

Consolidated Financial Statements and
Report of Independent Certified Public Accountants

THE POPULATION COUNCIL, INC.

December 31, 2021 and 2020

THE POPULATION COUNCIL, INC.

Table of Contents

	Page
I. Financial	
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements:	
Consolidated Balance Sheets	5
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11

GRANT THORNTON LLP

757 Third Avenue, 9th Floor
New York, NY 10017-2013

D +1 212 599 0100

F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Trustees
The Population Council, Inc.

Opinion

We have audited the consolidated financial statements of The Population Council, Inc. (the "Council"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Council as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Council'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 Council'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.

Grant Thornton LLP

New York, New York
July 11, 2022

THE POPULATION COUNCIL, INC.

Consolidated Balance Sheets

December 31, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 17,368,339	20,592,233
Grants and contributions receivable, net (note 2(e) and 4):		
U.S. government agencies	5,031,359	3,773,710
Other	3,627,793	5,468,056
Other receivables	1,385,483	1,600,902
Prepaid expenses and other assets	1,159,929	1,055,420
Investments (note 3)	131,676,903	124,705,590
Fixed assets, net (note 5)	<u>7,874,984</u>	<u>8,741,799</u>
Total assets	<u>\$ 168,124,790</u>	<u>165,937,710</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 6,703,151	4,715,211
Awards, contracts, and fellowships payable	84,609	17,464
Program advances (note 2(e))	11,424,892	14,741,512
Loans payable (note 11)	214,798	1,503,585
Deferred rent credit, net (note 8)	4,400,757	4,708,918
Deferred revenue (note 16)	2,000,000	4,181,900
Postretirement medical benefits payable (note 10)	<u>4,372,413</u>	<u>4,997,694</u>
Total liabilities	<u>29,200,620</u>	<u>34,866,284</u>
Commitments and contingencies (notes 3, 8, 10, 11 and 15)		
Net assets (deficit):		
Net assets without donor restrictions:		
General undesignated	2,890,480	(222,694)
The John D. Rockefeller 3rd Memorial Fund (note 7)	<u>115,661,609</u>	<u>111,470,885</u>
Total net assets without donor restrictions	118,552,089	111,248,191
Net assets with donor restrictions:		
Purpose or time restricted (notes 6 and 7)	14,886,305	14,337,459
Restricted by donors in perpetuity (notes 6 and 7)	<u>5,485,776</u>	<u>5,485,776</u>
Total net assets with donor restrictions	<u>20,372,081</u>	<u>19,823,235</u>
Total net assets	<u>138,924,170</u>	<u>131,071,426</u>
Total liabilities and net assets	<u>\$ 168,124,790</u>	<u>165,937,710</u>

See accompanying notes to consolidated financial statements.

THE POPULATION COUNCIL, INC.

Consolidated Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Operating revenue:			
Grants and contributions (notes 2(k), 13 - 16)	\$ 42,450,046	2,303,518	44,753,564
Royalties	5,554,663	-	5,554,663
Investment return, net	14,873,613	2,510,956	17,384,569
Other	111,358	-	111,358
Net assets released from restrictions	3,327,567	(3,327,567)	-
Total operating revenue	<u>66,317,247</u>	<u>1,486,907</u>	<u>67,804,154</u>
Operating expenses:			
Program services:			
Social and behavioral sciences	35,672,379	-	35,672,379
Biomedical research	12,509,410	-	12,509,410
Total program services	<u>48,181,789</u>	<u>-</u>	<u>48,181,789</u>
Supporting services:			
Management and general	12,187,338	-	12,187,338
Fund-raising	289,545	-	289,545
Total supporting services	<u>12,476,883</u>	<u>-</u>	<u>12,476,883</u>
Total operating expenses	<u>60,658,672</u>	<u>-</u>	<u>60,658,672</u>
Excess of operating revenue over operating expenses	5,658,575	1,486,907	7,145,482
Other changes in net assets:			
Postretirement benefit changes other than net periodic benefit cost (note 10)	344,403	-	344,403
Net periodic benefit costs other than service (cost) gain (note 10)	362,859	-	362,859
Transfer from endowments (note 7)	938,061	(938,061)	-
Foreign currency adjustment	-	-	-
Increase in net assets	<u>7,303,898</u>	<u>548,846</u>	<u>7,852,744</u>
Net assets at beginning of year	<u>111,248,191</u>	<u>19,823,235</u>	<u>131,071,426</u>
Net assets at end of year	<u>\$ 118,552,089</u>	<u>20,372,081</u>	<u>138,924,170</u>

See accompanying notes to consolidated financial statements.

THE POPULATION COUNCIL, INC.

Consolidated Statement of Activities

Year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>
Operating revenue:			
Grants and contributions (notes 2(k), 13 - 16)	\$ 37,962,616	5,793,858	43,756,474
Royalties	4,145,506	-	4,145,506
Investment return, net	8,449,726	1,294,724	9,744,450
Other	137,540	-	137,540
Net assets released from restrictions	4,746,494	(4,746,494)	-
Total operating revenue	<u>55,441,882</u>	<u>2,342,088</u>	<u>57,783,970</u>
Operating expenses:			
Program services:			
Social and behavioral sciences	37,079,026	-	37,079,026
Biomedical research	11,919,859	-	11,919,859
Total program services	<u>48,998,885</u>	<u>-</u>	<u>48,998,885</u>
Supporting services:			
Management and general	11,698,302	-	11,698,302
Fund-raising	492,567	-	492,567
Total supporting services	<u>12,190,869</u>	<u>-</u>	<u>12,190,869</u>
Total operating expenses	<u>61,189,754</u>	<u>-</u>	<u>61,189,754</u>
(Deficiency) excess of operating revenue over operating expenses	(5,747,872)	2,342,088	(3,405,784)
Other changes in net assets:			
Postretirement benefit changes other than net periodic benefit cost (note 10)	2,631,057	-	2,631,057
Net periodic benefit costs other than service (cost) gain (note 10)	(343,749)	-	(343,749)
Transfer from endowments (note 7)	771,842	(771,842)	-
Foreign currency adjustment	247,693	-	247,693
(Decrease) Increase in net assets	<u>(2,441,029)</u>	<u>1,570,246</u>	<u>(870,783)</u>
Net assets at beginning of year	<u>113,689,220</u>	<u>18,252,989</u>	<u>131,942,209</u>
Net assets at end of year	<u>\$ 111,248,191</u>	<u>19,823,235</u>	<u>131,071,426</u>

See accompanying notes to consolidated financial statements.

THE POPULATION COUNCIL, INC.

Consolidated Statement of Functional Expenses

Year ended December 31, 2021

	Program Services			Supporting Services			Total Expenses
	Social and Behavioral Sciences	Biomedical Research	Total	Management and General	Fund-raising	Total	
Awards, contracts, and fellowships	\$ 3,857,403	959,054	4,816,457	-	-	-	4,816,457
Salaries and allowances	17,226,050	4,168,692	21,394,742	6,303,543	177,315	6,480,858	27,875,600
Pensions and other employee benefits (note 9)	4,712,985	1,335,850	6,048,835	2,003,644	53,819	2,057,463	8,106,298
Consultants and professional fees	2,452,841	373,235	2,826,076	1,258,082	12,331	1,270,413	4,096,489
Research and related services	1,527,581	2,263,406	3,790,987	37,947	-	37,947	3,828,934
Program supplies and maintenance	189,304	529,910	719,214	-	-	-	719,214
Travel and meetings	2,094,346	38,410	2,132,756	75,662	46	75,708	2,208,464
Occupancy, net (note 8)	2,073,224	2,097,650	4,170,874	829,127	22,598	851,725	5,022,599
Telecommunications, postage, and supplies	329,716	137,681	467,397	99,108	2,596	101,704	569,101
Office equipment and maintenance	317,627	117,379	435,006	535,392	4,727	540,119	975,125
Printing, publications, books, and journals	311,676	18,750	330,426	49,713	4,785	54,498	384,924
Insurance	11,420	83,081	94,501	165,327	-	165,327	259,828
Other fees and expenses	11,796	1,486	13,282	257,663	2,243	259,906	273,188
Total expenses before depreciation and amortization	35,115,969	12,124,584	47,240,553	11,615,208	280,460	11,895,668	59,136,221
Depreciation and amortization of leasehold improvements, equipment, and other	556,410	384,826	941,236	572,130	9,085	581,215	1,522,451
Net periodic benefit costs other than service cost (gain) (note 10)	-	-	-	(362,859)	-	(362,859)	(362,859)
2021 Total	\$ 35,672,379	12,509,410	48,181,789	11,824,479	289,545	12,114,024	60,295,813
2020 Total	\$ 37,079,026	11,919,859	48,998,885	12,042,051	492,567	12,534,618	61,533,503

See accompanying notes to consolidated financial statements.

THE POPULATION COUNCIL, INC.

Consolidated Statement of Functional Expenses

Year ended December 31, 2020

	Program Services			Supporting Services			Total Expenses
	Social and Behavioral Sciences	Biomedical Research	Total	Management and General	Fund-raising	Total	
Awards, contracts, and fellowships	\$ 4,464,134	302,564	4,766,698	-	-	-	4,766,698
Salaries and allowances	17,751,518	4,428,485	22,180,003	6,438,280	290,514	6,728,794	28,908,797
Pensions and other employee benefits (note 9)	5,506,686	1,372,618	6,879,304	2,120,497	101,159	2,221,656	9,100,960
Consultants and professional fees	2,207,177	336,283	2,543,460	783,145	20,782	803,927	3,347,387
Research and related services	1,463,101	1,372,102	2,835,203	42,839	-	42,839	2,878,042
Program supplies and maintenance	276,484	773,858	1,050,342	-	-	-	1,050,342
Travel and meetings	1,426,956	47,448	1,474,404	46,048	2,058	48,106	1,522,510
Occupancy, net (note 8)	2,235,694	2,373,398	4,609,092	830,545	38,162	868,707	5,477,799
Telecommunications, postage, and supplies	408,561	129,944	538,505	104,257	3,854	108,111	646,616
Office equipment and maintenance	406,677	100,267	506,944	458,487	10,379	468,866	975,810
Printing, publications, books, and journals	320,012	5,491	325,503	29,446	4,884	34,330	359,833
Insurance	13,984	103,653	117,637	175,233	-	175,233	292,870
Other fees and expenses	24,862	5,276	30,138	81,642	4,516	86,158	116,296
Total expenses before depreciation and amortization	36,505,846	11,351,387	47,857,233	11,110,419	476,308	11,586,727	59,443,960
Depreciation and amortization of leasehold improvements, equipment, and other	573,180	568,472	1,141,652	587,883	16,259	604,142	1,745,794
Net periodic benefit costs other than service cost (gain) (note 10)	-	-	-	343,749	-	343,749	343,749
2020 Total	\$ 37,079,026	11,919,859	48,998,885	12,042,051	492,567	12,534,618	61,533,503

See accompanying notes to consolidated financial statements.

THE POPULATION COUNCIL, INC.
Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 7,852,744	(870,783)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	1,522,451	1,745,794
Deferred rent credit	(308,161)	(363,202)
Net appreciation in fair value of investments	(15,412,839)	(8,266,220)
Other postretirement changes other than net periodic benefit cost	(344,403)	(2,631,057)
Net loss on sale of fixed assets	19,828	19,424
Changes in assets and liabilities:		
Grants and contributions receivable	582,614	79,020
Other receivables	215,419	(330,731)
Prepaid expenses and other assets	(104,509)	19,575
Accounts payable, accrued expenses, and other liabilities	1,853,949	1,139,698
Awards, contracts, and fellowships payable	67,145	(2,092,599)
Program advances	(3,316,620)	(2,429,503)
Deferred revenue	(2,181,900)	4,181,900
Postretirement medical benefits	(280,878)	439,168
Net cash used in operating activities	<u>(9,835,160)</u>	<u>(9,359,516)</u>
Cash flows from investing activities:		
Purchase of investments	(50,988,203)	(99,573,335)
Proceeds from sale of investments	59,429,729	123,440,675
Purchases of fixed assets	(549,744)	(835,877)
Proceeds from sale of fixed assets	8,271	4,878
Net cash provided by investing activities	<u>7,900,053</u>	<u>23,036,341</u>
Cash flows from financing activities:		
Payment on loan payable	(1,288,787)	(1,288,787)
Payment on capital leases	-	(25,907)
Net cash used in financing activities	<u>(1,288,787)</u>	<u>(1,314,694)</u>
Net (decrease) increase in cash and cash equivalents	(3,223,894)	12,362,131
Cash and cash equivalents at beginning of year	<u>20,592,233</u>	<u>8,230,102</u>
Cash and cash equivalents at end of year	<u>\$ 17,368,339</u>	<u>20,592,233</u>
Supplemental disclosure of non-cash activities		
Accounts payable for capital expenditures	133,991	18,900
Interest paid	9,045	112,874

See accompanying notes to consolidated financial statements.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(1) Description of Organization and its Programs

The Population Council, Inc. (the Council) confronts critical health and development issues. Through biomedical, social science, and public health research in more than 50 countries, the Council works with partners to deliver solutions that lead to more effective policies, programs, and technologies that improve lives around the world.

Established in 1952 and headquartered in New York, the Council is a nongovernmental, nonprofit organization governed by an international Board of Trustees. We take a multi-disciplinary, life-course research approach to focus on four research areas: sexual and reproductive health, adolescents and young people, gender equality and equity, and climate change.

The Council's mission is to generate ideas, produce evidence, and design solutions to improve the lives of populations around the world.

The Council works to improve sexual and reproductive health – especially for populations systematically discriminated against in low- and middle-income countries. In partnership with other nongovernmental organizations, government policymakers, program managers, and communities, we study and improve reproductive health services, support the introduction of new contraceptives worldwide, and assist policymakers in formulating, launching, and expanding evidence-informed programs and policies.

The Council's biomedical laboratories at the Center for Biomedical Research (CBR) develop innovative products that help protect the health and well-being of millions of people worldwide. CBR's researchers pioneered the field of long acting, reversible contraception, including intrauterine devices and implants. Today, more than 170 million people worldwide are using contraceptive technologies developed at CBR or based on CBR's technologies. CBR scientists are investigating new approaches to prevent HIV and other sexually transmitted infections, including multi-purpose prevention technologies. CBR is developing next generation contraceptives and delivery systems, including rings, gels, tablets, and fast dissolving inserts, which are designed to be safer, lower cost, and easier to use.

The Council seeks to understand the social dimensions of poverty and social inequity, the causes and consequences of gender inequality, the disparities in opportunity that arise during adolescence, and the critical elements of reaching a successful, productive adulthood in low- and middle-income countries. The Council conducts policy-oriented research and programs that improve the lives of vulnerable populations, especially disadvantaged girls. We conduct rigorous impact evaluations on interventions to improve the lives of adolescent girls, evaluating what works, for which girls, under what circumstances, and at what cost. We study the best ways to build the assets of adolescent girls to give them social, educational, and economic opportunities to break the cycle of poverty. The Council also seeks to reduce the impact of HIV related disability, death, stigma and discrimination, and orphanhood on individuals' lives and on the lives of people in their families, communities, and societies.

The Council investigates the complex interactions and dynamics between people and their environment and helps to ensure that climate programs and policies are progressive, inclusive, and rooted in the principles of equity. We harness evidence to build resilient, sustainable, and equitable communities, able to adapt to and mitigate the climate crisis. Climate change research includes a focus on gender equality and adolescent health and well-being, harmonized demographic and climate modeling, and sustainable livelihoods for economic empowerment.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Council derives its support and revenue from governments, foundations and other not for profit organizations, multilateral organizations, corporations, individuals, and internal such as investment return, publications, and royalty income. The Council's headquarters and the CBR are located in New York City. The Council also has an office in Washington, DC, as well as 19 offices in 13 countries. Included in these offices are three locally registered organizations in India, Kenya, and Pakistan which do not have income tax filing obligations and a for-profit affiliate in India that is subject to Indian taxation. No provision for income taxes was required for 2021 or 2020. All four affiliates have elected to be disregarded for U.S. income tax purposes.

The Council has been classified by the Internal Revenue Service as exempt from federal income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is not subject to income taxes except to the extent that it has taxable income from activities that are not related to its exempt purpose. The Council recognizes the effects of income tax positions only if those positions are more likely than not of being sustained.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include the actuarial determination of postretirement benefit cost and the related liability.

These consolidated financial statements include all locally registered affiliates included in Note 1 as the Population Council, Inc. controls these affiliates. All intercompany accounts and transactions are eliminated in consolidation.

(b) Basis of Presentation

The Council classifies its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions as follows:

- *Net assets without donor restrictions* are not subject to any donor-imposed stipulations. However, the Board of Trustees may choose to designate amounts for particular uses. *The John D. Rockefeller 3rd Memorial Fund* has been designated by the Board and established to function as an endowment.
- *Net assets with donor restrictions:*
 - a) *Net assets with purpose or time restrictions* are subject to donor-imposed stipulations that will be met by either actions of the Council and/or the passage of time.
 - b) *Net assets with perpetual restrictions* are subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the return earned on related investments for general or specific purposes.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

The Council excludes from the excess/(deficiency) of operating revenue over operating expenses transfers to/from endowment, net postretirement benefit cost other than service cost, postretirement benefit changes other than net periodic benefit cost and unusual or nonrecurring activities.

(c) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Council organizes its financial assets and liabilities at fair value into a three-level hierarchy. The hierarchy gives the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that the Council has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The Council measures the fair value of its limited partnership investments, which do not have readily determinable fair values, using net asset value (NAV) per share or its equivalent as the practical expedient, as provided by the investment managers. The Council reviews and evaluates the value provided by the general partner, as well as the valuation methods and assumptions used in determining the NAV of the limited partnership investments. The estimated fair value may differ significantly from the value that would have been used had a ready market for this investment existed.

(d) Cash Equivalents

Cash equivalents include short-term investments with original maturities of 90 days or less, except for those short-term investments managed by external investment managers as part of a long-term investment strategy.

(e) Grants and Contributions

The Council receives grants and contributions from a number of sources, including the U.S. government, foreign governments, private foundations, and other donors.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are recognized as support without restrictions to the extent that the related expenses are incurred or services are rendered (i.e., the barriers to the entitlement are satisfied) in accordance with the terms of the relevant grant or contract agreement. Any unexpended funds received in advance are reported as program advances on the consolidated balance sheets.

As of December 31, 2021 and 2020, the Council had conditional grants from funding agencies approximating \$58,936,565 and \$64,402,659, respectively, in the form of measurable performance related or other barriers that have not been reflected in the accompanying consolidated financial statements because the conditions on which they depend have not been met. Amounts received prior to meeting the related conditions are classified as program advances on the consolidated balance sheets.

(f) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices. Fair values of the limited partnership investments are based on NAV and are provided by the general partner based on the underlying net assets of the investment vehicle.

(g) Fixed Assets

Fixed assets include furniture, fixtures, equipment, computer software, and leasehold improvements that have unit costs in excess of \$5,000 and that are recorded at cost. Leasehold improvements are amortized using the straight-line method over the life of the lease or useful life of the asset, whichever is shorter. All other fixed assets are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 20 years.

(h) Awards, Contracts, and Fellowships Payable

The Council recognizes awards, contracts, and fellowships authorized during the year in operating expenses. A liability for unpaid amounts is included in the consolidated balance sheets.

(i) Foreign Currency Translation

The Council has determined that the reporting currency of its foreign offices is the U.S. dollar. Accordingly, assets and liabilities are translated using the current exchange rates in effect on the consolidated balance sheet date. Revenue and expense accounts are translated at the average rate in effect during the year. Grants and contributions revenue is shown net of foreign exchange losses of approximately \$6,000 and \$532,000 in 2021 and 2020, respectively. There was no exchange rate gain from the expense transactions and revaluation of the cash accounts at December 31, 2021. The exchange rate gain at December 31, 2020 is shown on the consolidated statement of activities as Foreign Currency Adjustment.

(j) Royalties

Royalties are received from commercial partners in return for the rights to use the Council's intellectual property rights or ownership of research for their products. For royalty agreements which include variable consideration, revenue is recognized after products are sold based on the percentage of net

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

sales reported to the Council quarterly. For royalty agreements which include milestones, revenue is recognized when all obligations under the milestone are satisfied.

For the years ended December 2021 and 2020, royalty revenues recognized are comprised of the following:

	<u>2021</u>	<u>2020</u>
Sales-based	\$ 5,554,663	4,145,506
Milestone-based	<u>-</u>	<u>-</u>
	<u>\$ 5,554,663</u>	<u>4,145,506</u>

Management has elected the practical expedient permitted under Accounting Standards Codification (“ASC”) 606 not to disclose information about remaining performance obligations as these contracts have original terms that are one year or less.

(k) Concentration of Support

During 2021 and 2020, approximately \$7.6 million and \$10.8 million, respectively, of the Council’s grants were funded directly by the United States Agency for International Development (USAID). As of December 31, 2021 and 2020, approximately \$0.6 million and \$1.0 million, respectively, of the Council’s grants receivable were also from USAID.

The three largest funding sources, one U.S. government agency, one foreign agency and one private foundation, constitute 42% of the revenue in both 2021 and 2020, respectively.

(l) Expense Allocation

The consolidated financial statements include certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Facilities related expenses (like occupancy, depreciation, office costs) are allocated based on time and effort of the staff at each location. Staff benefits are allocated based on time and effort recorded in the time sheets.

(m) Risks and Uncertainties

The Council invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated balance sheets.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(n) Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the consolidated balance sheets for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

In June 2020, the FASB issued ASU 2020-05, which provided for a one-year deferral on the requirements of ASU 2016-02. This guidance is effective for the Council’s annual reporting period beginning January 1, 2022. Early adoption is permitted. The Council is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements.

(3) Investments

The following tables present the Council’s fair value hierarchy for its investments as of December 31, 2021 and 2020. The alternative investments are measured at fair value using the NAV per share (or its equivalent) practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation to the amounts presented in the consolidated balance sheets:

	2021		2020	
	Fair Value	Level 1	Fair Value	Level 1
Money market	\$ 4,796,955	4,796,955	6,900,210	6,900,210
Equities (common stock)	9,798,080	9,798,080	8,405,746	8,405,746
Mutual Funds:				
Fixed Income	9,973,136	9,973,136	-	-
Large growth equity	25,428,200	25,428,200	22,677,307	22,677,307
Indexed equity	11,430,644	11,430,644	8,884,058	8,884,058
International equity	11,791,498	11,791,498	10,620,468	10,620,468
High-yield equity	2,534,538	2,534,538	719,721	719,721
International emerging	5,785,930	5,785,930	5,861,968	5,861,968
Sub Total	81,538,981	<u>81,538,981</u>	64,069,478	<u>64,069,478</u>
Alternative Investments measured at NAV:				
Limited partnership	49,373,055		59,322,757	
Investment redemption receivable	764,867		1,313,355	
Total Investments	\$ <u>131,676,903</u>		<u>124,705,590</u>	

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Population Council, Inc. submitted redemption requests relative to two investment funds, which remained outstanding as of December 31, 2021 and 2020. This redemption receivable continues to be reflected as part of investments on the accompanying consolidated balance sheets and was collected in full subsequent to year-end.

The following tables present the strategies and related redemption information with respect to the Council's investments measured at NAV:

2021				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Distressed debt securities	\$ 453,883	-	Semi-annual	90 days
Diversified private equity fund-of-funds	46,864	360,976	No Redemptions	Not applicable
Distressed/restructuring Index	101,755	-	Annually	90 days
Event-driven (total) index	5,407,471	-	Semi-annual	60 days
Multi-strategy	7,289,134	-	Quarterly	65 days
Fixed income	4,906,043	-	Daily	3 days
Small mid cap holdings	16,744,691	-	Monthly	30 days
Global public equity	13,882,490	-	Weekly	3 days
Global long/short credit and event driven	540,724	-	Quarterly	65 days
Total	\$ 49,373,055	360,976		

2020				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Distressed debt securities	\$ 2,653,599	-	Semi-annual	90 days
Diversified private equity fund-of-funds	87,480	360,976	No Redemptions	Not applicable
Distressed/restructuring Index	8,144,799	-	Annually	90 days
Event-driven (total) index	5,167,053	-	Semi-annual	60 days
Multi-strategy	6,809,049	-	Quarterly	65 days
Fixed income	6,788,577	-	Daily	3 days
Small mid cap holdings	13,351,392	-	Monthly	30 days
Global public equity	11,808,520	-	Weekly	3 days
Global long/short credit and event driven	4,512,288	-	Quarterly	65 days
Total	\$ 59,322,757	360,976		

Under the terms of limited partnership agreements, the Council is obligated to periodically advance additional funding for its limited partnership investments. The unfunded commitments have not been recorded as a liability in the accompanying consolidated balance sheets. Such commitments generally have fixed expiration dates or other termination clauses. The Council maintains sufficient liquidity in its investment portfolio to cover such calls.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(4) Grants and Contributions Receivable

At December 31, 2021 and 2020, grants and contributions receivable are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 8,829,152	9,316,766
Less allowance for uncollectible amounts	<u>(170,000)</u>	<u>(75,000)</u>
Total grants and contributions receivable, net	<u>\$ 8,659,152</u>	<u>9,241,766</u>

(5) Fixed Assets

Fixed assets at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 21,359,612	21,363,365
Furniture and equipment	4,236,032	3,617,677
Computer equipment	3,336,022	3,309,161
Automobiles	587,541	628,065
Office condominium	513,894	513,894
Work-in-progress	<u>90,574</u>	<u>201,467</u>
	30,123,675	29,633,629
Less accumulated depreciation and amortization	<u>(22,248,691)</u>	<u>(20,891,830)</u>
	<u>\$ 7,874,984</u>	<u>8,741,799</u>

(6) Net Assets with Donor Restrictions

At December 31, 2021 and 2020, net assets with purpose or time restrictions are to be used for the following purposes:

	<u>2021</u>	<u>2020</u>
Social and behavioral science research	\$ 6,882,927	7,431,301
Biomedical research	4,196,453	3,585,765
Future periods	<u>3,806,925</u>	<u>3,320,393</u>
	<u>\$ 14,886,305</u>	<u>14,337,459</u>

Included in net assets with donor restrictions, subject to purpose or time restrictions, are endowment funds (Note 7) in the amount of \$13.0 million and \$11.4 million consisting of remaining original principal balances, as well as unspent appreciation on these balances and on net assets with perpetual donor restrictions as of December 31, 2021 and 2020, respectively.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Net assets with donor restrictions, subject to perpetual donor restriction, support operations as follows:

	<u>2021</u>	<u>2020</u>
DeWitt Wallace Fellowship Fund	\$ 450,000	450,000
Policy Research Endowment Fund	2,035,776	2,035,776
General Fund	<u>3,000,000</u>	<u>3,000,000</u>
	<u>\$ 5,485,776</u>	<u>5,485,776</u>

(7) Endowment Funds

The Council's endowment consists of several individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Council follows the *New York Prudent Management of Institutional Funds Act* (NYPMIFA). Based on the interpretation of NYPMIFA by the Council's Board of Trustees, GAAP, and absent explicit donor stipulations to the contrary, the Council classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by NYPMIFA and in accordance with the disclosure provisions set forth by Accounting Standards Codification 958-205, *Not-For-Profit Entities – Presentation of Financial Statements*.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Council and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Council
- (7) The investment policies of the Council

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The annual 2021 and 2020 spending authorizations were calculated at \$6.1 million and \$5.5 million, respectively. Both amounts represent approximately 5% of the average market value of the endowment over the previous eight quarters ended September 30 unless an endowment fund's spending rate is specifically designated otherwise by a donor. The calculation is performed during the budgeting process and the withdrawal request is proposed to the Board of Trustees for use in support of the subsequent year's budget. In addition, the Board of Trustees approved use of up to \$1.7 million and \$1.0 million to support ongoing activities in 2021 and 2020, respectively. Use of these funds was interchangeable with the annual spending authorization. In addition to the spending authorizations, the Board of Trustees approved and transferred special appropriations of approximately \$4.2 million and \$5.9 million for 2021 and 2020, respectively. These special appropriations were used to fund the development and introduction of the Nestorone®/Ethinyl Estradiol Contraceptive Vaginal Ring, which has now gone to market under the brand name Annovera®, and other strategic investments specifically approved by the Board of Trustees.

The authorized withdrawal is drawn down as funds are needed, during, or immediately subsequent to, the budget year for which funds were authorized.

Actual spending may be less than the authorized amount. When less is spent, the unused amount is carried forward for appropriation by the Board of Trustees in future budget periods.

The goal of the Council's endowment investment policy is to maximize long-term total return through a combination of income and capital appreciation, in a prudent manner consistent with sound investment practice, to achieve a return at least equal to the spending rate, net of fees over rolling five-year periods. To achieve the goals of growth and income, the endowment portfolio is divided into growth and fixed-income components.

The following tables present the changes in the Council's endowment funds with donor restrictions and funds designated by the Board of Trustees to function as endowments for the years ended December 31, 2021 and 2020:

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or Time	Perpetual	
Endowment net assets, beginning of year	\$ 111,470,885	11,409,606	5,485,776	128,366,267
Designations	1,000	-	-	1,000
Investment return, net	14,835,539	2,510,956	-	17,346,495
Transfer from investment	-	-	-	-
Cash endowment	-	-	-	-
Endowment spend	<u>(10,645,815)</u>	<u>(938,061)</u>	<u>-</u>	<u>(11,583,876)</u>
Endowment net assets, end of year	\$ <u>115,661,609</u>	<u>12,982,501</u>	<u>5,485,776</u>	<u>134,129,886</u>
Endowment funds with donor restrictions	\$ -	12,982,501	5,485,776	18,468,277
Board-designated endowment funds	<u>115,661,609</u>	<u>-</u>	<u>-</u>	<u>115,661,609</u>
Total endowment	\$ <u>115,661,609</u>	<u>12,982,501</u>	<u>5,485,776</u>	<u>134,129,886</u>

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or Time	Perpetual	
Endowment net assets, beginning of year	\$ 112,602,139	10,888,133	5,485,776	128,976,048
Designations	3,000	-	-	3,000
Investment return, net	8,429,748	1,293,315	-	9,723,063
Transfer from investment	(10,000,000)	-	-	(10,000,000)
Cash endowment	10,000,000	-	-	10,000,000
Endowment spend	(9,564,002)	(771,842)	-	(10,335,844)
Endowment net assets, end of year	\$ <u>111,470,885</u>	<u>11,409,606</u>	<u>5,485,776</u>	<u>128,366,267</u>
Endowment funds with donor restrictions	\$ -	11,409,606	5,485,776	16,895,382
Board-designated endowment funds	<u>111,470,885</u>	-	-	<u>111,470,885</u>
Total endowment	\$ <u><u>111,470,885</u></u>	<u><u>11,409,606</u></u>	<u><u>5,485,776</u></u>	<u><u>128,366,267</u></u>

(8) Leases

(a) Headquarters Office

The Council occupies its New York headquarters office under a 16-year noncancelable operating lease for two floors expiring on December 31, 2030. The lease agreement includes rental escalations, which have been deferred and are being amortized over the term of the lease. The unamortized balance of the deferred rent credit as of December 31, 2021 and 2020 was \$3,961,330 and \$4,247,498, respectively.

Future minimum lease payments by the Council are as follows:

	<u>Amount</u>
Year ending December 31:	
2022	\$ 2,143,000
2023	2,143,000
2024	2,143,000
2025	2,374,000
2026	2,374,000
Thereafter	<u>9,496,000</u>
	\$ <u><u>20,673,000</u></u>

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Council has subleased a portion of its headquarters office space. Future minimum lease payments by current sublease tenants are as follows:

	<u>Amount</u>
Year ending December 31:	
2022	\$ 710,000
2023	710,000
2024	710,000
2025	<u>711,000</u>
	<u>\$ 2,841,000</u>

Rent expense for the headquarters office was \$1,402,777 and \$1,428,393 net of sublease income of \$796,638 and \$731,661 in 2021 and 2020, respectively.

The sublease agreements include rental abatements and escalations that are being recognized over the term of the lease. The unamortized balance was \$127,689 and \$158,529 as of December 31, 2021 and 2020, respectively.

(b) Center for Biomedical Research

The Council's CBR occupies three floors of office and laboratory space at Rockefeller University (the University) under a noncancelable operating lease expiring June 30, 2021. During January 2021, the Council amended the lease with two floors and extended the term with the expiration date as of June 30, 2024.

Rent expense was \$2,041,257 and \$2,337,005 in 2021 and 2020, respectively. Annual rent expense is adjusted based upon the Council's pro rata share of actual expenses incurred by the University and the annual percentage increase in the New York area's Consumer Price Index.

Future minimum lease payments by the Council are as follows:

	<u>Amount</u>
Year ending December 31:	
2022	\$ 1,742,000
2023	1,794,000
2024	<u>910,000</u>
	<u>\$ 4,446,000</u>

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(c) Washington, DC Regional Office

During 1997, the Council entered into an operating lease agreement for office space located in Washington, DC. The agreement contains a special cancellation right in the event that specific cooperative agreements between the Council and USAID are either not renewed or are otherwise terminated. The term of the lease agreement expired on March 31, 2014. During 2014, the Council entered into a second amendment to the current agreement to expand the premises and extend the lease term through February 29, 2028. The new lease agreement includes rental abatements and other allowances totaling \$728,750, which have been deferred and are being amortized over the term of the lease. The unamortized balance of the deferred rent credit as of December 31, 2021 and 2020 was \$567,116 and \$619,949, respectively. The rent expense for this lease was \$378,012 and \$349,158 in 2021 and 2020, respectively.

Future minimum lease payments by the Council are as follows:

	<u>Amount</u>
Year ending December 31:	
2022	\$ 428,000
2023	439,000
2024	450,000
2025	462,000
2026	473,000
Thereafter	<u>567,000</u>
	<u>\$ 2,819,000</u>

(d) Overseas Offices

The Council also has operating lease agreements at its various overseas locations. Rent expense under these leases was \$884,022 and \$986,674 in 2021 and 2020, respectively. Approximated future minimum lease payments are as follows:

	<u>Amount</u>
Year ending December 31:	
2022	\$ 487,000
2023	347,000
2024	219,000
2025	188,000
2026	194,000
Thereafter	<u>405,000</u>
	<u>\$ 1,840,000</u>

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(9) Pension

The Council has a noncontributory defined contribution pension plan, covering substantially all of its U.S. employees with at least one year of service and who work at least 20 hours per week. Contributions of 12% of the U.S. paid employees' base salaries are funded annually up to a maximum of \$24,000 per employee. Total pension expense for 2021 and 2020 was approximately \$2,018,849 and \$2,155,928, respectively.

(10) Postretirement Benefits

For retired employees, who meet certain minimum age and length of service requirements, the Council sponsors a defined benefit postretirement healthcare plan that provides medical and dental benefits. During 1998, the Council established a trust to fund a portion of its postretirement medical benefit plan. Assets of the trust amounting to \$4,235,153 and \$4,274,559 are included in the consolidated balance sheets as of December 31, 2021 and 2020, respectively. Assets of the trust primarily consisting of short-term investments, domestic equity and fixed-income securities (61%) and international equity and fixed-income securities (39%) are considered Level 1 under the Council's fair value hierarchy. The plan is contributory, with retiree contributions adjusted periodically.

The following table presents the information regarding the postretirement medical benefits plan at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Benefit obligation at December 31	\$ 8,607,566	9,272,253
Fair value of plan assets at December 31	<u>4,235,153</u>	<u>4,274,559</u>
Funded status	<u>\$ (4,372,413)</u>	<u>(4,997,694)</u>
Postretirement medical benefits payable	\$ 8,607,566	9,272,253
Benefit cost	(307,575)	447,961
Employer contribution	(26,697)	8,793
Plan participants' contributions	386,109	389,897
Amendments	-	(4,391,194)
Benefits paid	(883,213)	(941,747)
Return on assets	484,394	444,381
Benefits obligation weighted average discount rate at December 31	2.80 %	2.50 %
Benefits cost weighted average discount rate for the year ended December 31	2.50 %	3.50 %

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The amendments of \$4,391,194 were a result of a change in the Plan's cost-sharing arrangement that was adopted by the Council in 2020. The Council's subsidy was capped based on the 2020 cost levels for all current and future retirees. The impact of this amendment was reflected as a negative prior service as of December 31, 2021, which will be amortized as a component of the net periodic postretirement benefit cost over 5.91 years as follows:

<u>Year</u>	<u>Unrecognized at 1/1</u>	<u>Amount to be Recognized During the Year</u>
2022	\$ (3,755,710)	\$ (635,484)
2023	(3,120,226)	(635,484)
2024	(2,484,742)	(635,484)
2025	(1,849,258)	(635,484)
2026	(1,213,774)	(635,484)
2027	(578,290)	(578,290)
2028	-	-

For measurement purposes, the rate of increases in the per capita costs of healthcare benefits for 2021 and 2020 were assumed to be 6.6% and 7.0%, respectively. The cost increases are assumed to decrease annually to 4.5% in 2030 and remain at that level thereafter.

The net period postretirement benefit expenses include the following components:

	<u>2021</u>	<u>2020</u>
Net periodic benefit cost:		
Service cost	\$ 55,284	104,212
Interest cost	221,956	415,170
Expected return on plan assets	(237,484)	(244,394)
Recognized prior service cost (credit)	(635,484)	-
Recognized actuarial loss	288,153	172,973
Total net periodic postretirement cost (gain)	\$ <u>(307,575)</u>	<u>447,961</u>

As a result of adopting FASB ASU 2017-07, all other components of net benefit cost other than the service cost component of \$(362,859) for 2021 and \$343,749 for 2020 were presented as nonoperating activities.

THE POPULATION COUNCIL, INC.
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

The asset allocations of postretirement plan assets at December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Short-term investments	3 %	2 %
Fixed-income securities:		
Domestic	12	19
International	19	18
Equity securities:		
Domestic	41	40
International	20	16
Other assets:		
Domestic	5	5
	<u>100 %</u>	<u>100 %</u>

Projected benefit payments, net of participant contributions for each of the next five years and thereafter, are as follows:

	<u>Amount</u>
Year(s) ending December 31:	
2022	\$ 539,741
2023	557,501
2024	600,360
2025	581,011
2026	561,550
2027-2031	<u>2,548,398</u>
Projected benefit payments for 2021	\$ <u>5,388,561</u>

The net actuarial loss not yet recognized as a component of net periodic postretirement benefit cost decreased from \$965,626 in 2020 to \$621,224 in 2021, primarily due to the change in certain actuarial assumptions. Amortization of the net actuarial loss in 2021 was \$288,153.

(11) Loan Payable

On February 27, 2015, the Council entered into a loan agreement with SunTrust Bank. Pursuant to the agreement, the bank loaned the Council an aggregate principal amount of \$7.5 million to support the build out of the Council's new office spaces in New York and Washington DC., as well as the costs incurred to implement an Enterprise Resource Planning system. As of December 31, 2021, the outstanding balance on the loan is \$214,798 plus accrued capitalized interest of \$80,651. Principal repayments commenced in March 2017 and are payable monthly through February 2022. Interest on the loan accrues at LIBOR plus 1% of the aggregate principal and is payable monthly. As of December 31, 2021 and 2020, the interest rate was 1.10% and 1.15% and interest paid during the year amounted to \$9,045 and \$36,596, respectively.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(12) Liquidity and Availability of Resources

The Council regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet operating expenditures over a 12-month period, the Council considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities, to be operating expenditures.

In addition to financial assets available to meet operating expenditures over the next 12 months, the Council operates with a balanced budget and anticipates receiving sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Population Council financial assets comprised the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 17,368,339	20,592,233
Grants and contributions receivable, net	8,659,152	9,241,766
Other receivables	1,385,483	1,600,902
Investments	<u>131,676,903</u>	<u>124,705,590</u>
Total financial assets at year-end	<u>\$ 159,089,877</u>	<u>156,140,491</u>

As of December 31, 2021 and 2020, the following financial assets could readily be made available within one year of the consolidated balance sheet date to meet the general expenditures:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 17,368,339	20,592,233
Less: Board designated cash endowment*	(6,003,599)	(8,500,000)
Grants and contributions receivable, net	8,659,152	9,241,766
Other receivables	1,385,483	1,600,902
Investments**	<u>17,023,969</u>	<u>18,021,611</u>
Total financial assets at year-end	<u>\$ 38,433,344</u>	<u>40,956,512</u>

* In 2020, \$10.0 million of Board designated endowment cash has been transferred from investments to be available if needed. Total cash and cash equivalents include a balance of \$8.5 million and \$10.0 million for 2021 and 2020, respectively. The Board authorized to use \$2.5 million and \$1.5 million from those funds during 2022 and 2021, respectively.

** Investments include \$10.0 million and \$0.9 million approved for use in 2021 from Board designated and donor restricted endowment net assets, respectively, as well as \$6.0 million of operating funds included in investments, which is yet to be transferred.

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

The Council excludes funds that are Board designated as quasi endowment, which totaled approximately \$116 million at December 31, 2021, from assets available to meet general expenditures. These funds are invested for long term appreciation.

(13) UK Foreign, Commonwealth and Development Office

The Council incurred expenses and received remittances from the UK Foreign, Commonwealth and Development Office during 2021 against purchase order numbers listed below.

Total remittances received during 2021 are as follows:

Purchase order number 4150	\$	1,612,516
Purchase order number 202874		213,185
Purchase order number 10046		198,909
Purchase order number 300849-104		434,701

Total expenditures incurred during 2021 are as follows:

Purchase order number 4150	\$	1,749,928
Purchase order number 202874		96,242
Purchase order number 10046		227,016
Purchase order number 300849-104		422,612

(14) Netherlands Ministry of Foreign Affairs (MOFA)

The Council incurred expenses and received remittances from Netherlands MOFA during 2021 against two programs; (1) Adolescent Girls Program, and (2) Family Planning Services in Factory Settings in upper Egypt:

Program advance balance at December 31, 2020	\$	-
Receipt of funds		(514,420)
Expenditures incurred		<u>259,499</u>
Program advance balance at December 31, 2021	\$	<u><u>(254,921)</u></u>

THE POPULATION COUNCIL, INC.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(15) Danish International Development Agency (DANIDA)

The Council incurred expenses and received remittances from DANIDA for Achieving the Sustainable Development Goals by Investing in Adolescent Girls and Young Women.

Program advance balance at December 31, 2020	\$	(1,472,911)
Receipt of funds		(1,496,038)
Total expenditures incurred		<u>1,236,051</u>
Program advance balance at December 31, 2021	\$	<u>(1,732,898)</u>

(16) Deferred Revenue

The Population Council was granted \$2,000,000 and \$4,181,900 under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner in 2021 and 2020, respectively. The loans are uncollateralized and are fully guaranteed by the Federal government. As of December 31, 2021, the \$2 million received through the PPP2 program is recorded as a deferred revenue in accordance with guidance for conditional contributions. The Population Council has identified associated eligible expenses incurred in 2021 during the covered period. The Council expects to file its forgiveness application within the 10-month statutory limit.

In 2021 the Council received from SBA a Notice of Payment Protection Program Forgiveness Payment for a full amount of the PPP1 loan. Based on that Notice, the \$4,181,990 loan received in 2020 was recognized within grants and contributions revenue in the 2021 consolidated statement of activities.

(17) Commitments and Contingencies

The Council may be involved in various legal actions from time to time arising in the normal course of business. In the opinion of management, there are no matter outstanding that would have a material adverse effect on the consolidated financial statements of the Council.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID 19) a global pandemic. The full impact of the COVID 19 pandemic is continuing to evolve as of the date of this report. As a result of the pandemic the Council's offices are still operating either fully remote, or in a hybrid mode, depending on the situation in each particular country. This is slowing down Council's programs' implementation and, in turn, affects the revenue numbers. There are still many uncertainties associated with the pandemic, including its effect on the awarding organization which funds our programs.

(18) Subsequent Events

On March 1, 2022 the Board of Trustees authorized management to enter into an Asset Purchase/Funding Agreement with the “International Partnership for Microbicides, Inc.” (IPM) and delegate to the Executive Committee oversight and approval of it. Under the terms of the proposed agreement, the Council will obtain the majority of IPM's assets and liabilities. The agreement is expected to be executed in Q3 2022.

The Council evaluated subsequent events from the consolidated balance sheet date of December 31, 2021 through July 11, 2022, which was the date the consolidated financial statements were available to be issued and determined that no additional disclosures are required.