condition section above. The samples were selected using a non-statistical method.

Cause: For the advance payments for Award NU2GGH002005, PSI's programmatic and finance team did not adequately monitor remaining budget and projected expenditures at the end of the period of performance of the award resulting in PSI requesting and receiving funds that were not able to be liquidated. Furthermore, as of December 31, 2022, the PSI management team did not review open deferred revenue balances in sufficient detail to identify the need to reimburse the federal agency for overpayment of funds.

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In relation to both the findings identified whereby expenses were paid after the invoice to the federal government was submitted for reimbursement, PSI personnel did not comply with documented review and approval policies to ensure timely payment of local office expenditures incurred.

Effect: Failure to perform cash management procedures in accordance with PSI's documented policies could result in obtaining funds from the U.S. Government in advance of actual expenditures incurred thus resulting in non-compliance with contractual agreements.

Repeat Finding: This finding is a repeat finding from 2020 and was reported as finding 2020-004 in the 2020 schedule of findings and questioned costs.

Recommendation: We recommend management review all deferred revenue balances monthly for federal programs where advance funds are received in sufficient detail to determine whether expenses will be available in the immediate near term to spend down federal advances. We also recommend management ensure the compliance cash management policies that align to U.S. Government funding requirements.

Views of Responsible Officials: PSI management agrees with the finding and recommendations set forth within and will refine its method for calculating drawdowns on federal awards. Refer to management's corrective action plan for additional information. controls.

2022-005 Allegations of Fraud

Information on the Federal Program(s):

United States Agency for International Development
Assistance Listing Number: 98.001
Assistance Listing Name: USAID Foreign Assistance for Programs Overseas
Grant Award Number(s):

Direct Award Number(s)	Award Period
72061220CA00003	April 1, 2020 through March 31, 2025
72061318CA00009	October 15, 2018 through October 13, 2023

Pass-through Award Information:

Pass-through Entity	Award Number	Award Period
FHI	72044218CA00006	September 17, 2018 through May 31, 2023

United States Department of Health and Human Services
Assistance Listing Number: 93.067
Assistance Listing Name: Global AIDS
Grant Award Number:

Direct Award Number	Award Period
NU2GGH002005	April 1, 2017 through September 29, 2022

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United States Agency for International Development

Assistance Listing Number: 98.NoAL

Assistance Listing Name: USAID Cost Reimbursable Contracts and Other Awards

Grant Award Number(s):

Direct Award Number(s)		Award Period
COVID-19- 7200AA18C00014		February 12, 2018 through May 31, 2024
7200AA18C00014		February 12, 2018 through May 31, 2024
Pass-through Award Information:		
Pass-through Entity	Award Number	Award Period
ABT Associates	AID-OAA-I-17-00008	September 30, 2017 through September 29, 2023

Criteria: §200.516(a) *Audit findings* requires known or suspected fraud be reported by the auditor.

Condition: During 2022, PSI identified multiple fraud incidents through its internal reporting mechanisms that impacted its federally funded programs. These fraud incidents have been reported to the appropriate U.S. Office of the Inspector General by PSI.

- In the Republic of Malawi, a demand creation supervisor knowingly assigned walk-in clients to an external party through a contract that was wrongfully issued with the intention to defraud PSI Malawi. The total financial loss to award 72061220CA00003 was \$112.
- In the Democratic Republic of the Congo, allegations of possible manipulation of procurement of COVID-19 personal protective equipment led to an expanded investigation of procurements and unsupported transactions related to task order #14 of the COVID-19 funding for award 7200AA18C00014. This investigation resulted in the disallowance of \$216,227.
- In the Republic of Tanzania, a clinical advisor breached mentorship protocols and did not visit health facilities as required in the approved activities plan. The costs incurred related to the unapproved mentorship activities totaled \$12,749 for award 7200AA18C00014.
- In the Republic of Zimbabwe, enhanced peer mobilizers overclaimed the number of clients who were successfully referred to the program. The attributable financial loss to award 72061318CA00009 is \$1,314. The falsification of information from the enhanced peer mobilizers did not affect the accuracy of actual clients who received services because the actual client service delivery records are maintained by an independent service provider based on actual clients served.
- In the Republic of Sierra Leone, a third-party vendor used by PSI Sierra Leone to obtain motorcycle registration and licensing fees colluded with PSI Sierra Leone staff to inflate the charges levied by the relevant authority and administration fee payable to the vendor. The total financial loss to award 7200AA18C00014 was \$1,335.
- In the Republic of Zimbabwe, two employees misappropriated project cash advances meant for training and beneficiary payments. One of those same employees improperly accounted for mileage and fuel use. Both of these matters resulted in a total financial loss to award 72061318CA00009 of \$1,758.
- In Washington D.C. at PSI's headquarters, a technical advisor fraudulently reported lodging costs on an expense report. The expense was not reimbursed to the technical advisor and no amounts were charged to award AID-OAA-I-17-00008. Therefore, there was no financial loss to the award.

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- In the Republic of Sierra Leone, an administrative officer received a 5% kickback on certain procurement transactions. There were 46 total transactions totaling \$116,005 for which kickbacks were received. The financial loss to award 7200AA18C00014 was determined by calculating 5% of the total transactions, totaling \$5,800.
- In the Republic of Zimbabwe, an investigation revealed that certain program ambassadors working on award 72061318CA00009 claimed unusually high mobilization fees due to data falsification. The data falsification did not impact the reportable outputs because different controls were in place for the final output data. There was also no loss to the award because payments to the program ambassadors were withheld until the investigation was completed.
- In the Kingdom of Lesotho, certain employees falsified travel expense report records resulting in a financial loss to award NU2GGH002005 totaling \$185.
- In the Republic Cameroon, payment records for reimbursement of certain expatriate education benefits were falsified. This falsification of records resulted in the overpayment of tuition of \$38,607 related to award 7200AA18C00014.
- In the Republic of Niger, certain employees falsified expense reports related to per diem amounts for activities that did not occur. This resulted in a financial loss to award 7200AA18C00014 totaling \$2,942.
- In the Republic of Zimbabwe, data falsification related to circumcisions in the Makoni district resulted in a financial loss to award 72061318CA00009 totaling \$2,644.
- In the Kingdom of Lesotho, certain fixed assets including computers, chairs, tables, and gas cylinders were stolen. Upon filing of a police report, certain assets were recovered. The value of items that were unable to be recorded totaled \$3,326 for award NU2GGH002005.
- In the Republic of Zimbabwe, an employee falsified documentation related to fuel usage totaling \$30 for award 72061318CA00009.
- In the Kingdom of Cambodia, an employee falsified expense records for meeting refreshments which resulted in a loss to award 72044218CA00006 of \$665.

PSI has ongoing investigations involving U.S. Federal funding pending in multiple countries for which the facts and circumstances and full effect of the fraud investigations have not been determined. Where investigations are still pending and conclusions of the matters identified through whistleblower or other communications have not been reached, PSI has reported such matters to the appropriate U.S. agency.

Questioned Costs: There are no questioned costs as the questioned amounts have been, or are in the process of, being reimbursed to the respective Federal agency.

Context: These conditions were identified through PSI's internal review and audit processes and were reported to us during our internal control assessment for the year ended December 31, 2022.

Cause: Individuals intentionally circumvented PSI's established internal controls.

Effect: These conditions could result in unallowable expenses being charged to U.S. Government awards if controls in place had not identified the conditions.

Repeat Finding: The specific items identified above were not reported in the prior year; however, findings related to fraud were included for the prior three years as findings 2021-005 in the December 31, 2021 schedule of findings and questioned costs, 2020-005 in the December 31, 2020 schedule of findings and questioned costs, and 2019-004 in the December 31, 2019 schedule of findings and questioned costs.

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Recommendation: Because of the international environment in which PSI operates, the potential for fraud is heightened. Given this, we recommend management continue to utilize its global internal audit team and fraud reporting hotline, as well as other policies and procedures around fraud identification to mitigate the fraud risk.

Views of Responsible Officials: PSI management agrees with the finding and recommendations set forth within and will proactively report and investigate allegations of fraud and to raise awareness of the actions to be taken when there is a suspicion of fraud. Refer to management's correction action plan for additional information.

2022-006 Internal Controls over Compliance and Compliance with the Period of Performance Compliance Requirement

Identification of the Major Federal Program:

United States Department of Health and Human Services
Assistance Listing Number: 93.067
Assistance Listing Name: Global AIDS
Grant Award Number:

<u>Direct Award Number</u>	<u>Award Period</u>
NU2GGH002005	April 1, 2017 through September 29, 2022

Criteria or Specific Requirement: In accordance with §200.309, a non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity. Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award as required by §200.344(b). When used in connection with a non-Federal entity's utilization of funds under a Federal award, "obligations" means orders placed for property, services, contracts, and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period as described in §200.71.

Condition: We identified 12 instances out of 162 sample items selected, whereby expenses were incurred after the end of the award period of performance. These expenses totaled \$1,725 for Award NU2GGH002005.

Questioned Costs: For Award NU2GGH002005, we identified \$1,557 in known questioned costs as a result of our sampling and testing procedures related to the close-out period of the award. Further analysis of the population of expenses incurred during the close-out period resulted in the identification of an additional \$16,690 in known questioned costs that were outside of the period of performance and not permitted to be charged to the award based on the terms of the close-out

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Schedule of Findings and Questioned Costs Year ended December 31, 2022

budget. In addition, we identified \$168 in known questioned costs as a result of our testing procedures for the period of performance of the original term of Award NU2GGH002005. Likely questioned costs associated with expenses incurred outside the period of performance of the original award totaled \$83,585.

Context: BDO's testing of the period of performance compliance requirement was performed by examining whether the expenses selected as part of our testing of allowable costs and allowable activities were incurred within the proper period of performance of the award. Testing of those 120 expenses for AL# 93.067 resulted in one exception totaling \$33 related to Award NU2GGH002005 (included in the questioned costs of \$168 above), and testing of 120 expenses for AL# 98.NoAL resulted in no exceptions to the period of performance requirements. BDO also performed specific period of performance procedures on those awards that began or ended during 2022. A total of 42 expenses for AL# 93.067 were selected across the awards that began or ended during 2022, and the compliance matters identified above resulted from those specific 42 items tested for AL# 93.067. No specific period of performance procedures were required for AL# 98.NoAL based on the individual grant period(s) of the awards.

Cause: PSI management has procedures in place to review expenditures to determine the appropriate period of performance; however, those procedures were not performed to a level of detail to identify expenses that were incurred outside the period of the award.

Effect: The lack of adherence to the established internal control procedures around the period of performance of the award resulted in noncompliance and questioned costs that need to be returned to the U.S. Department of Health and Human Services. Continued noncompliance with federal statutes, regulations, and the provisions of the grant agreements could ultimately result in additional disallowed costs for the major programs.

Repeat Finding: This finding is a repeat finding from 2021 and was reported as finding 2021-006 in the 2021 schedule of findings and questioned costs.

Recommendation: We recommend management revisit and consider revising their internal procedures around detecting expenditures incurred outside of the period of performance in order to prevent the charging of costs outside of the period of performance of the award. Furthermore, we believe an option would be to close the project within the accounting system, and create a separate project to accumulate any costs incurred after the end of the period of performance. The costs incurred subsequent to the end of the period of performance should go through the review and approval of individuals at PSI Headquarters.

Views of Responsible Officials: PSI management agrees with the finding and recommendations set forth within and will provide training to appropriate staff responsible for monitoring expenses on the program. Refer to management's corrective action plan for additional information.

Appendix A - Summary Schedule of Prior Year Findings Year Ended December 31, 2021

2021-001 Internal Control over Compliance and Compliance with the Reporting Compliance Requirement

Summary of Condition: During BDO's testing of the financial and programmatic reporting requirements, BDO noted that management's internal monitoring and review controls did not allow for timely reporting to the Federal awarding agency or pass-through entity.

Contact: Marcie Cook, Susan Mukasa
Title: Vice Presidents, Global Operations
Phone Number: 202-753-7532 / 202-734-7784
Estimated Completion Date - ongoing

Corrective Action

Project Directors and Program Management Teams will ensure that each contract has a clear program and financial reporting deadline, including format at time of project set up. For existing projects, the Program Management Team will work with Project Directors to confirm the accuracy of the report deadlines in PSI's report tracker (D-Tracker). Quarterly reports will be run to confirm upcoming reports due in the quarter, and shared with appropriate staff to ensure that deadlines are met or approvals to extend due dates are appropriately documented.

Status as of June 2023

After the 2021 audit, process improvements were made that helped to achieve greater completeness and accuracy of the funder deliverables recorded in D-Tracker. During the 2022 audit, it was determined that some deliverables were added to D-Tracker late because the award agreements were signed just before the deliverables were due. In Q3 2023, the Program Management Teams, Grants & Contracts Department, and Finance Department will work together to identify and implement a solution for this.

2021-002 Internal Control over Compliance and Compliance with Activities Allowed or Unallowed and Allowable Costs and Cost Principles

Summary of Condition: PSI has documented expenditure policies and procedures. However, the review and approval process did not operate as designed, resulting in errors related to allocations, insufficient documentation to support the expenditure, and expenses recorded in the incorrect fiscal year in accordance with the accrual basis of accounting.

Contact: Chris Holmes
Title: Controller
Phone Number: 202-235-1938
Estimated Completion Date - ongoing

Corrective Action

The results of the 2021 audit will be shared and reiterated in training. The limitations on travel due to the COVID pandemic impacted PSI's ability to deliver in person training to our global finance and program staff as planned during 2021. PSI began offering virtual finance training during 2021 and will continue to expand that initiative during 2022.



Appendix A - Summary Schedule of Prior Year Findings Year Ended December 31, 2021

Status as of June 2023

The results of the 2021 audit were shared and remote trainings were offered both of which helped to prevent further errors. In late June 2023 PSI will offer its first in-person finance training since COVID-19 to further strengthen knowledge of the Uniform Guidance and emphasize the importance of its correct application.

2021-003 Internal Control over Compliance and Compliance with Procurement, Suspension and Debarment

Corrective action was taken. PSI delivered training sessions and re-communicated policies and procedures and tools to support compliance. No findings were noted in PSI year 2022 audit.

2021-004 Internal Control over Compliance with the Matching Compliance requirement

Corrective action was taken. The process for tracking and reviewing matching requirements has been reviewed and revised to clarify documentation of review and consistent tracking methods. No findings were noted in PSI year 2022 audit.

2021-005 Allegations of Fraud

Summary of Condition: During 2021, PSI identified multiple fraud incidents through its internal reporting mechanisms that impacted its federally funded programs. These fraud incidents have been reported to the appropriate U.S. Office of the Inspector General by PSI.

Contact: Marusya Lazo

Title: Vice President Finance

Phone Number: 202-235-1880

Estimated Completion Date - ongoing

Corrective Action

PSI will continue to manage fraud risk through a combination of preventative, detective, and monitoring controls, and reinforce PSI's expectations regarding ethical behavior through training and communications. The limitations on travel due to the COVID pandemic impacted PSI's ability to deliver in person training as planned in 2021, and PSI continues to evaluate training options considering ongoing restrictions in 2022. Opportunities for virtual and electronic messaging on the importance of maintaining internal controls and ethical standards will be used where possible. PSI will continue to proactively report and investigate allegations of fraud and will continue to raise awareness of the actions to be taken when there is a suspicion of fraud. Lessons learned from the work performed by the PSI Global Internal Audit and Investigations team will continue to be shared. Given the challenging operating environments in which PSI implements its programs, there is an ongoing risk of fraud, which PSI will continue to monitor, investigate, and mitigate.

Status as of June 2023

PSI continues to apply a mixture of preventative, detective, and monitoring controls to manage fraud risk, and to reinforce PSI's expectations regarding ethical behavior and reporting of potential concerns through training and communications. PSI is proactive in ensuring that any incidents which could impact Federal awards are reported to the appropriate OIG on a timely basis, and updated information provided. Where fraud incidents have a financial impact on a Federal award these costs are reimbursed to the award.



Appendix A - Summary Schedule of Prior Year Findings Year Ended December 31, 2021

2021-006 Internal Controls over Compliance and Compliance with the Period of Performance Compliance Requirement

Summary of Condition: During 2021, BDO identified certain instances in which expenses were incurred after the end of the period of performance of awards.

Contact: Chris Holmes

Title: Controller

Phone Number: 202-235-1938

Estimated Completion Date - done

Corrective Action

PSI implemented in early 2022 a new system control around recording period of performance dates in its ERP which going forward will prevent users from recording expenses outside the allowable dates. In addition, PSI will continue to raise awareness of this issue by covering this requirement in finance trainings.

Status as of June 2023

The new system control was implemented and helped to prevent new expenses from being recorded after the POP date. However more training is needed to further raise awareness to address the issue fully.



Appendix B - Management's Corrective Action Plan Year ended December 31, 2022

2022-001 Internal Control over Compliance and Compliance with the Reporting Compliance Requirement

Contact: Marcie Cook, Susan Mukasa
Title: Vice Presidents, Global Operations
Phone Number: 202 753 7532 / 202 734 7784
Estimated Completion Date - ongoing
Corrective Action

PSI will focus on continuous improvements to the reporting tracking system (D-Tracker) that ensures each contract has a clear program and financial reporting deadlines. The Program Management Team will keep working with Project Directors to confirm accuracy of the report deadlines in D-Tracker. Quarterly reports will be run to confirm upcoming reports due in the quarter and be shared with appropriate staff to ensure that deadlines are met or approvals to extend due dates are appropriately documented.

Training will be provided throughout the year so that monitoring is part of the standard procedure.

2022-002 Internal Control over Compliance and Compliance with Activities Allowed or Unallowed and Allowable Costs and Cost Principles

Contact: Chris Holmes
Title: Controller
Phone Number: 202-235-1938
Estimated Completion Date - ongoing
Corrective Action

In late June 2023, PSI will offer its first in-person finance training since the onset of COVID. The common issues identified in this audit will be covered in that training, including: running suspension and debarment checks in a timely manner, retaining sufficient supporting documentation for expenses, following contract terms or modifying contract terms in writing as necessary, tracking VAT refunds appropriately, recording expenses in the proper period.

2022-003 Internal Control over Compliance with Subrecipient Monitoring Requirements

Contact: Karen Conley
Title: Director, Grants & Contracts, Program Ethics
Phone Number: 202-549-8388
Estimated Completion Date - ongoing
Corrective Action

Grants and Contracts will work closely with the Program Management teams to remind non-US subrecipient organizations of the US government funding requirements included in their sub agreements and their need to comply with the annual audit certification letters.

Following a departmental re-organization, the Subaward Compliance Unit in the Grants and Contracts Department will focus on strengthening PSI's SR monitoring process.



Appendix B - Management's Corrective Action Plan Year ended December 31, 2022

2022-004 Internal Control over Compliance and Compliance with Cash Management Requirements

Contact: Chris Holmes

Title: Controller

Phone Number: 202-235-1938

Estimated Completion Date - ongoing

Corrective Action

PSI is refining its method for calculating drawdowns on federal awards that are near the end of the period of performance dates. For such awards, the Accounts Receivable team in Washington will work with the Program Management Teams to obtain specific projections of trailing costs from country offices.

2022-005 Allegations of Fraud

Contact: Marusya Lazo

Title: Vice President Finance

Phone Number: 202 235 1880

Estimated Completion Date - ongoing

Corrective Action

PSI continuously manages fraud risk through combination of preventative, detective and monitoring controls, and reinforces PSI's expectations regarding ethical behavior through training and communications. PSI will continue to proactively report and investigate allegations of fraud and to raise awareness of the actions to be taken when there is a suspicion of fraud. PSI Global Internal Audit and Investigations team will continue to share lessons learned from the work performed and. Given the challenging operating environments in which PSI implements its programs, there is an ongoing risk of fraud, which PSI will continue to monitor, investigate, and mitigate.

2022-006 Internal Controls over Compliance and Compliance with the Period of Performance Compliance Requirement

Contact: Chris Holmes

Title: Controller

Phone Number: 202-235-1938

Estimated Completion Date - done

Corrective Action

The results of the 2022 audit will be shared with appropriate staff and reiterated in training to ensure that adequate attention and guidance is provided on the allowability of trailing costs and the unallowability of newly incurred costs. From 2023, PSI will resume delivering in person training to its global finance and program staff.

