

CONSOLIDATED FINANCIAL STATEMENTS

Family Health International  
Years Ended September 30, 2023 and 2022  
With Report of Independent Auditors

Ernst & Young LLP



Family Health International  
Consolidated Financial Statements  
Years Ended September 30, 2023 and 2022

**Contents**

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	4
Consolidated Statements of Activities and Changes in Net Assets .....	5
Consolidated Statements of Cash Flows.....	6
Consolidated Statement of Functional Expenses.....	7
Notes to Consolidated Financial Statements.....	9



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

Management and the Audit Committee  
Family Health International

### **Opinion**

We have audited the consolidated financial statements of Family Health International (FHI 360), which comprise the consolidated statement of financial position as of September 30, 2023 and 2022, 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 (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FHI 360 at September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FHI 360 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FHI 360's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FHI 360's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FHI 360's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2024 on our consideration of FHI 360's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FHI 360's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FHI 360's internal control over financial reporting and compliance.

*Ernst & Young LLP*

June 24, 2024

## Family Health International

### Consolidated Statements of Financial Position (In Thousands)

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 89,412	\$ 98,063
Accounts receivable	90,662	114,103
Short-term investments at fair value	75,139	57,259
Prepaid expenses and deposits	14,398	10,656
Total current assets	269,611	280,081
Long-term investments at fair value	9,122	7,785
Other assets	7,976	9,775
Property and equipment, net	10,114	8,535
Right-of-use assets net	39,910	—
Total assets	\$ 336,733	\$ 306,176
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 15,864	\$ 12,620
Accrued expenses	39,674	36,045
Accrued salaries, payroll taxes, and fringe benefits	15,628	23,174
Accrued field office severance, leave, and retirement	20,486	19,210
Short-term lease liabilities	4,872	—
Deferred revenue	92,478	89,095
Current portion of note payable	7,500	12,300
Total current liabilities	196,502	192,444
Long-term lease liabilities	48,455	—
Other liabilities	4,278	21,044
Total liabilities	249,235	213,488
Net assets:		
Net assets without donor restrictions	87,498	92,688
Total net assets	87,498	92,688
Total liabilities and net assets	\$ 336,733	\$ 306,176

*See accompanying notes.*

## Family Health International

### Consolidated Statements of Activities and Changes in Net Assets (In Thousands)

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Revenue:		
Contributions	\$ 773,432	\$ 806,855
Exchange revenue	89,105	76,895
Other income	5,119	1,249
Total revenue	<b>867,656</b>	884,999
Expenses:		
Program services	707,403	721,406
Supporting activities	165,443	168,607
Total expenses	<b>872,846</b>	890,013
Change in net assets	<b>(5,190)</b>	(5,014)
Net assets without donor restrictions:		
Beginning of year	92,688	97,702
End of year	<b>\$ 87,498</b>	\$ 92,688

*See accompanying notes.*

# Family Health International

## Consolidated Statements of Cash Flows (In Thousands)

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Change in net assets	\$ (5,190)	\$ (5,014)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,776	3,418
Amortization of operating lease right-of-use assets	11,971	–
Gain or loss on disposal of fixed assets	(6,331)	(255)
Changes in operating assets and liabilities:		
Accounts receivable	23,441	(18,986)
Prepaid expenses and deposits	(3,742)	(2,704)
Other assets	2,626	(5,168)
Accounts payable	3,244	(4,493)
Accrued expenses and other liabilities	(16,299)	4,530
Deferred revenue	3,383	(735)
Operating lease liabilities	(2,482)	(601)
Net cash provided by (used in) operating activities	15,397	(30,008)
<b>Investing activities</b>		
Purchase of investments	(19,541)	(16,860)
Sale and maturity of investments	317	29,549
Purchase of equipment	(24)	(2,699)
Net cash (used in) provided by investing activities	(19,248)	9,990
<b>Financing activities</b>		
Proceeds from note payable	1,000	18,300
Payments on note payable	(5,800)	(10,000)
Net cash (used in) provided by financing activities	(4,800)	8,300
Net change in cash, cash equivalents, and restricted cash	(8,651)	(11,718)
Cash, cash equivalents, and restricted cash at beginning of year	98,063	109,781
Cash, cash equivalents, and restricted cash at end of year	\$ 89,412	\$ 98,063

*See accompanying notes.*



## Family Health International

### Consolidated Statement of Functional Expenses (In Thousands)

Year Ended September 30, 2023

	Program Services	Supporting Activities	Total
Personnel expenses	\$ 135,044	\$ 97,279	\$ 232,323
Subcontracts and grants	277,601	–	277,601
Field office salaries and fringe benefits	104,814	6,968	111,782
Consultants and professional fees	43,508	19,623	63,131
Depreciation	–	3,935	3,935
Employee relocation and training	598	65	663
Employment advertising	138	8	146
Equipment < \$5K	4,921	503	5,424
Equipment > \$5K	5,550	–	5,550
Equipment maintenance and repairs	3,841	5,040	8,881
Equipment rental	4,650	51	4,701
Freight and postage	1,220	177	1,397
Insurance	207	1,212	1,419
Meetings	21,786	548	22,334
Membership dues	38	374	412
Occupancy	11,306	13,981	25,287
Office expenses	3,099	220	3,319
Other expenses	12,119	351	12,470
Other pass-through expenses	5,744	–	5,744
Participant expenses	22,280	–	22,280
Pharmaceuticals	2,304	–	2,304
Printing	2,480	27	2,507
Subscriptions and publications	2,325	3,522	5,847
Supplies	11,918	971	12,889
Travel expenses	28,184	4,041	32,225
Total functional expenses	705,675	158,896	864,571
Nonallocable charges	1,728	6,547	8,275
Total expenses	\$ 707,403	\$ 165,443	\$ 872,846

*See accompanying notes.*

## Family Health International

### Consolidated Statement of Functional Expenses (In Thousands)

Year Ended September 30, 2022

	<b>Program Services</b>	<b>Supporting Activities</b>	<b>Total</b>
Personnel expenses	\$ 125,460	\$ 87,396	\$ 212,856
Subcontracts and grants	298,421	–	298,421
Field office salaries and fringe benefits	102,855	5,255	108,110
Consultants and professional fees	46,245	14,884	61,129
Depreciation	–	2,869	2,869
Employee relocation and training	668	44	712
Employment advertising	117	23	140
Equipment < \$5K	5,654	1,577	7,231
Equipment > \$5K	5,586	–	5,586
Equipment maintenance and repairs	2,961	2,875	5,836
Equipment rental	3,871	37	3,908
Freight and postage	838	245	1,083
Insurance	501	1,116	1,617
Meetings	23,370	560	23,930
Membership dues	45	323	368
Occupancy	11,595	41,570	53,165
Office expenses	3,535	178	3,713
Other expenses	8,011	1,197	9,208
Other pass through expenses	5,152	–	5,152
Participant expenses	17,866	–	17,866
Pharmaceuticals	3,602	–	3,602
Printing	2,361	–	2,361
Subscriptions and publications	1,827	1,051	2,878
Supplies	12,144	508	12,652
Travel expenses	36,989	2,154	39,143
Total functional expenses	719,674	163,862	883,536
Nonallocable charges	1,732	4,745	6,477
Total expenses	\$ 721,406	\$ 168,607	\$ 890,013

*See accompanying notes.*

# Family Health International

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### 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 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. Additionally, certain prior year amounts have been reclassified for consistency with the current year presentation. The reclassification of the prior period amounts were not material to the previously reported consolidated financial statements.

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. FHI Solutions LLC 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 LLC 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 Inc. connects social enterprises with FHI 360's technical expertise

# Family Health International

## Notes to Consolidated Financial Statements (continued)

### 1. Organization and Structure (continued)

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.

FHI UK is a United Kingdom-based subsidiary, specializing in innovative governance and public financial management programs globally. FHI UK 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 accounting principles generally accepted in the United States of America (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, 2023 and 2022 held outside of the United States were approximately \$12.1 million and \$12.0 million, respectively.

#### Restricted Cash

Restricted Cash refers to cash reserved by FHI 360 for a specified purpose and is not readily available for ordinary business use, including funds received 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 of restricted cash as of September 30, 2023 and 2022, was \$12.8 million and \$16.4 million, respectively, presented in cash and cash equivalents.

# 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, 2023 and 2022. 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), Department of State (DOS), 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 grants and contracts. At September 30, 2023 and 2022, FHI 360 received funds in excess of expenditures on certain grants and contracts, which resulted in deferred revenue.

# Family Health International

## 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 (USG) 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 USG 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 \$646.1 million from the USG and \$68.5 million from non-USG funders as of September 30, 2023. 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.

# 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.

#### **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 activities 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 (the 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, 2023 and 2022, 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 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 consolidated statement of financial position date. Net transaction and translation gains and losses are included in the accompanying consolidated statements of activities and changes in net assets.

# Family Health International

## Notes to Consolidated Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

#### 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 activities.

#### 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.



# Family Health International

## 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 Level 2 of the fair value hierarchy.

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

#### Recently Adopted Accounting Pronouncement

Effective October 1, 2022, FHI 360 adopted ASU 2016-02, *Leases* (“Topic 842”), and all related amendments.

In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) Targeted Improvements*, which provides an additional (and optional) transition method, whereby the new lease standard is applied at the adoption date and recognized as an adjustment to retained earnings. The amendments have the same effective date and transition requirements as the new lease standard. FHI 360 has elected to adopt this optional transition method. Therefore, FHI 360 initially recorded an adjustment of \$44.4 million to right-of-use asset for operating leases and \$54.9 million to the related lease liability at adoption.

As part of the adoption of ASC 842, FHI 360 elected to apply the following practical expedients available to private companies to ease the adoption efforts, as permitted under the new standard:

- Package of transition practical expedients – FHI 360 did not reassess whether expiring or existing contracts contain a lease, did not reassess the classification of expired or existing leases, and did not reassess whether lease initial direct costs would qualify for capitalization under the new lease accounting standard.
- Lease and non-lease components as lessee – For leases across all asset classes in which FHI 360 is the lessee, FHI 360 did not separate non-lease components from lease components and instead accounted for each separate lease component and the non-lease components associated with that lease component as a single lease component.

# Family Health International

## Notes to Consolidated Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

- Short-term leases – FHI 360 has elected not to recognize right-of-use (ROU) assets and lease liabilities for short-term leases for the U.S. leases asset class that have a lease term of 12 months or less. FHI 360 recognizes the lease payments associated with the short-term leases as an expense on a straight-line basis over the lease term. FHI 360 has not elected this practical expedient for non-U.S. leases asset class.
- Hindsight expedient – FHI 360 may use hindsight in determining the lease term, including the option to extend or terminate the lease, during transition.

FHI 360 has also elected the private company alternative to use the U.S. risk-free interest rate in determining the present value of lease payments when the incremental borrowing rate is not known. The risk-free rate is determined at lease commencement using U.S. Treasury rates with a period similar to the term of the lease. The lease term for the lease includes the non-cancellable period of the lease, plus any additional periods covered by either an option to extend (or not to terminate) the lease that FHI 360 is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

FHI 360 typically enters into leases, as a lessee, for U.S. real estate, non-U.S. real estate, vehicles, and equipment. Real estate leases include offices, residential, warehouse and storage spaces. Leases for vehicles, equipment, warehouse space and storage space have been expensed as incurred rather than capitalized as these leases are either short-term or not material.

Refer to Note 3 for additional information regarding leases.

### 3. Leases

In accordance with ASC 842, FHI 360 records rent expense associated with operating leases within one line item on a straight-line basis over the term of the lease. FHI 360 did not have any finance leases as of September 30, 2023 and 2022. For the year ended September 30, 2023, the rent expense associated with operating leases was \$19.6 million. Rent expense under ASC 840 for the year ended September 30, 2022 was \$47.4 million, including termination and brokerage fees totaling \$26.9 million.

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 3. Leases (continued)

The components of lease cost under ASC 842 for the year ended September 30, 2023 were as follows (in thousands):

	<b>Year Ended September 30, 2023</b>
Operating lease costs	\$ 11,972
Variable lease costs	941
Short-term lease costs	6,712
Sublease income	(745)
Total lease cost	\$ 18,880

The statement of financial position classification, weighted average remaining lease term and weighted average discount rate related to FHI 360's operating and finance leases under ASC 842 at September 30, 2023 were as follows (in thousands):

	<b>As of September 30, 2023</b>
Operating leases:	
ROU asset	\$ 39,910
Lease liability:	
Other current liabilities	4,872
Long-term liability – operating leases	48,455
Total lease liability	\$ 53,327
Weighted average remaining lease term (years)	9.54
Weighted average discount rate	3.96%

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 3. Leases (continued)

The following is a schedule by years of future minimum rental commitments for operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of September 30, 2023:

	<b>Operating Leases</b>
2024	\$ 5,555
2025	4,256
2026	7,404
2027	7,053
2028	7,154
Thereafter	34,554
Total lease payments	65,976
Less: Imputed interest	(12,649)
Present value of lease liability	<u>\$ 53,327</u>

During the prior year, FHI 360 executed a lease termination agreement for its leased properties in Washington, D.C., resulting in the lease end date changing from 2029 to 2023. The termination incurred an associated \$25.9 million termination fee and \$1.0 million in broker fees during the year ended September 30, 2022. FHI 360 did not incur any termination fees during the year ended September 30, 2023.

#### 4. 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 \$35.0 million, upon which it could draw, if needed.

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### **4. Liquidity and Availability of Resources (continued)**

At September 30, 2023, FHI 360 has \$242.5 million of unrestricted financial assets available to meet cash needs for general expenditures and supporting services within one year of the September 30 consolidated statement of financial position date, composed of \$151.8 million of cash, cash equivalents, and investments, and \$90.7 million accounts receivable.

# Family Health International

## Notes to Consolidated Financial Statements (continued)

### 4. Liquidity and Availability of Resources (continued)

Below is the consolidating statement of financial position as of September 30, 2023 (In Thousands):

	FHI 360	FHI Solutions	FHI Partners	FHI Ventures	FHI Clinical	FHI UK	Eliminations and Adjustments	Total 2023
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 43,542	\$ 7,429	\$ 34,395	\$ 10	\$ 3,854	\$ 182	\$ –	\$ 89,412
Accounts receivable	100,672	267	4,634	–	8,677	180	(23,768)	90,662
Short-term investments at fair value	73,974	1,165	–	–	–	–	–	75,139
Prepaid expenses and deposits	14,008	42	–	–	304	44	–	14,398
Total current assets	232,196	8,903	39,029	10	12,835	406	(23,768)	269,611
Long-term investments at fair value	9,122	–	–	–	–	–	–	9,122
Other assets	28,031	–	–	910	6,936	200	(28,101)	7,976
Property and equipment, net	10,050	–	–	–	46	18	–	10,114
Right-of-use leases, net	39,910	–	–	–	–	–	–	39,910
Total assets	\$ 319,309	\$ 8,903	\$ 39,029	\$ 920	\$ 19,817	\$ 624	\$ (51,869)	\$ 336,733
<b>Liabilities and net assets</b>								
Current liabilities:								
Accounts payable	\$ 15,260	\$ 663	\$ 2,258	\$ (18)	\$ 18,860	\$ 634	\$ (21,793)	\$ 15,864
Accrued expenses	38,787	140	563	3	1,288	3	(1,110)	39,674
Accrued salaries, payroll taxes, and fringe benefits	14,230	449	–	–	917	32	–	15,628
Accrued field office severance, leave, and retirement	18,461	768	–	–	1,257	–	–	20,486
Short-term liabilities on right-of-use leases	4,872	–	–	–	–	–	–	4,872
Deferred revenue	46,190	8,029	32,453	–	5,806	–	–	92,478
Current portion of note payable	–	–	–	–	7,500	–	–	7,500
Total current liabilities	137,800	10,049	35,274	(15)	35,628	669	(22,903)	196,502
Long-term liabilities on right-of-use leases	48,455	–	–	–	–	–	–	48,455
Other liabilities	3,939	182	860	19	3,882	6	(4,610)	4,278
Total liabilities	190,194	10,231	36,134	4	39,510	675	(27,513)	249,235
Net assets without donor restrictions	129,115	(1,328)	2,895	916	(19,693)	(51)	(24,356)	87,498
Total liabilities and net assets	\$ 319,309	\$ 8,903	\$ 39,029	\$ 920	\$ 19,817	\$ 624	\$ (51,869)	\$ 336,733

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 4. Liquidity and Availability of Resources (continued)

Below is the consolidating statement of activities and changes in net assets for the year ended September 30, 2023 (In Thousands):

	FHI 360	FHI Solutions	FHI Partners	FHI Ventures	FHI Clinical	FHI UK	Eliminations and Adjustments	Total 2023
Revenue:								
Contributions	\$ 736,081	\$ 15,985	\$ 21,062	\$ –	\$ –	\$ 24	\$ 280	\$ 773,432
Exchange revenue	81,779	1,263	5,676	–	31,751	1,650	(33,014)	89,105
Other income	3,661	317	1,053	6	81	1	–	5,119
Total revenue	<u>821,521</u>	<u>17,565</u>	<u>27,791</u>	<u>6</u>	<u>31,832</u>	<u>1,675</u>	<u>(32,734)</u>	<u>867,656</u>
Expenses:								
Program services	669,540	15,142	19,313	–	22,913	1,650	(21,155)	707,403
Supporting activities	149,212	3,269	4,448	29	18,860	1,204	(11,579)	165,443
Total expenses	<u>818,752</u>	<u>18,411</u>	<u>23,761</u>	<u>29</u>	<u>41,773</u>	<u>2,854</u>	<u>(32,734)</u>	<u>872,846</u>
Change in net assets	2,769	(846)	4,030	(23)	(9,941)	(1,179)	–	(5,190)
Net assets without donor restrictions at beginning of year	126,345	(481)	(1,134)	935	(7,416)	528	(26,089)	92,688
Net assets without donor restrictions at end of year	<u>\$ 129,114</u>	<u>\$ (1,327)</u>	<u>\$ 2,896</u>	<u>\$ 912</u>	<u>\$ (17,357)</u>	<u>\$ (651)</u>	<u>\$ (26,089)</u>	<u>\$ 87,498</u>

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 5. Accounts Receivable

Accounts receivable included the following:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
	<i>(In Thousands)</i>	
Accounts receivable (billed and unbilled)	\$ 80,594	\$ 103,838
Accounts receivable related party <i>(Note 11)</i>	1,201	230
Subcontractor advances	8,894	9,288
Travel advances	639	440
Other receivables	795	1,203
Allowance for doubtful accounts	(1,461)	(896)
Total receivables	\$ 90,662	\$ 114,103

#### 6. Investments

The following is a summary of the fair value measurements of FHI 360's investments within the fair value hierarchy. Investment income is included in other income on the statement of activities.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>(In Thousands)</i>			
<b>September 30, 2023</b>				
Cash, bank deposit program, and money-market funds	\$ 71,015	\$ –	\$ –	\$ 71,015
Fixed income securities:				
Corporate bonds	–	8,452	–	8,452
Treasury bonds	4,434	–	–	4,434
Equities – EFT	360	–	–	360
Total investments	\$ 75,809	\$ 8,452	\$ –	\$ 84,261



## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 6. Investments (continued)

	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
<b>September 30, 2022</b>				
Cash, bank deposit program, and money-market funds	\$ 52,365	\$ –	\$ –	\$ 52,365
Fixed income securities:				
Corporate bonds	–	7,908	–	7,908
Treasury bonds	4,471	–	–	4,471
Equities – EFT	301	–	–	301
Total investments	\$ 57,137	\$ 7,908	\$ –	\$ 65,045

#### 7. Property and Equipment, Net

Property and equipment, net include the following:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
	<i>(In Thousands)</i>	
Leasehold improvements	\$ 9,312	\$ 19,002
Equipment, software, furniture, and vehicles	13,051	13,317
Fine arts inventory	272	662
Accumulated depreciation/amortization	(12,521)	(24,446)
Total property and equipment, net	\$ 10,114	\$ 8,535

#### 8. Short-Term Financing

FHI 360 has a working capital line of credit (LOC) agreement with a bank in the amount of \$35.0 million. The LOC is available until September 30, 2024. There was a draw on the line of credit for \$7.5 million by FHI Clinical LLC as of September 30, 2023, and there was a draw on the line of credit for \$5.8 million by FHI 360 and \$6.5 million by FHI Clinical LLC as of September 30, 2022.

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### 9. 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 \$17.7 million and \$15.8 million for the years ended September 30, 2023 and 2022, 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:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
	<i>(In Thousands)</i>	
Field severance	\$ 12,800	\$ 11,789
Field leave	4,366	4,295
Field retirement	2,274	2,273
Taxes withheld	1,046	853
Total	<u>\$ 20,486</u>	<u>\$ 19,210</u>

#### 10. Direct Cost Sharing – U.S. Government Funded Agreements

FHI 360 has 30 various awards with remaining cost-sharing requirements as of September 30, 2023. 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.

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### **10. Direct Cost Sharing – U.S. Government Funded Agreements (continued)**

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 USG. FHI 360 continually monitors awards with cost-sharing requirements to ensure compliance.

FHI 360 had total remaining cost share requirements of \$15.8 million and \$25.0 million at September 30, 2023 and 2022, respectively.

#### **11. 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 \$5.2 million and \$7.0 million in 2023 and 2022, respectively. At September 30, 2023 and 2022, \$1.4 million and \$0.3 million, respectively, were outstanding within the related party accounts receivable balance.

#### **12. Contingencies**

The ultimate determination of amounts received under contracts with governmental agencies is generally based upon allowable costs reported to and audited by the USG. 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.

## Family Health International

### Notes to Consolidated Financial Statements (continued)

#### **13. Subsequent Events**

Subsequent events have been evaluated for disclosure through June 24, 2024, the date FHI 360's consolidated financial statements as of and for the years ended September 30, 2023 and 2022 were available to be issued. On October 1, 2023, wholly owned subsidiaries, FHI Solutions LLC and FHI Partners LLC, were integrated into the FHI 360 parent organization. The FHI Solutions LLC integration will make FHI 360 more effective in addressing nutrition related crises within the FHI 360 Nutrition department. The FHI Partners LLC integration will make it easier and more efficient for FHI 360 to partner with foundations and corporations. The entities were consolidated within FHI 360's consolidated financial statements and there will be no impact to the presented consolidated statement of financial position, consolidated statement of activities and changes in net assets, consolidated statement of cash flows, nor the consolidated statement of functional expenses. There are no additional events that have occurred such that adjustments to the amounts presented or disclosed in the notes of the consolidated financial statements are warranted.

## **EY | Building a better working world**

**EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.**

**Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.**

**Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.**

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. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2024 Ernst & Young LLP.  
All Rights Reserved.

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