

CONSOLIDATED FINANCIAL STATEMENTS

Family Health International
Years Ended September 30, 2021 and 2020
With Report of Independent Auditors

Ernst & Young LLP



Family Health International
Consolidated Financial Statements
Years Ended September 30, 2021 and 2020

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Report of Independent Auditors

Management and 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, 2021 and 2020, 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 of America. 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, 2021 and 2020, 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, 2022

Family Health International

Consolidated Statements of Financial Position (In Thousands)

	September 30	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 70,733	\$ 65,011
Restricted cash	39,048	20,435
Accounts receivable	95,117	93,816
Short-term investments at fair value	69,788	57,751
Prepaid expenses and deposits	7,951	9,146
Total current assets	282,637	246,159
Long-term investments at fair value	7,939	–
Other assets	5,253	4,023
Property and equipment, net	8,999	10,535
Total assets	\$ 304,828	\$ 260,717
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 17,113	\$ 15,289
Accrued expenses	42,300	29,767
Accrued salaries, payroll taxes, and fringe benefits	26,087	22,648
Accrued field office severance, leave, and retirement	17,700	16,685
Deferred revenue	89,830	74,186
Current portion of note payable	4,000	1,500
Total current liabilities	197,030	160,075
Other liabilities	10,096	9,290
Total liabilities	207,126	169,365
Net assets:		
Net assets without donor restrictions	97,702	91,352
Total net assets	97,702	91,352
Total liabilities and net assets	\$ 304,828	\$ 260,717

See accompanying notes.

Family Health International

Consolidated Statements of Activities and Changes in Net Assets

(In Thousands)

	Year Ended September 30	
	2021	2020
Revenue:		
Contributions	\$ 736,370	\$ 648,520
Exchange revenue	60,272	38,786
Other income	1,511	3,167
Total revenue	798,153	690,473
Expenses:		
Program services	664,823	564,335
Supporting activities	126,980	129,713
Total expenses	791,803	694,048
Change in net assets	6,350	(3,575)
Net assets without donor restrictions:		
Beginning of year	91,352	94,927
End of year	\$ 97,702	\$ 91,352

See accompanying notes.

Family Health International

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended September 30	
	2021	2020
Operating activities		
Change in net assets	\$ 6,350	\$ (3,575)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,528	1,377
Gain or loss on disposal of fixed assets	20	325
Changes in operating assets and liabilities:		
Accounts receivable	(1,301)	14,278
Prepaid expenses and deposits	1,195	(463)
Other assets	(227)	(311)
Accounts payable	1,824	1,660
Accrued expenses and other liabilities	16,890	994
Deferred revenue	15,644	2,159
Deferred rent	(65)	(811)
Net cash provided by operating activities	41,858	15,633
Investing activities		
Purchase of investments	(41,081)	(15,894)
Sale and maturity of investments	21,068	—
Purchase of equipment	(10)	(141)
Net cash used in investing activities	(20,023)	(16,035)
Financing activities		
Proceeds from note payable	2,500	1,500
Net cash provided by financing activities	2,500	1,500
Net change in cash, cash equivalents, and restricted cash	24,335	1,098
Cash, cash equivalents, and restricted cash, beginning of year	85,446	84,348
Cash, cash equivalents, and restricted cash, end of year	\$ 109,781	\$ 85,446
Cash and cash equivalents, end of year	\$ 70,733	\$ 65,011
Restricted cash, end of year	39,048	20,435
Cash, cash equivalents, and restricted cash, end of year	\$ 109,781	\$ 85,446

See accompanying notes.

Family Health International

Consolidated Statements of Functional Expenses (In Thousands)

Year Ended September 30, 2021

	Program Services	Supporting Activities	Total
Personnel expenses	\$ 111,836	\$ 78,711	\$ 190,547
Subcontracts and grants	321,081	–	321,081
Field office salaries and fringe benefits	92,404	3,991	96,395
Consultants and professional fees	42,166	11,454	53,620
Depreciation	–	1,428	1,428
Employee relocation and training	986	47	1,033
Employment advertising	93	20	113
Equipment < \$5K	4,214	1,388	5,602
Equipment > \$5K	4,427	–	4,427
Equipment maintenance and repairs	2,959	5,071	8,030
Equipment rental	2,515	18	2,533
Freight and postage	572	124	696
Insurance	439	982	1,421
Meetings	11,051	225	11,276
Membership dues	37	347	384
Occupancy	10,889	15,601	26,490
Office expenses	3,897	421	4,318
Other expenses	5,960	869	6,829
Other pass-through expenses	7,286	–	7,286
Participant expenses	8,573	–	8,573
Pharmaceuticals	2,443	–	2,443
Printing	2,711	388	3,099
Subscriptions and publications	1,517	2,587	4,104
Supplies	12,436	522	12,958
Travel expenses	12,546	312	12,858
Total functional expenses	663,038	124,506	787,544
Nonallocable charges	1,784	2,475	4,259
Total expenses	\$ 664,822	\$ 126,981	\$ 791,803

See accompanying notes.

Family Health International

Consolidated Statements of Functional Expenses (In Thousands)

Year Ended September 30, 2020

	Program Services	Supporting Activities	Total
Personnel expenses	\$ 101,342	\$ 79,562	\$ 180,904
Subcontracts and grants	258,955	—	258,955
Field office salaries and fringe benefits	85,244	3,881	89,125
Consultants and professional fees	24,331	8,999	33,330
Depreciation	—	1,377	1,377
Employee relocation and training	772	121	893
Employment advertising	108	13	121
Equipment < \$5K	2,024	530	2,554
Equipment > \$5K	3,414	7	3,421
Equipment maintenance and repairs	2,795	2,499	5,294
Equipment rental	2,312	19	2,331
Freight and postage	853	58	911
Insurance	466	821	1,287
Meetings	8,557	236	8,793
Membership dues	29	239	268
Occupancy	10,163	17,530	27,693
Office expenses	3,379	948	4,327
Other expenses	5,858	70	5,928
Other pass-through expenses	4,173	—	4,173
Participant expenses	17,369	—	17,369
Pharmaceuticals	3,973	—	3,973
Printing	2,416	179	2,595
Subscriptions and publications	927	2,383	3,310
Supplies	9,212	314	9,526
Travel expenses	14,835	1,471	16,306
Total functional expenses	563,507	121,257	684,764
Nonallocable charges	828	8,456	9,284
Total expenses	\$ 564,335	\$ 129,713	\$ 694,048

See accompanying notes.

Family Health International

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

1. Organization and Structure

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 the Company 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 is a nonprofit organization with a long-standing, proven track record of improving nutrition outcomes in communities around the world. 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 organization designed to address unmet complex research needs in resource-limited settings around the world. The mission is 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 organization established to work with corporations and foundations through a flexible, client-focused business model. FHI Partners connects the FHI 360 family's expansive assets, including technical experts, country offices, and research with a wider 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 organization 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 in more than 60 countries, offering mentorship and entry into a wide variety of markets for testing and distributing new products and services. FHI 360 is the sole shareholder.

Family Health International

Notes to Consolidated Financial Statements (continued)

1. Organization and Structure (continued)

Konung International is a United Kingdom-based subsidiary specializing in innovative governance and public financial management programs globally. Konung International delivers in-depth analysis of developmental challenges through an understanding of the local political economy and an examination of the impacts of conflict, culture, livelihoods, environment, gender, demographics, and social exclusion. FHI 360 is the sole shareholder.

2. Significant Accounting Policies

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, 2021 and 2020, held outside of the United States were approximately \$14.4 million and \$8.1 million, respectively.

Restricted Cash

FHI 360 receives funds under grant agreements that stipulate 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, 2021 and 2020, was \$39.0 million and \$20.4 million, respectively.

Family Health International

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Investments

Investments held by third parties are recorded at their fair values and consist of money market funds, and fixed income securities as of September 30, 2021 and 2020. All other financial instruments (cash, cash equivalents, and restricted cash) are stated at cost, which approximates fair value.

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 a 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 disposal of equipment 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, 2021 and 2020, FHI 360 received funds in excess of expenditures on certain grants and contracts, which resulted in deferred revenue.

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Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Revenue Recognition

Contributions

FHI 360 receives funding under grants and agreements from the U.S. Government and other institutional donors considered contributions. Under Accounting Standards Update (ASU) 2018-08, *Clarifying Scope and Accounting Guidance for Contributions Made*, contributions are conditional if the agreement includes both a donor-imposed barrier that must be overcome and a right of return or release. Conditional contributions are recorded once conditions are met.

Conditions and barriers are typically met by incurring qualifying expenses or completing deliverables or milestones for a program. Contributions from the U.S. Government are conditional and must comply with applicable federal cost principles included in Title 2 U.S. Code of Federal Regulations Part 200 and is subject to review by grantor agencies. Donor-imposed barriers from other contributions include stipulations around limited discretion over the conduct of the program activity, matching or cost-sharing requirements. Contribution revenue with cost-sharing and/or match requirements is deferred until provisions are met. Funds received in advance of satisfying donor-imposed conditions are reported as deferred revenue. Audits and reviews could result in the disallowance of expenditures under terms of a grant or reductions of future grant funds. Based on historical experience, management's position is any costs ultimately disallowed would not materially affect FHI 360's consolidated financial position.

Conditional contribution revenue not yet recognized is composed of \$816.3 million from the United States Government (USG) and \$399.1 million from non-USG funders as of September 30, 2021. The amounts are based on total obligated amount less revenue recognized.

Unconditional contributions consisting of transfers of cash or other assets, as well as unconditional promises to give to FHI 360, are considered nonreciprocal transfers and recognized immediately at fair value. FHI 360 uses the simultaneous release option for donor-restricted grants that are recognized and used within the same reporting period and are, therefore, reported as net assets without donor restrictions.

FHI 360 also serves as a resource provider, making contributions to subrecipients and other granting activities. Effective October 1, 2020, FHI 360 adopted ASU 2018-08. The adoption did not impact the consolidated financial statements.

Family Health International

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Exchange Revenue

Per ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, FHI evaluates accounting for transactions in which both parties directly receive commensurate value. Under the standard, revenue is recognized under the five-step model which requires FHI 360 to (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Performance obligations are typically satisfied as qualifying expenses are incurred. FHI 360's exchange revenue for the fiscal year was \$60.3 million.

Allocation of Functional Expenses

FHI 360 allocates expenses based on nature and function among its 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 functions are allocated by appropriate bases of allocation, including labor costs and in-country expenditures.

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 concluded that as of September 30, 2021 and 2020, there are no uncertain tax positions taken or expected to be taken.

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

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Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

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.

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
 - 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.

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Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Securities with fixed maturities, 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 Level 2 hierarchy.

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

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases (Topic 842)*. This update revised the overall guidance on leases, which includes the requirement to recognize operating leases with a right-to-use asset and corresponding lease liability. As a result, all leases, with the exception of short-term leases, will create an asset and a liability on a lessee's balance sheet. ASU 2020-05, *Leases (Topic 842)*, issued on June 30, 2020, extended the effective date for this standard to the fiscal year beginning October 1, 2022.

3. 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 donors and the FHI Foundation. FHI 360 structures its financial assets to be available as needed for program and supporting activities by executing an annual budget and forecast process with monthly monitoring and recasting as facts and circumstances require during the fiscal year. Additionally, FHI 360 invests cash over daily requirements in investments, including money market funds and fixed income securities, and has a committed line of credit of \$25.0 million, which it could draw, if needed.

At September 30, 2021, FHI 360 has \$235.6 million of unrestricted financial assets available to meet cash needs for general expenditures and supporting services within one year of the September 30 balance sheet date, composed of \$140.5 million of cash, cash equivalents, and investments, and \$95.0 million accounts receivable.

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Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability of Resources (continued)

Below is the consolidating statement of financial position as of September 30, 2021 (in thousands).

	FHI 360	FHI Solutions	FHI Partners	FHI Ventures	FHI Clinical	Konung International	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 39,170	\$ 896	\$ 26,998	\$ 95	\$ 3,345	\$ 229	\$ –	\$ 70,733
Restricted cash	22,546	16,502	–	–	–	–	–	39,048
Accounts receivable	95,410	1,755	(626)	(27)	11,623	245	(13,263)	95,117
Short-term investments at fair value	68,650	1,138	–	–	–	–	–	69,788
Prepaid expenses and deposits	7,431	45	4	–	464	7	–	7,951
Total current assets	233,207	20,336	26,376	68	15,432	481	(13,263)	282,637
Long-term investments at fair value	7,939	–	–	–	–	–	–	7,939
Other assets	22,183	–	–	942	425	281	(18,578)	5,253
Property and equipment, net	8,988	1	–	–	10	–	–	8,999
Total assets	\$ 272,317	\$ 20,337	\$ 26,376	\$ 1,010	\$ 15,867	\$ 762	\$ (31,841)	\$ 304,828
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 17,442	\$ 792	\$ 5,611	\$ 337	\$ 5,919	\$ 192	\$ (13,180)	\$ 17,113
Accrued expenses	38,965	740	286	1	2,025	6	277	42,300
Accrued salaries, payroll taxes, and fringe benefits	22,708	937	–	–	2,417	25	–	26,087
Accrued field office severance, leave, and retirement	16,318	1,039	–	–	343	–	–	17,700
Deferred revenue	50,969	16,790	20,277	–	1,794	–	–	89,830
Current portion of note payable	–	–	–	–	4,000	–	–	4,000
Total current liabilities	146,402	20,298	26,174	338	16,498	223	(12,903)	197,030
Other liabilities	9,989	(30)	38	2	445	11	(359)	10,096
Total liabilities	156,391	20,268	26,212	340	16,943	234	(13,262)	207,126
Net assets:								
Net assets without donor restrictions	115,926	69	164	670	(1,076)	528	(18,579)	97,702
Total liabilities and net assets	\$ 272,317	\$ 20,337	\$ 26,376	\$ 1,010	\$ 15,867	\$ 762	\$ (31,841)	\$ 304,828

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Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability of Resources (continued)

Below is the consolidating statement of activities and changes in net assets for the year ended September 30, 2021 (in thousands).

	FHI 360	FHI Solutions	FHI Partners	FHI Ventures	FHI Clinical	Konung International	Eliminations	Consolidated
Revenue:								
Contributions	\$ 703,886	\$ 20,795	\$ 11,689	\$ –	\$ –	\$ –	\$ –	\$ 736,370
Exchange revenue	26,024	301	2,210	4	31,005	728	–	60,272
Other contributions	–	1,300	–	–	–	–	(1,300)	–
Other income	19,997	157	1,703	39	68	394	(20,847)	1,511
Total revenue	749,907	22,553	15,602	43	31,073	1,122	(22,147)	798,153
Expenses:								
Program services	622,086	18,589	13,116	151	22,220	1,094	(12,433)	664,823
Supporting activities	114,747	3,906	2,354	401	14,737	443	(9,608)	126,980
Total expenses	736,833	22,495	15,470	552	36,957	1,537	(22,041)	791,803
Change in net assets	13,074	58	132	(509)	(5,884)	(415)	(106)	6,350
Net assets without donor restrictions:								
Beginning of year	102,852	11	32	1,179	4,808	943	(18,473)	91,352
End of year	\$ 115,926	\$ 69	\$ 164	\$ 670	\$ (1,076)	\$ 528	\$ (18,579)	\$ 97,702

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Notes to Consolidated Financial Statements (continued)

4. Accounts Receivable

Accounts receivable included the following:

	September 30	
	2021	2020
	<i>(In Thousands)</i>	
Accounts receivable (billed and unbilled)	\$ 83,525	\$ 78,550
Accounts receivable related party <i>(Note 11)</i>	4,050	5,809
Subcontractor advances	8,019	10,147
Travel advances	175	–
Other receivables	1,068	964
Allowance for doubtful accounts	(1,720)	(1,654)
	\$ 95,117	\$ 93,816

5. Investments

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

	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
September 30, 2021				
Cash, bank deposit program, and money-market funds	\$ 65,004	\$ –	\$ –	\$ 65,004
Fixed income securities:				
Corporate bonds	–	6,322	–	6,322
Treasury bonds	4,019	–	–	4,019
Asset-backed securities	–	2,382	–	2,382
Total investments	\$ 69,023	\$ 8,704	\$ –	\$ 77,727
September 30, 2020				
Cash, bank deposit program, and money-market funds	\$ 57,751	\$ –	\$ –	\$ 57,751
Total investments	\$ 57,751	\$ –	\$ –	\$ 57,751

Family Health International

Notes to Consolidated Financial Statements (continued)

6. Property and Equipment, Net

Property and equipment, net include the following:

	September 30	
	2021	2020
	<i>(In Thousands)</i>	
Leasehold improvements	\$ 16,371	\$ 16,381
Equipment, software, furniture, and vehicles	13,249	13,249
Fine arts inventory	663	663
Accumulated depreciation/amortization	(21,284)	(19,758)
Total property and equipment, net	\$ 8,999	\$ 10,535

7. Short-Term Financing and Leases

FHI 360 rents its facilities and various equipment under rental agreements. Some leases contain escalation clauses. At September 30, 2021, future minimum lease expenses under these noncancelable operating leases are as follows (in thousands):

2022		\$ 15,332
2023		15,198
2024		15,016
2025		14,883
2026		14,883
Thereafter		34,299
Total		\$ 109,611

Future minimum rental income under subleases is as follows (in thousands):

2022		\$ 686
2023		541
2024		121
2025		60
Thereafter		—
Total		\$ 1,408

Family Health International

Notes to Consolidated Financial Statements (continued)

7. Short-Term Financing and Leases (continued)

FHI 360 has a working capital line of credit (LOC) agreement with a bank in the amount of \$25.0 million. The LOC is available until September 28, 2022. There was a draw on the line of credit for \$4.0 million by FHI Clinical as of September 30, 2021, and there was a draw on the line of credit for \$1.5 million by FHI Clinical as of September 30, 2020.

8. 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 \$13.9 million and \$12.4 million for the years ended September 30, 2021 and 2020, 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 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:

	September 30	
	2021	2020
	<i>(In Thousands)</i>	
Field severance	\$ 9,369	\$ 9,821
Field leave	5,409	3,854
Field retirement	2,245	2,192
Taxes withheld	677	818
Total	<u>\$ 17,700</u>	<u>\$ 16,685</u>

Family Health International

Notes to Consolidated Financial Statements (continued)

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

FHI 360 has 41 various awards with remaining cost-sharing requirements as of September 30, 2021. 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 eligible costs in support of the project that are not reimbursed through the subaward. The costs incurred and estimated fair value of donated materials are 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 \$63.7 million and \$34.3 million, at September 30, 2021 and 2020, respectively.

10. Related-Party Transactions

In December 1990, FHI 360 established a separate nonprofit foundation, Family Health International Foundation (the Foundation), to support the work of FHI 360. Contributions to FHI 360 from the Foundation were \$9.8 million and \$6.0 million in 2021 and 2020, respectively. FHI 360 expects to receive the funds during FY22. At September 30, 2021 and 2020, \$4.0 million and \$5.0 million, 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 May 31, 2022, the date FHI 360's financial statements as of and for the years ended September 30, 2021 and 2020, 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.

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