

CONSOLIDATED FINANCIAL STATEMENTS

Family Health International  
Years Ended September 30, 2018 and 2017  
With Report of Independent Auditors



Family Health International

Consolidated Financial Statements

Years Ended September 30, 2018 and 2017

**Contents**

Financial Statements

Report of Independent Auditors.....1  
Consolidated Statements of Financial Position.....3  
Consolidated Statements of Activities and Changes in Net Assets .....4  
Consolidated Statements of Cash Flows.....5  
Consolidated Statements of Functional Expenses .....6  
Notes to Consolidated Financial Statements.....8



Ernst & Young LLP  
Suite 500  
4131 Parklake Avenue  
Raleigh, NC 27612-2389

Tel: +1 919 981 2800  
Fax: +1 866 260 2956  
ey.com

## Report of Independent Auditors

The Audit Committee  
Family Health International

We have audited the accompanying consolidated financial statements of Family Health International (FHI 360), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FHI 360 as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

May 31, 2019

Family Health International  
Consolidated Statements of Financial Position

	September 30	
	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 94,496,228	\$ 94,426,607
Restricted cash	17,123,869	10,541,142
Accounts receivable	112,695,901	114,138,285
Short-term investments at fair value	14,747,996	14,577,499
Prepaid expenses and deposits	7,608,231	7,696,486
Total current assets	246,672,225	241,380,019
Other assets	3,872,006	2,811,338
Property and equipment, net	13,307,217	14,456,893
Total assets	\$ 263,851,448	\$ 258,648,250
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 15,360,622	\$ 15,914,077
Accrued expenses	39,260,769	41,272,723
Accrued salaries, payroll taxes, and fringe benefits	15,827,993	14,320,652
Accrued field office severance, leave, and retirement	19,487,779	21,184,646
Deferred revenue	73,228,301	65,262,767
Note payable	–	364,519
Total current liabilities	163,165,464	158,319,384
Other liabilities	9,433,383	10,581,009
Total liabilities	172,598,847	168,900,393
Total unrestricted net assets	91,252,601	89,747,857
Total liabilities and unrestricted net assets	\$ 263,851,448	\$ 258,648,250

*See accompanying notes.*

## Family Health International

### Consolidated Statements of Activities and Changes in Net Assets

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Revenue:		
Operating revenues	<b>\$ 725,484,297</b>	\$ 664,403,865
Income from services	<b>94,086,299</b>	94,683,196
Contributions	<b>6,136,808</b>	5,809,609
Other income	<b>4,031,058</b>	3,096,222
Total revenue	<b>829,738,462</b>	767,992,892
Expenses:		
Program services	<b>702,913,829</b>	648,643,943
Supporting activities	<b>125,319,889</b>	115,198,411
Total expenses	<b>828,233,718</b>	763,842,354
Change in net assets	<b>1,504,744</b>	4,150,538
Unrestricted net assets at beginning of year	<b>89,747,857</b>	85,597,319
Unrestricted net assets at end of year	<b>\$ 91,252,601</b>	\$ 89,747,857

*See accompanying notes.*

# Family Health International

## Consolidated Statements of Cash Flows

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Change in net assets	\$ 1,504,744	\$ 4,150,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,587,573	1,567,190
Gain or loss on disposal of fixed assets	235,713	(113,628)
Changes in operating assets and liabilities:		
Accounts receivable	1,442,384	506,128
Prepaid expenses and deposits	88,255	748,747
Other assets	(1,060,668)	(1,643,294)
Accounts payable	(553,455)	1,307,016
Accrued expenses and other liabilities	(3,287,209)	23,995,471
Deferred revenue	7,965,534	5,679,938
Deferred rent	(61,897)	(613,785)
Net cash provided by operating activities	7,860,974	35,584,321
<b>Investing activities</b>		
Change in restricted cash	(6,582,727)	-
Purchase of investments	(170,497)	(1,257,703)
Purchase of equipment	(673,610)	(1,075,345)
Net cash used in investing activities	(7,426,834)	(2,333,048)
<b>Financing activities</b>		
Payments on note payable and capital leases	(364,519)	(8,325,239)
Net cash used in financing activities	(364,519)	(8,325,239)
Net increase in cash and cash equivalents	69,621	24,926,034
Cash and cash equivalents, beginning of year	94,426,607	69,500,573
Cash and cash equivalents, end of year	\$ 94,496,228	\$ 94,426,607

*See accompanying notes.*

Family Health International  
Consolidated Statements of Functional Expenses

Year Ended September 30, 2018

	<b>Program Services</b>	<b>Supporting Activities</b>	<b>Total</b>
Personnel expenses	\$ 96,475,778	\$ 69,567,529	\$ 166,043,307
Subcontracts and grants	328,718,354	–	328,718,354
Field office salaries and fringe benefits	110,862,402	3,837,303	114,699,705
Consultants and professional fees	28,023,115	10,905,229	38,928,344
Depreciation	–	1,587,573	1,587,573
Employee relocation and training	826,772	101,760	928,532
Employment advertising	153,081	47,850	200,931
Equipment < \$5K	2,557,937	1,069,336	3,627,273
Equipment > \$5K	5,370,466	–	5,370,466
Equipment maintenance and repairs	4,372,677	1,361,730	5,734,407
Equipment rental	1,513,158	26,584	1,539,742
Freight and postage	964,083	152,083	1,116,166
Insurance	935,347	764,088	1,699,435
Meetings	18,568,548	774,176	19,342,724
Membership dues	23,934	315,249	339,183
Occupancy	12,797,258	16,881,558	29,678,816
Office expenses	4,223,715	587,341	4,811,056
Other expenses	4,291,207	(383,112)	3,908,095
Other pass through expenses	9,061,152	–	9,061,152
Participant expenses	30,781,598	–	30,781,598
Pharmaceuticals	924,834	–	924,834
Printing	2,467,483	159,354	2,626,837
Subscriptions and publications	570,478	985,291	1,555,769
Supplies	6,552,156	2,057,935	8,610,091
Travel expenses	30,101,790	5,054,332	35,156,122
<b>Total functional expenses</b>	<b>701,137,323</b>	<b>115,853,189</b>	<b>816,990,512</b>
Nonallocable charges	1,776,506	9,466,700	11,243,206
<b>Total expenses</b>	<b>\$ 702,913,829</b>	<b>\$ 125,319,889</b>	<b>\$ 828,233,718</b>

*See accompanying notes.*

Family Health International  
Consolidated Statements of Functional Expenses

Year Ended September 30, 2017

	<b>Program Services</b>	<b>Supporting Activities</b>	<b>Total</b>
Personnel expenses	\$ 96,272,500	\$ 63,989,719	\$ 160,262,219
Subcontracts and grants	281,892,259	–	281,892,259
Field office salaries and fringe benefits	104,883,168	3,178,906	108,062,074
Consultants and professional fees	20,868,024	7,913,119	28,781,143
Depreciation	–	1,567,190	1,567,190
Employee relocation and training	1,046,254	87,915	1,134,169
Employment advertising	202,125	84,074	286,199
Equipment < \$5K	3,946,771	743,838	4,690,609
Equipment > \$5K	8,821,665	–	8,821,665
Equipment maintenance and repairs	4,120,234	1,333,788	5,454,022
Equipment rental	1,330,264	17,587	1,347,851
Freight and postage	1,056,794	100,877	1,157,671
Insurance	816,884	91,017	907,901
Meetings	18,949,158	599,234	19,548,392
Membership dues	30,675	233,635	264,310
Occupancy	12,054,209	18,682,939	30,737,148
Office expenses	3,498,344	576,559	4,074,903
Other expenses	3,995,994	(284,373)	3,711,621
Other pass through expenses	11,550,217	–	11,550,217
Participant expenses	28,248,802	–	28,248,802
Pharmaceuticals	3,024,453	–	3,024,453
Printing	2,816,269	178,751	2,995,020
Subscriptions and publications	409,583	1,047,689	1,457,272
Supplies	6,885,231	1,440,330	8,325,561
Travel expenses	30,975,643	3,798,120	34,773,763
<b>Total functional expenses</b>	<b>647,695,520</b>	<b>105,380,914</b>	<b>753,076,434</b>
Nonallocable charges	948,423	9,817,497	10,765,920
<b>Total expenses</b>	<b>\$ 648,643,943</b>	<b>\$ 115,198,411</b>	<b>\$ 763,842,354</b>

*See accompanying notes.*

# Family Health International

## Notes to Consolidated Financial Statements

September 30, 2018 and 2017

### **1. Significant Accounting Policies**

#### **Description of the Organization**

Family Health International (FHI 360) is a nonprofit global health and development organization that conducts a worldwide diversified program of research, education, and services.

The consolidated financial statements include the accounts and changes in net assets of the Company and FHI Solutions LLC. Intercompany transactions and balances have been eliminated in consolidation.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

FHI 360 considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents held in the United States are insured according to FDIC regulations. The majority of cash and cash equivalents are held in accounts with balances exceeding the insured limit. Cash amounts maintained overseas are largely uninsured. Cash and cash equivalents as of September 30, 2018 and 2017, held outside of the United States were approximately \$10.0 million and \$9.3 million, respectively.

#### **Restricted Cash**

FHI 360 received funds under a grant agreement that stipulated the cash is to be placed in a separate account until such time the funds are expended to meet the purpose of the grant. The total amount in the account as of September 30, 2018 and 2017 was \$17,123,869 and \$10,541,142, respectively.

# Family Health International

## Notes to Consolidated Financial Statements (continued)

### **1. Significant Accounting Policies (continued)**

#### **Short-Term Investments**

Short-term investments held by third parties are recorded at their fair values and consist of money market funds, corporate fixed income and certificates of deposit as of September 30, 2018 and 2017. All other financial instruments (cash, cash equivalents, and restricted cash) are stated at cost which approximates fair value.

#### **Revenue Recognition**

Revenue from Federal contracts and grants (operating revenue) and private contracts (income from services) is recorded upon incurring an expense (delivery of the service) assuming all other revenue recognition criteria have been met. Contributions are recorded as revenue at fair value when an unconditional promise to give has been made. Contributions are generally unrestricted.

#### **Accounts Receivable**

The allowance for doubtful accounts is based on FHI 360's best estimate of the amount of probable credit losses existing in its accounts receivable.

#### **Federal Letters of Credit**

Most U.S government agreements are funded by Federal letters of credit. Drawdowns are received through the DHHS Payment Management System. The difference in the estimation of expenditures for requesting funds and the actual expenditures for reporting purposes results in a receivable balance or an unearned income balance at the end of each accounting period.

#### **Property and Equipment**

Property and equipment are recorded at cost. Donated assets are recorded at the fair value of the property at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the related asset, ranging from four to ten years for all assets other than leasehold improvements, which are depreciated over the life of the associated lease agreement.

# Family Health International

## Notes to Consolidated Financial Statements (continued)

### **1. Significant Accounting Policies (continued)**

#### **Deferred Revenue**

FHI 360 operates its programs with funds from various grants and contracts. At September 30, 2018 and 2017, FHI 360 received funds in excess of expenditures on certain grants and contracts, which resulted in deferred revenue.

#### **Income Taxes**

FHI 360 is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

Management has analyzed the tax positions taken by FHI 360 and has concluded that as of September 30, 2018 and 2017, there are no uncertain tax positions taken or are to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

As a result of recent federal income tax reform enacted into law under the Tax Cuts and Jobs Act of 2017, certain provisions impacted tax-exempt organizations, including revisions to taxes on unrelated business activities and various other provisions. FHI 360's accounting related to the Tax Cuts and Jobs Act of 2017 is complete. There were no material items recorded.

#### **Foreign Currency Translation**

The U.S. dollar (dollars) is the functional currency for FHI 360's operations worldwide. Transactions in currencies other than dollars are translated into dollars at the rates of exchange in effect during the month of the transaction. Property and equipment purchased with non-U.S. currency are translated into US dollars at the exchange rate in effect at the time of purchase. Assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the statement of financial position. Net transaction and translation gains and losses are included in the accompanying statements of activities and changes in net assets.

# Family Health International

## Notes to Consolidated Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Unrestricted Net Assets

Unrestricted net assets represent funds that are not subject to donor-imposed stipulations and are fully available, at the discretion of management and the Board of Directors for FHI 360, to utilize in any of its programs or supporting services.

#### Fair Value Measurements

Fair value is determined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal market or most advantageous market available to the entity in an orderly transaction between market participants.

The fair value hierarchy ranks the inputs that are used to measure fair value into three levels, as follows:

- Level 1 – Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.
- Level 2 – Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets in markets that are not active;
  - Observable inputs other than quoted prices for the asset or liability; and
  - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

# Family Health International

## Notes to Consolidated Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

Securities with fixed maturities (debt securities and certificates of deposit), other than U.S. Treasury securities, generally do not trade daily. The fair value estimates of such fixed maturity securities are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturity securities are included in the debt securities amount disclosed in the Level 2 hierarchy.

FHI 360 does not currently hold any Level 3 financial instruments.

### Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* superseding the guidance in former ASC 605, *Revenue Recognition*. It requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance will be effective for the fiscal year ending September 30, 2020 for FHI 360. The impact of this standard on FHI 360's consolidated financial statements is being evaluated.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. The new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for all leases with the terms exceeding twelve month. The standard requires applying modified retrospective approach at the beginning of the earliest period presented with optional practical expedients. The guidance is effective for the year ending September 30, 2021 and early adoption is permitted. There will be an increase in assets and liabilities on the consolidated balance sheets of FHI 360 as a result of adoption to this standard due to recording of right-of-use assets and corresponding lease liabilities, the amount will depend on the lease portfolio at the time of the adoption.

In August 2016, the FASB issued ASU 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which makes several improvements to current financial reporting for not-for-profits. The most significant provisions of this standard require two classes of net assets, rather than the currently required three classes. This guidance is effective for annual financial statements issued for the year ending September 30, 2019. As this standard is primarily related to changes in disclosure and presentation, adoption is not expected to have an impact on FHI 360's financial position.

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 1. Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU 20 8-08 *Not-for-Profit Entities (Topic 958-605)* clarifying the accounting guidance for contributions received and contributions made to further improve the scope and the accounting guidance on revenue recognition, to assist entities distinguish between contributions (non-reciprocal) and exchange (reciprocal) transactions and to determine whether a contribution is conditional. The effective date of the amendment is fiscal year ending September 30, 2020. The impact of this standard on FHI 360's consolidated financial statements is being evaluated.

#### 2. Accounts Receivable

Accounts receivable included the following at September 30:

	2018	2017
Accounts receivable	\$ 42,409,277	\$ 35,422,597
Accounts receivable related-party	7,027,792	5,700,000
Unbilled accounts receivable	50,390,767	66,377,593
Subcontractor advances	10,475,842	5,392,394
Travel advances	941,225	1,296,177
Other receivables	3,310,885	1,949,524
Allowance for doubtful accounts	(1,859,887)	(2,000,000)
	\$ 112,695,901	\$ 114,138,285

#### 3. Short-Term Investments

The following is a summary of the fair value measurements of FHI 360's short-term investments within the fair value hierarchy:

	Fair Value			
	Level 1	Level 2	Level 3	Total
<b>September 30, 2018</b>				
Cash, bank deposit program, and money-market funds	\$ 14,387,402	\$ —	\$ —	\$ 14,387,402
Corporate fixed income	—	360,594	—	360,594
Total short-term investments	\$ 14,387,402	\$ 360,594	\$ —	\$ 14,747,996

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 3. Short-Term Investments (continued)

	Fair Value			Total
	Level 1	Level 2	Level 3	
<b>September 30, 2017</b>				
Cash, bank deposit program, and money-market funds	\$ 14,339,642	\$ –	\$ –	\$ 14,339,642
Corporate fixed income	–	237,857	–	237,857
Total short-term investments	<u>\$ 14,339,642</u>	<u>\$ 237,857</u>	<u>\$ –</u>	<u>\$ 14,577,499</u>

Investments held by FHI 360 at September 30, consisted of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash, bank deposit program, and money-market funds	<b>\$ 14,387,402</b>	<b>\$ 14,387,402</b>	\$ 14,339,642	\$ 14,339,642
Corporate fixed income	<b>360,594</b>	<b>360,594</b>	185,331	237,857
Total short-term investments	<u><b>\$ 14,747,996</b></u>	<u><b>\$ 14,747,996</b></u>	<u>\$ 14,524,973</u>	<u>\$ 14,577,499</u>

#### 4. Property and Equipment, net

Property and equipment, net include the following at September 30:

	2018	2017
Leasehold improvements	<b>\$ 16,305,517</b>	\$ 16,389,670
Equipment, software, furniture, and vehicles	<b>13,020,130</b>	12,752,884
Fine arts inventory	<b>662,939</b>	662,939
Accumulated depreciation/amortization	<b>(16,681,369)</b>	(15,348,600)
Total property and equipment, net	<u><b>\$ 13,307,217</b></u>	<u>\$ 14,456,893</u>

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 5. Short-Term Financing and Leases

The details of capital leases at September 30 are as follows:

	2018	2017
Short-term portion of capital lease due to e-Plus Group, Inc., with interest at 6.43% payable monthly, due June 1, 2018	\$ —	\$ 364,519
Total of capital leases	\$ —	\$ 364,519

FHI 360 rents its facilities, computers, and various equipment under rental agreements. Some leases contain escalation clauses. At September 30, 2018, future minimum lease expenses under these non-cancelable operating leases are as follows:

2019	\$ 17,293,342
2020	17,063,825
2021	15,723,092
2022	15,120,719
2023	15,114,749
Thereafter	79,080,662
Total	\$ 159,396,389

Future minimum rental income under subleases is as follows:

2019	\$ 1,576,937
2020	1,331,283
2021	1,138,256
2022	504,940
2023	420,783
Thereafter	—
Total	\$ 4,972,199

Total occupancy expense for the years ended September 30, 2018 and 2017, was \$29,678,816 and \$30,737,138, respectively, which includes total rental and equipment lease expense (excluding sublease rental income) of \$17,420,825 and \$18,079,194, respectively.

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 5. Short-Term Financing and Capital Leases (continued)

On August 30, 2018, FHI 360 entered into a working capital line of credit (LOC) agreement with a bank in the amount of \$25,000,000. The LOC is available until August 29, 2019. There are no draws on the line of credit at September 30, 2018 and 2017.

#### 6. Post-retirement Benefit Plans and Foreign Severance Liabilities

FHI 360 has a noncontributory, defined-contribution post-retirement benefit plan covering substantially all U.S. employees and non-U.S. citizen expatriates who have met certain eligibility requirements. Post-retirement benefit expense amounted to \$12,982,301 and \$12,446,419 for the years ended September 30, 2018 and 2017, respectively.

FHI 360 accrues severance pay for Foreign Service Nationals (FSNs) in countries where the host country requires payment of severance pay upon separation. The accrual is based upon each FSN's years of service with FHI 360. The severance costs are charged to the federal award. The severance payments are made whether the termination is voluntary or involuntary, with the exception of an employee being terminated with cause.

The accrued field office retirement, leave, severance and taxes withheld at September 30 are as follows:

	<u>2018</u>	<u>2017</u>
Field retirement	\$ 2,557,055	\$ 2,609,890
Field leave	4,234,894	5,305,891
Field severance	12,122,220	12,634,893
Taxes withheld	573,610	633,972
Total	<u>\$ 19,487,779</u>	<u>\$ 21,184,646</u>

#### 7. 457(b) Deferred Compensation Plan

FHI 360 maintains a 457(b)-deferred compensation plan to provide the ability to make tax-deferred contributions to employees whose annual base compensation exceeds the maximum compensation limit for qualified plan contributions. Contributions are made into a rabbi trust maintained by FHI 360 for each participating employee and remain assets of FHI 360 until distributed to the participant upon termination of their employment.

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### **8. Direct Cost Sharing – U.S. Government Funded Agreements**

FHI 360 has 40 awards with remaining cost-sharing requirements as of September 30, 2018. FHI 360 enters into subawards with subrecipients who assist FHI 360 in meeting the goals and objectives of FHI 360's awards. When appropriate, FHI 360 includes a cost share requirement in subawards.

Subrecipients can meet a cost share requirement by donating materials, or by incurring costs in support of the project that are not reimbursed through the subaward. The costs incurred and the estimated fair value of the materials is reported on a quarterly basis. Cost share contributions may also come from other sources, including FHI 360 projects that are not funded by the U.S. government. FHI 360 continually monitors awards with cost sharing requirements to ensure compliance.

FHI 360 had total remaining cost share requirements of \$33,590,814 and \$42,859,754, at September 30, 2018 and 2017, respectively.

#### **9. Related-Party Transactions**

In December 1990, FHI 360 established a separate non-profit foundation, Family Health International Foundation (the Foundation), to support the work of FHI 360. Contributions to FHI 360 from the Foundation were \$6,000,000 and \$5,700,000 in 2018 and 2017, respectively. At September 30, 2018 and 2017 \$6,000,000 and \$5,700,000, respectively, were outstanding.

#### **10. Contingencies**

The ultimate determination of amounts received under contracts with governmental agencies is generally based upon allowable costs reported to and audited by the U.S. government. Until such audits have been completed and a final settlement reached, there exists a contingency to refund any amounts received in excess of allowable costs. Management believes that no material unrecorded loss will result from such audits.

#### **11. Subsequent Events**

Subsequent events have been evaluated for disclosure through May 31, 2019, the date FHI 360's financial statements as of and for the years ended September 30, 2018 and 2017, were available to be issued. There are no additional events that have occurred such that adjustments to the amounts presented or disclosed in the notes of the financial statements are warranted.

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2019 Ernst & Young LLP.  
All Rights Reserved.

**[ey.com](http://ey.com)**