

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

The Population Council, Inc.

December 31, 2022 and 2021

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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, 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 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, 2022 and 2021, and the changes in their net assets and their 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.

Emphasis of matter

As discussed in Note 2 to the consolidated financial statements, the Council has adopted new accounting guidance for the year ended December 31, 2022 related to the accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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
September 28, 2023

The Population Council, Inc.
CONSOLIDATED BALANCE SHEETS
December 31,

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 23,089,138	\$ 17,368,339
Grants and contributions receivable, net:		
U.S. government agencies	9,413,136	5,031,359
Other	3,871,002	3,627,793
Other receivables	1,302,883	1,385,483
Prepaid expenses and other assets	1,237,210	1,159,929
Investments	109,422,772	131,676,903
Inventory	2,391,533	-
Right of use assets, net	20,158,967	-
Fixed assets, net	7,349,987	7,874,984
	\$ 178,236,628	\$ 168,124,790
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 7,637,464	\$ 6,703,151
Awards, contracts, and fellowships payable	-	84,609
Program advances	14,578,745	11,424,892
Loans payable	-	214,798
Deferred rent credit, net	-	4,400,757
Deferred revenue	-	2,000,000
Lease liabilities	24,207,744	-
Postretirement medical benefits payable	3,597,635	4,372,413
	50,021,588	29,200,620
Total liabilities		
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions:		
General undesignated	12,776,750	2,890,480
The John D. Rockefeller 3rd Memorial Fund	96,921,342	115,661,609
	109,698,092	118,552,089
Total net assets without donor restrictions		
Net assets with donor restrictions:		
Purpose or time restricted	13,031,172	14,886,305
Restricted by donors in perpetuity	5,485,776	5,485,776
	18,516,948	20,372,081
Total net assets with donor restrictions		
Total net assets	128,215,040	138,924,170
Total liabilities and net assets	\$ 178,236,628	\$ 168,124,790

The accompanying notes are an integral part of these consolidated financial statements.

The Population Council, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
Operating revenue:			
Grants and contributions	\$ 45,844,632	\$ 2,825,297	\$ 48,669,929
Royalties	4,769,635	-	4,769,635
Investment return, net	(10,847,560)	(1,956,746)	(12,804,306)
Other	185,193	-	185,193
Net assets released from restrictions	<u>1,745,031</u>	<u>(1,745,031)</u>	<u>-</u>
Total operating revenue	<u>41,696,931</u>	<u>(876,480)</u>	<u>40,820,451</u>
Operating expenses:			
Program services:			
Social and behavioral sciences	30,851,271	-	30,851,271
Biomedical research	<u>16,085,304</u>	<u>-</u>	<u>16,085,304</u>
Total program services	<u>46,936,575</u>	<u>-</u>	<u>46,936,575</u>
Supporting services:			
Management and general	12,925,269	-	12,925,269
Fund-raising	<u>266,149</u>	<u>-</u>	<u>266,149</u>
Total supporting services	<u>13,191,418</u>	<u>-</u>	<u>13,191,418</u>
Total operating expenses	<u>60,127,993</u>	<u>-</u>	<u>60,127,993</u>
Excess of operating expenses over operating revenue	(18,431,062)	(876,480)	(19,307,542)
Other changes in net assets:			
Postretirement benefit changes other than net periodic benefit cost	491,628	-	491,628
Net periodic benefit costs other than service (cost) gain	335,166	-	335,166
Transfer from endowments	978,653	(978,653)	-
Inherent contribution	7,770,327	-	7,770,327
Foreign currency adjustment	<u>1,291</u>	<u>-</u>	<u>1,291</u>
DECREASE IN NET ASSETS	(8,853,997)	(1,855,133)	(10,709,130)
Net assets at beginning of year	<u>118,552,089</u>	<u>20,372,081</u>	<u>138,924,170</u>
Net assets at end of year	<u><u>\$ 109,698,092</u></u>	<u><u>\$ 18,516,948</u></u>	<u><u>\$ 128,215,040</u></u>

The accompanying notes are an integral part of this consolidated financial statement.

The Population Council, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
Operating revenue:			
Grants and contributions	\$ 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	<u>3,327,567</u>	<u>(3,327,567)</u>	<u>-</u>
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	<u>12,509,410</u>	<u>-</u>	<u>12,509,410</u>
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	<u>289,545</u>	<u>-</u>	<u>289,545</u>
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 expenses over operating revenue	5,658,575	1,486,907	7,145,482
Other changes in net assets:			
Postretirement benefit changes other than net periodic benefit cost	344,403	5,485,776	5,830,179
Net periodic benefit costs other than service (cost) gain	362,859	-	362,859
Transfer from endowments	<u>938,061</u>	<u>(938,061)</u>	<u>-</u>
INCREASE IN NET ASSETS	7,303,898	6,034,622	13,338,520
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><u>\$ 118,552,089</u></u>	<u><u>\$ 25,857,857</u></u>	<u><u>\$ 144,409,946</u></u>

The accompanying notes are an integral part of this consolidated financial statement.

The Population Council, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

	Program Services			Supporting Services			Total Expenses
	Social and Behavioral Sciences	Biomedical Research	Total	Management and General	Fund-raising	Total	
Awards, contracts, and fellowships	\$ 2,664,430	\$ 2,239,282	\$ 4,903,712	\$ 1,250	\$ -	\$ 1,250	\$ 4,904,962
Salaries and allowances	14,230,913	4,997,491	19,228,404	6,290,494	144,602	6,435,096	25,663,500
Pensions and other employee benefits	3,974,425	1,556,346	5,530,771	1,932,470	45,423	1,977,893	7,508,664
Consultants and professional fees	1,760,979	813,404	2,574,383	1,584,045	33,987	1,618,032	4,192,415
Research and related services	1,514,492	2,650,497	4,164,989	12,230	-	12,230	4,177,219
Program supplies and maintenance	218,011	848,189	1,066,200	271	-	271	1,066,471
Travel and meetings	3,208,815	377,236	3,586,051	201,153	3	201,156	3,787,207
Occupancy, net	1,951,045	1,905,272	3,856,317	937,712	20,917	958,629	4,814,946
Telecommunications, postage, and supplies	308,650	169,339	477,989	189,309	2,789	192,098	670,087
Office equipment and maintenance	270,026	157,766	427,792	741,668	4,975	746,643	1,174,435
Printing, publications, books, and journals	195,912	90,768	286,680	85,062	2,978	88,040	374,720
Insurance	15,224	81,002	96,226	184,978	-	184,978	281,204
Other fees and expenses	35,567	1,237	36,804	167,027	2,255	169,282	206,086
Total expenses before depreciation and amortization	30,348,489	15,887,829	46,236,318	12,327,669	257,929	12,585,598	58,821,916
Depreciation and amortization of leasehold improvements, equipment, and other	502,782	197,475	700,257	597,600	8,220	605,820	1,306,077
Net periodic benefit costs other than service cost (gain)	-	-	-	(335,166)	-	(335,166)	(335,166)
2022 Total	<u>\$ 30,851,271</u>	<u>\$ 16,085,304</u>	<u>\$ 46,936,575</u>	<u>\$ 12,590,103</u>	<u>\$ 266,149</u>	<u>\$ 12,856,252</u>	<u>\$ 59,792,827</u>
2021 Total	<u>\$ 35,672,379</u>	<u>\$ 12,509,410</u>	<u>\$ 48,181,789</u>	<u>\$ 11,824,479</u>	<u>\$ 289,545</u>	<u>\$ 12,114,024</u>	<u>\$ 60,295,813</u>

The accompanying notes are an integral part of this consolidated financial statement.

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	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	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)	-	-	-	(362,859)	-	(362,859)	(362,859)
2021 Total	<u>\$ 35,672,379</u>	<u>\$ 12,509,410</u>	<u>\$ 48,181,789</u>	<u>\$ 11,824,479</u>	<u>\$ 289,545</u>	<u>\$ 12,114,024</u>	<u>\$ 60,295,813</u>
2020 Total	<u>\$ 37,079,026</u>	<u>\$ 11,919,859</u>	<u>\$ 48,998,885</u>	<u>\$ 12,042,051</u>	<u>\$ 492,567</u>	<u>\$ 12,534,618</u>	<u>\$ 61,533,503</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Population Council, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (10,709,130)	\$ 7,852,744
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation and amortization	1,306,077	1,522,451
Deferred rent credit	(4,400,757)	(308,161)
Net depreciation (appreciation) in fair value of investments	15,051,621	(15,412,839)
Other postretirement changes other than net periodic benefit cost	(491,628)	(344,403)
Net (gain) loss on sale of fixed assets	(1,441)	19,828
Changes in assets and liabilities:		
Grants and contributions receivable	(4,624,986)	582,614
Other receivables	82,600	215,419
Prepaid expenses and other assets	(77,281)	(104,509)
Inventory	(2,391,533)	-
Right of use assets	(20,158,967)	-
Accounts payable, accrued expenses, and other liabilities	910,639	1,853,949
Awards, contracts, and fellowships payable	(84,609)	67,145
Program advances	3,153,853	(3,316,620)
Deferred revenue	(2,000,000)	(2,181,900)
Lease liabilities	24,207,744	-
Postretirement medical benefits payable	(283,150)	(280,878)
	<u>(510,948)</u>	<u>(9,835,160)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of investments	(325,984,275)	(50,988,203)
Proceeds from sale of investments	333,186,785	59,429,729
Purchases of fixed assets	(761,004)	(549,744)
Proceeds from sale of fixed assets	5,039	8,271
	<u>6,446,545</u>	<u>7,900,053</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Payment on loan payable	(214,798)	(1,288,787)
	<u>(214,798)</u>	<u>(1,288,787)</u>
Net cash used in financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,720,799	(3,223,894)
Cash and cash equivalents at beginning of year	<u>17,368,339</u>	<u>20,592,233</u>
Cash and cash equivalents at end of year	<u>\$ 23,089,138</u>	<u>\$ 17,368,339</u>
Supplemental disclosure of non-cash activities:		
Accounts payable for capital expenditures	\$ 23,674	\$ 133,991
Interest paid	102	9,045

The accompanying notes are an integral part of these consolidated financial statements.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 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 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 16 offices in 13 countries. Included in these offices are three locally registered organizations in India, Kenya, and Pakistan which do not have income

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

tax filing obligations and a for-profit affiliate in India that is subject to Indian taxation. No provision for income taxes was required for 2022 or 2021. 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.

On October 4, 2022, the Council executed an asset acquisition agreement to acquire the assets of the International Partnership for Microbicides (IPM), a nonprofit organization that develops HIV prevention technologies, and assumes agreed upon liabilities of IPM. IPM has transferred ownership of its intellectual property, grant agreements, and other assets. The Council takes on product development and clinical activities as well as introduction and access activities. As a result of the asset acquisition, the Council adds three IPM technologies to its product line. Additionally, as a result of the transaction two independent affiliates, IPM's South Africa office and IPM Belgium, became Council affiliates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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.

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.

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.

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.

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.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

As of December 31, 2022 and 2021, the Council had conditional grants from funding agencies approximating \$66.4 million and \$58.9 million, 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.

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.

Leases

Right-of-use (ROU) assets are recognized at the lease commencement date and represent the Council's right to use an underlying asset for the lease term and lease liabilities represent the Council's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. The present value of lease payments is discounted based the risk-free rate selected based on the term of the lease.

The Council's ROU assets are initially measured based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the long-lived asset guidance.

The Council allocate consideration between lease and non-lease components, such as operating costs, for any leases within its existing classes of assets. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments for usage-based fees are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred.

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.

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.

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 \$61,000 and \$6,000 in 2022 and 2021, respectively. The exchange rate gain at December 31, 2022 is shown on the consolidated statement of activities as Foreign Currency Adjustment. There was no exchange rate gain/loss from equivalent transactions for the year ended December 31, 2021.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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 sales reported to the Council quarterly. For royalty agreements which include milestones, revenue is recognized when all obligations under the milestone are satisfied. Sales-based royalty revenues recognized for the years ended December 31, 2022 and 2021 approximated \$4.8 million and \$5.6 million, respectively.

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

Concentration of Support

During 2022 and 2021, approximately \$7.7 million and \$7.6 million, respectively, of the Council's grants were funded directly by the United States Agency for International Development (USAID). As of December 31, 2022 and 2021, approximately \$2.8 million and \$0.6 million, respectively, of the Council's grants receivable were also from USAID.

The three largest funding sources, two U.S. government agencies and one private foundation constitute 30% of the revenue in 2022. The three largest funding sources, one U.S. government agency, one foreign agency and one private foundation, constituted 42% of the revenue in 2021.

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.

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.

Inventory

Inventories related to the production of dapivirine rings are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. The Council's Inventory consists of raw materials, work-in-progress, and finished goods. As of December 31, 2022, the Council held \$90 thousand of finished goods and \$1.1 million and \$1.2 million of raw materials and work-in-progress, respectively.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). This standard requires the recognition of a right-of-use asset and lease liability on the balance sheet for substantially all leases. The standard retained a dual model for lease classification, requiring leases to be classified as finance or operating lease to determine recognition in the statement of operations and cash flows. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases, Targeted Improvements*,

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

which provided entities with a transition method option to not restate comparative periods presented, but to recognize a cumulative effect adjustment to beginning retained earnings in the period of adoption. The Council elected the modified retrospective transition method and did not restate prior comparative periods. The standards also provide additional transition relief, of which the Council has elected to (1) not reassess whether any expired or existing contracts are or contain leases, (2) retain the classification of leases (e.g., operating or finance lease) existing as of the date of adoption, (3) not reassess initial direct costs for any existing leases, and (4) not utilize hindsight when assessing lease term and ROU asset impairment. The Council has also elected not to recognize ROU assets and corresponding lease liabilities for leases with a lease term of 12 months or less from the lease commencement date. The standards require more detailed disclosures to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. The guidance was effective for nonpublic companies beginning after December 15, 2021. The Council adopted this standard as of January 1, 2022. See Note 8 to the consolidated financial statements.

NOTE 3 - INVESTMENTS

The following tables present the Council's fair value hierarchy for its investments as of December 31, 2022 and 2021. 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:

	2022		2021	
	Fair Value	Level 1	Fair Value	Level 1
Money market	\$ 5,427,258	\$ 5,427,258	\$ 4,796,955	\$ 4,796,955
Fixed Income:				
US governments and agencies	8,127,563	8,127,563	9,973,136	9,973,136
Domestic corporate bonds	7,817,212	7,817,212	-	-
Equities:				
Mutual funds - fixed inc.	11,828,044	11,828,044	-	-
Common stock - domestic	53,133,211	53,133,211	9,798,080	9,798,080
Common stock - foreign	6,167,117	6,167,117	-	-
Master limited partnerships	67,857	67,857	-	-
Mutual funds - equities	9,334,559	9,334,559	-	-
Exchange trades funds - equity	4,013,615	4,013,615	-	-
Mutual funds:				
Large growth equity	-	-	25,428,200	25,428,200
Indexed equity	-	-	11,430,644	11,430,644
International equity	-	-	11,791,498	11,791,498
High-yield equity	-	-	2,534,538	2,534,538
International emerging	-	-	5,785,930	5,785,930
Sub total	105,916,436	<u>\$105,916,436</u>	81,538,981	<u>\$ 81,538,981</u>
Alternative investments measured at NAV:				
Limited partnership	2,404,065		49,373,055	
Investment redemption receivable	<u>1,102,271</u>		<u>764,867</u>	
Total investments	<u>\$109,422,772</u>		<u>\$131,676,903</u>	

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The Population Council, Inc. submitted redemption requests relative to two investment funds, which remained outstanding as of December 31, 2022 and 2021. 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:

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible	Redemption Notice Period
Distressed debt securities	\$ 301,144	\$ -	Semi-annual	90 days
Diversified private equity fund-of-funds	25,357	360,976	No Redemptions	Not applicable
Distressed/restructuring index	88,044	-	Annually	90 days
Event-driven (total) index	773,953	-	Semi-annual	60 days
Secondary private equity	686,623	4,534,866	No Redemptions	Not applicable
Global long/short credit and event driven	528,944	-	Quarterly	65 days
Total	<u>\$ 2,404,065</u>	<u>\$ 4,895,842</u>		
	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	<u>\$ 49,373,055</u>	<u>\$ 360,976</u>		

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 - CONTINUED

December 31, 2022 and 2021

NOTE 4 - GRANTS AND CONTRIBUTIONS RECEIVABLE

At December 31, 2022 and 2021, grants and contributions receivable are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 13,433,978	\$ 8,829,152
Less allowance for uncollectible amounts	<u>(149,840)</u>	<u>(170,000)</u>
Total grants and contributions receivable, net	<u>\$ 13,284,138</u>	<u>\$ 8,659,152</u>

NOTE 5 - FIXED ASSETS

Fixed assets at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 21,331,059	\$ 21,359,612
Furniture and equipment	9,562,733	4,236,032
Computer equipment	3,586,274	3,336,022
Automobiles	587,541	587,541
Office condominium	513,894	513,894
Work-in-progress	<u>83,156</u>	<u>90,574</u>
	35,664,657	30,123,675
Less accumulated depreciation and amortization	<u>(28,314,670)</u>	<u>(22,248,691)</u>
	<u>\$ 7,349,987</u>	<u>\$ 7,874,984</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022 and 2021, net assets with purpose or time restrictions are to be used for the following purposes:

	<u>2022</u>	<u>2021</u>
Social and behavioral science research	\$ 6,520,815	\$ 6,882,927
Biomedical research	3,866,610	4,196,453
Future periods	<u>2,643,747</u>	<u>3,806,925</u>
	<u>\$ 13,031,172</u>	<u>\$ 14,886,305</u>

Included in net assets with donor restrictions, subject to purpose or time restrictions, are endowment funds (Note 7) in the amount of \$10.0 million and \$13.0 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, 2022 and 2021, respectively.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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

	<u>2022</u>	<u>2021</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>

NOTE 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 annual 2022 and 2021 spending authorizations were calculated at \$6.7 million and \$6.1 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 to support ongoing activities in both 2022 and 2021. Use of these funds was interchangeable with the annual spending authorization. In addition to the spending authorizations, the Board of Trustees approved special appropriations of

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

approximately \$2.9 million and \$4.2 million for 2022 and 2021, respectively, primarily to fund the strategic investments of Nestorone®/Ethinyl Estradiol Contraceptive Vaginal Ring, which has now gone to market under the brand name Annovera® development, population environmental risks and climate change, and research impact.

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, 2022 and 2021:

	2022			Total
	Without Donor Restrictions	With Donor Restrictions		
		Purpose or Time	Perpetual	
Endowment net assets, beginning of year	\$115,661,609	\$ 12,982,501	\$ 5,485,776	\$134,129,886
Designations	1,000	-	-	1,000
Investment return, net	(10,921,958)	(1,956,746)	-	(12,878,704)
Endowment spend	(7,819,309)	(978,653)	-	(8,797,962)
Endowment net assets, end of year	<u>\$ 96,921,342</u>	<u>\$ 10,047,102</u>	<u>\$ 5,485,776</u>	<u>\$112,454,220</u>
Endowment funds with donor restrictions	\$ -	\$ 10,047,102	\$ 5,485,776	\$ 15,532,878
Board-designated endowment funds	<u>96,921,342</u>	<u>-</u>	<u>-</u>	<u>96,921,342</u>
Total endowment	<u>\$ 96,921,342</u>	<u>\$ 10,047,102</u>	<u>\$ 5,485,776</u>	<u>\$112,454,220</u>

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

	2021			Total
	Without Donor Restrictions	With Donor Restrictions		
		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
Endowment spend	(10,645,815)	(938,061)	-	(11,583,876)
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>

NOTE 8 - LEASES

The Council assesses contracts at inception to determine whether an arrangement includes a lease, which convey the Council's right to control the use of an identified asset for a period in exchange for consideration. The Council has several non-cancelable operating leases for building space and equipment, for which a right-of-use asset and a lease liability are recorded in the accompanying 2022 consolidated statement of financial position. In the US, the Council has two offices in New York and one in Washington, DC. The New York headquarters office under a 16 year noncancelable operating lease for two floors expiring on December 31, 2030. The Council has subleased a portion of its headquarters office space. The Council's CBR office occupies two floors of office and laboratory space at Rockefeller University (the University) under a noncancelable operating lease expiring June 30, 2024. In 2014, the Council amended the current DC office agreement to expand the premises and extend the lease term through February 29, 2028. The Council also has operating lease agreements at its various overseas locations.

Upon Adoption of ASC 842, *Leases*, the Council recorded the opening ROU asset balance based on its remaining deferred rent liabilities. On January 1, 2022, the Council recorded \$24.6 million in ROU assets and \$28.9 million in lease liabilities. The Adoption of ASC 842 and transition from ASC 840 had no significant impact on the Council's change in net assets for the year ended December 31, 2022.

Total operating lease cost for the year ended December 31, 2022 totaled \$4,767,000 and \$45,000 for building leases and equipment leases, respectively, not including sublease income of \$678,000.

Supplemental quantitative information related to operating leases for the year ended December 31, is as follows:

	2022
Cash paid for amounts included in the measurement of lease obligations	\$ 4,992,000
Weighted-average remaining lease term (expressed in years)	3.61
Weighted-average discount rate	1.2%

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Future undiscounted lease payments for the Council's operating lease liabilities are as follows as of December 31, 2022 (in thousands):

<u>Year Ending December 31,</u>	
2023	\$ 4,960,000
2024	3,898,000
2025	3,065,000
2026	3,082,000
2027	3,038,000
Thereafter	<u>7,387,000</u>
Total minimum lease payments	25,430,000
Less: imputed interest	<u>(1,222,000)</u>
Present value of future minimum lease payments	<u>\$ 24,208,000</u>

US Offices

Future minimum lease payments by the Council as of December 31, 2021, are as follows:

<u>Year Ending December 31:</u>	<u>Headquarters</u>	<u>Washington, DC</u>	<u>Center for Biomedical Research</u>	<u>Total Amount All U.S. offices</u>
2022	\$ 2,143,000	\$ 428,000	\$ 1,742,000	\$ 4,313,000
2023	2,143,000	439,000	1,794,000	4,376,000
2024	2,143,000	450,000	910,000	3,503,000
2025	2,374,000	462,000	-	2,836,000
2026	2,374,000	473,000	-	2,847,000
Thereafter	<u>9,496,000</u>	<u>567,000</u>	<u>-</u>	<u>10,063,000</u>
	<u>\$ 20,673,000</u>	<u>\$ 2,819,000</u>	<u>\$ 4,446,000</u>	<u>\$ 27,938,000</u>

Rent expense for the headquarters office was \$1,402,777 net of sublease income of \$796,638 in 2021. Rent expense for the office space in Washington, D.C and the space occupied by CBR was \$378,012 and \$2,041,257, respectively, in 2021.

Future minimum lease payments by current sublease tenants as of December 31, 2021, are as follows:

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

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Overseas Offices

Rent expense under operating lease agreements for the Council's various overseas locations was \$884,022 in 2021 and was recognized on a straight-line basis over the lease term.

Approximated future minimum lease payments as of December 31, 2021, are as follows:

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

NOTE 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 2022 and 2021 was approximately \$1,885,685 and \$2,018,849, respectively.

NOTE 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 \$3,093,655 and \$4,235,153 are included in the consolidated balance sheets as of December 31, 2022 and 2021, respectively. Assets of the trust primarily consisting of short-term investments, domestic equity and fixed-income securities (60%) and international equity and fixed-income securities (40%) are considered Level 1 under the Council's fair value hierarchy. The plan is contributory, with retiree contributions adjusted periodically.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The following table presents the information regarding the postretirement medical benefits plan at December 31:

	2022	2021
Benefit obligation at December 31	\$ 6,691,290	\$ 8,607,566
Fair value of plan assets at December 31	3,093,655	4,235,153
	<u>\$ (3,597,635)</u>	<u>\$ (4,372,413)</u>
Postretirement medical benefits payable	\$ 6,691,290	\$ 8,607,566
Benefit cost	(290,008)	(307,575)
Employer contribution	(6,858)	(26,697)
Plan participants' contributions	379,638	386,109
Benefits paid	(874,641)	(883,213)
Return on assets (loss)	(639,637)	484,394
Benefits obligation weighted average discount rate at December 31	5.40%	2.80%
Benefits cost weighted average discount rate for the year ended December 31	2.80%	2.50%

The Council's subsidy was capped in 2020 based on that year cost levels for all current and future retirees. The impact of this amendment was reflected as a negative prior service cost (credit) as of December 31, 2022, which will be amortized as a component of the net periodic postretirement benefit cost over 4.91 years as follows:

Year	Unrecognized at January 1	Account to be Recognized During the Year
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)

For measurement purposes, the rate of increases in the per capita costs of healthcare benefits for 2022 and 2021 were assumed to be 7.50% and 6.6%, 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:

	2022	2021
Net periodic benefit cost:		
Service cost	\$ 45,158	\$ 55,284
Interest cost	239,236	221,956
Expected return on plan assets	(183,069)	(237,484)
Recognized prior service cost (credit)	(635,484)	(635,484)
Recognized actuarial loss	244,151	288,153
	<u>\$ (290,008)</u>	<u>\$ (307,575)</u>
Total net periodic postretirement cost (gain)		

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

As a result of adopting FASB ASU 2017-07, all other components of net benefit cost other than the service cost component of \$(335,166) for 2022 and \$(362,859) for 2021 were presented as nonoperating activities.

The asset allocations of postretirement plan assets at December 31, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Short-term investments	3%	3%
Fixed-income securities:		
Domestic	12	12
International	25	19
Equity securities:		
Domestic	40	41
International	15	20
Other assets:		
Domestic	<u>5</u>	<u>5</u>
	<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>Year(s) Ending December 31:</u>	<u>Amount</u>
2023	\$ 528,320
2024	545,950
2025	601,642
2026	574,676
2027	573,426
2028-2032	<u>2,602,033</u>
Projected benefit payments for 2022	<u>\$ 5,426,047</u>

The net actuarial loss not yet recognized as a component of net periodic postretirement benefit cost decreased from \$621,224 in 2021 to \$129,596 in 2022, primarily due to the change in certain actuarial assumptions. Amortization of the net actuarial loss in 2022 was \$244,151.

NOTE 11 - LOAN PAYABLE

On February 27, 2015, the Council entered into a loan agreement with SunTrust (Truist) 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. The loan paid in full in February 2022 and as a result, as of December 31, 2022, the outstanding balance on the loan is zero. Interest on the loan accrued at LIBOR plus 1% of the aggregate principal and was payable monthly. As of December 31, 2021, the interest rate was 1.15% and interest paid during 2021 amounted to \$9,045.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 23,089,138	\$ 17,368,339
Grants and contributions receivable, net	13,284,138	8,659,152
Other receivables	1,302,883	1,385,483
Investments	<u>109,422,772</u>	<u>131,676,903</u>
Total financial assets at year-end	<u>\$ 147,098,931</u>	<u>\$ 159,089,877</u>

As of December 31, 2022 and 2021, the following financial assets could readily be made available within one year of the consolidated balance sheet date to meet the general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 23,089,138	\$ 17,368,339
Less: board designated cash endowment*	(6,010,060)	(6,003,599)
Grants and contributions receivable, net	13,284,138	8,659,152
Other receivables	1,302,883	1,385,483
Investments**	<u>11,759,816</u>	<u>17,023,969</u>
Total financial assets at year-end	<u>\$ 43,425,915</u>	<u>\$ 38,433,344</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 \$6.0 million and \$8.5 million for 2022 and 2021, respectively. The Board authorized to use \$3.5 million and \$2.5 million from those funds during 2023 and 2022, respectively.

** Investments include \$7.9 million and \$1.0 million approved for use in 2023 from Board designated and donor restricted endowment net assets, respectively, as well as \$2.9 million of operating funds included in investments, which is yet to be transferred.

The Council excludes funds that are Board designated as quasi endowment, which totaled approximately \$97 million at December 31, 2022, from assets available to meet general expenditures. These funds are invested for long term appreciation.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 13 - UK FOREIGN, COMMONWEALTH AND DEVELOPMENT OFFICE

The Council incurred expenses and received remittances from the UK Foreign, Commonwealth and Development Office during 2022 against purchase order numbers listed below.

Total remittances received during 2022 are as follows:

Purchase order number 4150	\$ 462,516
Purchase order number 10046	305,941
Purchase order number 300849-104	277,192

Total expenditures incurred during 2022 are as follows:

Purchase order number 4150	\$ 348,222
Purchase order number 10046	374,601
Purchase order number 300849-104	345,204

NOTE 14 - NETHERLANDS MINISTRY OF FOREIGN AFFAIRS (MOFA)

The Council incurred expenses and received remittances from Netherlands MOFA during 2022 against three programs; (1) Adolescent Girls Program, (2) Family Planning Services in Factory Settings in upper Egypt, and (3) Current Situation and Life Changes:

	<u>Adolescent Girls Program in Upper Egypt</u>	<u>Family Planning Services in Factory Settings</u>	<u>Young People in Egypt: Current Situation and Life Changes</u>
Program advance balance at December 31, 2021	\$ (72,288)	\$ (182,633)	\$ -
Receipt of funds	(223,381)	(457,305)	(981,422)
Expenditures incurred	<u>191,372</u>	<u>284,403</u>	<u>58,073</u>
Program advance balance at December 31, 2022	<u>\$ (104,297)</u>	<u>\$ (355,535)</u>	<u>\$ (923,349)</u>

NOTE 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, 2021	\$ (1,732,898)
Receipt of funds	(1,406,668)
Total expenditures incurred	<u>1,951,847</u>
Program advance balance at December 31, 2022	<u>\$ (1,187,719)</u>

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 16 - DEFERRED REVENUE

The Population Council was granted \$2,000,000 under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner in 2021. The loan is uncollateralized and is fully guaranteed by the federal government. As of December 31, 2021, the \$2,000,000 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 2022 during the covered period. The Council filed its forgiveness application within the 10-month statutory limit.

In 2022 the Council received from SBA a Notice of Payment Protection Program Forgiveness Payment for a full amount of the PPP2 loan. Based on that Notice, the \$2,000,000 loan received in 2021 was recognized within grants and contributions revenue in the 2022 consolidated statement of activities.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

IPM entered into a Post Approval Manufacturing Agreement during 2015 with a manufacturer for the production of dapivirine rings. The Council assumed IPM’s commitments under this agreement upon the execution of the asset acquisition agreement (Note 1).

In July, 2020, IPM and QPharma agreed to begin manufacturing Rings under a Post Approval Agreement. Under the agreement, IPM committed to purchase a minimum of 1,000,000 Rings from QPharma in the period beginning on September 1, 2020 (the “Launch Manufacturing Commencement Date”) and ending December 31, 2024. IPM has also entered into multiple agreements for supplies and other support the manufacturing of the Rings has been initiated and the first batch of manufactured Rings will be released for secondary packaging in the first quarter of calendar year 2021. The Council assumed IPM’s commitments under this agreement upon the execution of the asset acquisition agreement (Note 1).

The total future purchase obligation by the Council is as follows (Ring prices are subject to annual adjustments for inflation based on the Arbets Kraft Index):

<u>Year(s) Ending December 31:</u>	<u>Amount</u>
2023	\$ 3,692,774
2024	<u>2,552,500</u>
Total	<u>\$ 6,245,274</u>

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.

The Population Council, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 18 - ASSET ACQUISITION

As previously disclosed in Note 1, the Council completed an asset acquisition agreement with IPM on October 4, 2022. This transaction was effected without the transfer of consideration, and as such, the identifiable assets and liabilities of IPM were contributed to the Council and were recognized in the accompanying consolidated financial statements as follows:

Cash and cash equivalents	\$ 5,753,563
Inventory	1,407,684
Other current assets	793,563
Fixed assets, net	<u>416,878</u>
Total assets at fair value	8,371,688
Liabilities at fair value	<u>(601,361)</u>
Inherent contribution	<u>\$ 7,770,327</u>

NOTE 19 - SUBSEQUENT EVENTS

In 2023, the Council submitted the request to terminate the Washington Office lease agreement as of December 31, 2023, and paid the applicable penalties. Pursuant to the cancellation clause, the Council is no longer obligated under the terms of the agreement for payment of future rent commitments beyond December 31, 2023.

On May 17, 2023, Ms. Julia Bunting Thring, President of Population Council, Inc., announced her intention to step down from her role as President of the organization, effective July 31, 2023. The Board has appointed two Interim Co-Presidents as a global search for a new President is undertaken.

The Council evaluated subsequent events from the consolidated statement of financial position date of December 31, 2022 through September 28, 2023, which was the date the consolidated financial statements were available to be issued and determined that no additional disclosures are required.