Consolidated Financial Statements

Family Health International
Years Ended September 30, 2019 and 2018
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Family Health International

Consolidated Financial Statements

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Contents

Financial Statements

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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, 2019 and 2018, 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, 2019 and 2018, 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

June 1, 2020

Family Health International

Consolidated Statements of Financial Position

	September 30 2019	September 30 2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 63,232,035**	$ 94,496,228
Restricted cash	**21,116,101**	17,123,869
Accounts receivable	**108,093,520**	112,695,901
Short-term investments at fair value	**41,857,352**	14,747,996
Prepaid expenses and deposits	**8,683,179**	7,608,231
Total current assets	**242,982,187**	246,672,225
Other assets	**3,693,997**	3,872,006
Property and equipment, net	**12,095,949**	13,307,217
Total assets	**$ 258,772,133**	$ 263,851,448
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 13,628,725**	$ 15,360,622
Accrued expenses	**33,044,634**	39,260,769
Accrued salaries, payroll taxes, and fringe benefits	**17,126,721**	15,827,993
Accrued field office severance, leave, and retirement	**19,604,998**	19,487,779
Deferred revenue	**72,026,819**	73,228,301
Total current liabilities	**155,431,897**	163,165,464
Other liabilities	**8,413,052**	9,433,383
Total liabilities	**163,844,949**	172,598,847
Net assets without donor restrictions	**94,927,184**	91,252,601
Total liabilities and net assets	**$ 258,772,133**	$ 263,851,448

See accompanying notes.

Family Health International

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended September 30	
	2019	**2018**
Revenue		
Operating revenues	**$ 628,023,018**	$ 725,484,297
Income from services	**142,001,730**	94,086,299
Contributions	**14,916,103**	6,136,808
Other income	**5,309,498**	4,031,058
Total revenue	**790,250,349**	829,738,462
Expenses		
Program services	**655,381,008**	702,913,829
Supporting activities	**131,194,758**	125,319,889
Total expenses	**786,575,766**	828,233,718
Change in net assets	**3,674,583**	1,504,744
Net assets without donor restrictions at beginning of year	**91,252,601**	89,747,857
Net assets without donor restrictions at end of year	**$ 94,927,184**	$ 91,252,601

See accompanying notes.

Family Health International

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2019	**2018**
Operating activities		
Change in net assets	**$ 3,674,583**	$ 1,504,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**1,505,437**	1,587,573
Gain or loss on disposal of fixed assets	**123,086**	235,713
Changes in operating assets and liabilities:		
Accounts receivable	**4,602,381**	1,442,384
Prepaid expenses and deposits	**(1,074,948)**	88,255
Other assets	**2,927,446**	(1,060,668)
Accounts payable	**(1,731,897)**	(553,455)
Accrued expenses and other liabilities	**(8,097,562)**	(3,287,209)
Deferred revenue	**(1,201,482)**	7,965,534
Deferred rent	**(472,394)**	(61,897)
Net cash provided by operating activities	**254,650**	7,860,974
Investing activities		
Change in restricted cash	**(3,992,232)**	(6,582,727)
Purchase of investments	**(27,109,356)**	(170,497)
Purchase of equipment	**(417,255)**	(673,610)
Net cash used in investing activities	**(31,518,843)**	(7,426,834)
Financing activities		
Payments on note payable and capital leases	**–**	(364,519)
Net cash used in financing activities	**–**	(364,519)
Net change in cash and cash equivalents	**(31,264,193)**	69,621
Cash and cash equivalents, beginning of year	**94,496,228**	94,426,607
Cash and cash equivalents, end of year	**$ 63,232,035**	$ 94,496,228

See accompanying notes.

Family Health International

Consolidated Statements of Functional Expenses

Year Ended September 30, 2019

	Program Services	Supporting Activities	Total
Personnel expenses	$ 102,977,550	$ 75,578,657	$ 178,556,207
Subcontracts and grants	301,668,064	–	301,668,064
Field office salaries and fringe benefits	95,661,526	4,102,960	99,764,486
Consultants and professional fees	25,726,350	10,123,413	35,849,763
Depreciation	–	1,505,437	1,505,437
Employee relocation and training	947,067	160,196	1,107,263
Employment advertising	151,482	60,615	212,097
Equipment < $5K	2,261,394	243,167	2,504,561
Equipment > $5K	4,442,166	–	4,442,166
Equipment maintenance and repairs	3,563,077	2,218,963	5,782,040
Equipment rental	1,789,431	20,837	1,810,268
Freight and postage	974,660	86,092	1,060,752
Insurance	760,095	772,963	1,533,058
Meetings	15,617,240	700,960	16,318,200
Membership dues	27,889	409,843	437,732
Occupancy	12,003,986	17,170,125	29,174,111
Office expenses	3,583,994	897,535	4,481,529
Other expenses	5,805,409	444,135	6,249,544
Other pass through expenses	9,016,225	–	9,016,225
Participant expenses	28,299,831	–	28,299,831
Pharmaceuticals	1,234,110	–	1,234,110
Printing	2,061,818	147,058	2,208,876
Subscriptions and publications	1,279,367	1,852,318	3,131,685
Supplies	7,275,859	516,554	7,792,413
Travel expenses	27,213,867	4,120,399	31,334,266
Total functional expenses	654,342,457	121,132,227	775,474,684
Nonallocable charges	1,038,551	10,062,531	11,101,082
Total expenses	$ 655,381,008	$ 131,194,758	$ 786,575,766

See accompanying notes.

Family Health International

Consolidated Statements of Functional Expenses

Year Ended September 30, 2018

	Program Services	**Supporting Activities**	**Total**
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
Total functional expenses	701,137,323	115,853,189	816,990,512
Nonallocable charges	1,776,506	9,466,700	11,243,206
Total expenses	$ 702,913,829	$ 125,319,889	$ 828,233,718

See accompanying notes.

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 accompanying consolidated financial statements include the accounts and changes in net assets of FHI 360 and its wholly owned subsidiaries and related entities over which FHI 360 exercises control. Intercompany transactions and balances have been eliminated in consolidation.

Consolidated entities include:

FHI Solutions LLC ('Solutions') is a nonprofit organization with a longstanding, proven track record of improving nutrition outcomes in communities around the world. FHI Solutions collaborates with select partners to create evidence-based, scalable solutions informed by the highest quality data, ensuring people have the nutrition needed to lead healthy, happy and productive lives. FHI 360 is the sole member.

FHI Clinical Inc. is a for-profit full-service contract research organization launched in 2019 designed to address unmet complex research needs in resource-limited settings around the world. FHI Clinical's team of experts work to achieve maximum social impact by supporting the development of life-saving vaccines and medicines. FHI 360 is the sole shareholder.

FHI Partners LLC is a nonprofit subsidiary established to work with corporations and foundations through a flexible, client-focused business model. FHI Partners connects FHI 360 resources, including technical experts, country offices and research capabilities, with a variety of partners, making the value and effectiveness of FHI 360's impact more accessible for corporations and foundations. FHI 360 is the sole member.

FHI Ventures Inc. is a for-profit subsidiary designed as a social enterprise accelerator supporting early-stage businesses with the potential for high impact and a commitment to delivering social and financial returns. FHI Ventures works exclusively with early-stage social enterprises that are post-prototype, but pre- or early revenue, providing them with capital support and helping to position them to show viable financial returns that will attract additional investment. FHI Ventures connects social enterprises with FHI 360's technical expertise and global footprint, offering mentorship and entry into a wide variety of markets for testing and distributing new products and services. FHI 360 is the sole shareholder.

1. Significant Accounting Policies (continued)

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, 2019 and 2018, held outside of the United States were approximately $13,757,793 and $9,999,379, respectively.

Restricted Cash

FHI 360 received funds under a grant agreement that stipulated the cash 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, 2019 and 2018 was $21,116,101 and $17,123,869, respectively.

Short-Term Investments

Short-term investments held by third parties are recorded at their fair values and consist of government agency obligations and certificates of deposit as of September 30, 2019 and 2018. 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 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.

1. Significant Accounting Policies (continued)

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. Agency for International Development (USAID) funded agreements and several National Institutes of Health (NIH), Centers for Disease Control (CDC), and Department of Health and Human Services (DHHS) agreements are funded by Federal letters of credit. Drawdowns are paid 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 deferred revenue 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. Guidelines for disposals of assets acquired with Federal funds are determined by the contract.

Deferred Revenue

FHI 360 operates its programs with funds from various grants and contracts. At September 30, 2019 and 2018, FHI 360 received funds in excess of expenditures on certain grants and contracts, which resulted in deferred revenue.

Allocation of Functional Expenses

FHI 360 allocates expenses based on nature and function among its various programs and supporting services. Expenses that can be identified with a specific program or support service are charged directly. Expenses that are common to one or more program and support functions are allocated by appropriate bases of allocation including labor costs, project expenditure, and in-country expenditure that attribute costs based upon benefit received.

1. Significant Accounting Policies (continued)

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, 2019 and 2018, 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.

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. dollars are translated into U.S. dollars at the exchange rate in effect at the time of purchase. Assets and liabilities denominated in non-U.S. dollars 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 consolidated statements of activities and changes in net assets.

Net Assets Without Donor Restrictions

Net assets without donor restrictions 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.

1. Significant Accounting Policies (continued)

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.

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.

1. Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

FHI 360 adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended September 30, 2019. The most significant provisions of this standard require two classes of net assets, rather than the previously reported three classes: unrestricted net assets are now reported as net assets without donor restrictions and temporarily restricted and permanently restricted net assets reported as net assets with donor restrictions. The guidance also requires providing quantitative and qualitative disclosures regarding liquidity and availability of resources.

During November 2016, FASB issued ASU 2016-18, R*estricted Cash*. ASU 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance will be applied retrospectively and is effective for fiscal years beginning after December 15, 2018 and will be effective for FHI 360 for the year ended September 30, 2020. FHI is evaluating the impact of this pronouncement.

During August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This deferred the effective date of ASU 2014-09, which issued a converged standard on revenue recognition from contracts with customers with U.S. GAAP and IFRS. ASU 2014-09 was issued in May 2014 and the core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. For nonprofit entities, the deferred effective date of the original amendment (ASU 2014-09) is for annual reporting periods beginning after December 15, 2018, and will be effective for FHI 360 for the year ended September 30, 2020. Additionally, the pronouncement allowed early application for annual reporting periods beginning after December 15, 2016, the original effective date. There are two methods for adopting the standard amendment. The first method is to retrospectively adjust each reporting period presented. The second method is to retrospectively adjust with the cumulative effect recognized at the date of initial application along with additional disclosures in reporting periods that include the date of initial application.

1. Significant Accounting Policies (continued)

Between March and May 2016, the FASB issued three ASUs relating to Revenue from Contracts with Customers (Topic 606). These updates, identified as 2016-08, 2016-10, and 2016-12, identified practical expedients and clarified various aspects of the new revenue recognition standard outlined in ASU 2014-09. FHI 360 is evaluating the impact of the pronouncement and its related updates.

During June 2018, the FASB issued ASU 2018-08, *Not- for- Profit Entities (Topic 958-605)*, clarifying the accounting guidance for contributions received and contributions made to further improve the scope and accounting guidance on revenue recognition, to assist entities to distinguish between contributions (non-reciprocal) and exchange (reciprocal) transactions and to determine whether a contribution is conditional. The amendment is effective for annual periods beginning after December 15, 2018 for contributions received (or for the year ended September 30, 2020 for FHI 360) and December 15, 2019 for contributions made (or for the year ended September 30, 2021 for FHI 360). The Company has reviewed the update and does not believe it will materially impact the Company's future implementation of the standard. The Company is continuing to evaluate the overall impact of ASU 2014-9.

During February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update revised the overall guidance on leases, which includes the requirement to recognize a lease asset and a lease liability for leases previously classified as operating leases. As a result, all leases will create an asset and a liability for a lessee. The amendment is effective for fiscal years beginning after December 15, 2020, and will be effective for FHI 360 for the year ended September 30, 2022. The Company is evaluating the impact of this pronouncement.

2. Liquidity and Availability of Resources

FHI 360 has three significant sources of cash funding: letter of credit draws; cash generated from accounts receivable; and other cash advances from major donors, deferred revenue, and the FHI Foundation. FHI 360 structures its financial assets to be available as needed for program and supporting activities. Additionally, FHI 360 invests cash over daily requirements in short-term investments, including government money market funds, and has a committed line of credit of $25,000,000, which it could draw, if needed.

At September 30, 2019, Family Health International had $213,182,906 of unrestricted financial assets available to meet cash needs for general expenditures and supporting services within one year of the balance sheet date, comprised of $63,232,034 cash and cash equivalents, $108,093,520 accounts receivable, and $41,857,352 of short-term investments.

2. Liquidity and Availability of Resources (continued)

The FY20 budget includes total direct expenses of $548,000,000 and $107,000,000 of indirect costs. Of the $655,000,000 in total costs, the United States Government is expected to fund approximately $524,000,000, of which $440,000,000 is available for immediate funding via the letter of credit as needed. The remaining $131,000,000 constitutes private grant and contract agreements, some of which are paid in advance and via the line of credit. The FHI Foundation will also contribute $6,000,000 in FY20, dedicated to special projects.

Family Health International's days' sales outstanding is 50 days.

At September 30, 2019, FHI 360 had $21,116,101 in restricted cash. At some Donors requests, funds received in advance of project execution are booked in restricted funds accounts. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, the financial assets are transferred to financial assets without donor restrictions, and the funds become readily available for use.

3. Accounts Receivable

Accounts receivable included the following at September 30:

	2019	**2018**
Accounts receivable (billed and unbilled)	**$ 88,115,400**	$ 92,800,044
Accounts receivable related-party *(Note 10)*	**10,750,000**	7,027,792
Subcontractor advances	**9,635,120**	10,475,842
Travel advances	**398,177**	941,225
Other receivables	**694,823**	3,310,885
Allowance for doubtful accounts	**(1,500,000)**	(1,859,887)
	$ 108,093,520	$ 112,695,901

4. 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 at September 30. The balances presented approximate both cost and fair value.

	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
September 30, 2019				
Cash, bank deposit program, and money-market funds	**$ 41,490,042**	**$ –**	**$ –**	**$ 41,490,042**
Corporate fixed income	**–**	**367,310**	**–**	**367,310**
Total short-term investments	**$ 41,490,042**	**$ 367,310**	**$ –**	**$ 41,857,352**
September 30, 2018				
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

5. Property and Equipment, Net

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

	2019	**2018**
Leasehold improvements	**$ 16,339,839**	$ 16,305,517
Equipment, software, furniture, and vehicles	**13,376,268**	13,020,130
Fine arts inventory	**662,939**	662,939
Accumulated depreciation/amortization	**(18,283,097)**	(16,681,369)
Total property and equipment, net	**$ 12,095,949**	$ 13,307,217

6. Short-Term Financing and Leases

FHI 360 leases its facilities, computers, and various equipment under rental agreements. Some leases contain escalation clauses. At September 30, 2019, future minimum lease expenses under these noncancelable operating leases are as follows:

2020	$ 17,026,515
2021	15,713,540
2022	15,111,167
2023	15,111,167
2024	15,015,996
Thereafter	64,064,666
Total	$ 142,043,051

Future minimum rental income under subleases is as follows:

2020	$ 1,056,179
2021	985,507
2022	673,213
2023	541,354
2024	120,571
Thereafter	60,285
Total	$ 3,437,109

Total occupancy expense for the years ended September 30, 2019 and 2018, was $29,174,111 and $29,678,816, respectively, which includes total rental and equipment lease expense (excluding sublease rental income) of $17,293,343 and $17,420,825, respectively.

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 was available until September 30, 2019. There were no draws on the line of credit during or as of the period ended September 30, 2019 and 2018.

7. Postretirement Benefit Plans and Foreign Severance Liabilities

FHI 360 has a noncontributory, defined-contribution postretirement benefit plan (the Plan) covering substantially all U.S. employees and non-U.S. citizen expatriates who have met certain eligibility requirements. Postretirement benefit expense amounted to $13,756,521 and $12,982,301 for the years ended September 30, 2019 and 2018, 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, and FHI 360 increases the severance accrual each year based on the additional year of service. The severance costs are charged to the federal award each year as the additional years of service are accrued. The severance payments are made whether the termination is voluntary or involuntary, apart from an employee being terminated with cause.

The accrued field office severance, leave, retirement balances, and related taxes withheld included the following at September 30:

	2019	**2018**
Field retirement	**$ 2,432,607**	$ 2,557,055
Field leave	**4,189,312**	4,234,894
Field severance	**12,011,833**	12,122,220
Taxes withheld	**971,246**	573,610
Total	**$ 19,604,998**	$ 19,487,779

8. 457(b) Deferred Compensation Plan

FHI 360 offers a 457(b) deferred compensation plan, providing eligible employees who meet both plan and federal participation requirements the option to make tax-deferred 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.

9. Direct Cost Sharing – U.S. Government Funded Agreements

FHI 360 has 39 various awards with remaining cost-sharing requirements as of September 30, 2019. 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 $27,769,357 and $33,590,814, at September 30, 2019 and 2018, respectively.

10. 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 $14,750,000 and $6,000,000 in 2019 and 2018, respectively. At September 30, 2019 and 2018 $10,750,000 and $6,000,000, respectively, were outstanding.

11. 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.

12. Subsequent Events

Subsequent events have been evaluated for disclosure through June 1, 2020, the date FHI 360's financial statements as of and for the years ended September 30, 2019 and 2018, were available to be issued. During March 2020, the COVID-19 pandemic and related business disruption impacted the operations of FHI 360. Travel restrictions and stay at home orders affected programmatic work carried out by staff in the US and overseas locations. FHI 360 management expects a negative financial impact due to the slowdown in operations. However, the related duration and financial impact cannot be reasonably estimated at this time.

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