

CONSOLIDATED FINANCIAL STATEMENTS

Family Health International
Years Ended September 30, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP



Family Health International
Consolidated Financial Statements
Years Ended September 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 27, 2021

Family Health International

Consolidated Statements of Financial Position (In Thousands)

	September 30	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 65,011	\$ 63,232
Restricted cash	20,435	21,116
Accounts receivable	93,816	108,094
Short-term investments at fair value	57,751	41,857
Prepaid expenses and deposits	9,146	8,683
Total current assets	246,159	242,982
Other assets	4,023	3,694
Property and equipment, net	10,535	12,096
Total assets	\$ 260,717	\$ 258,772
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 15,289	\$ 13,629
Accrued expenses	29,767	33,044
Accrued salaries, payroll taxes, and fringe benefits	22,648	17,127
Accrued field office severance, leave, and retirement	16,685	19,605
Deferred revenue	74,186	72,027
Line of credit	1,500	—
Total current liabilities	160,075	155,432
Other liabilities	9,290	8,413
Total liabilities	169,365	163,845
Net assets:		
Net assets without donor restrictions	91,352	94,927
Total net assets	91,352	94,927
Total liabilities and net assets	\$ 260,717	\$ 258,772

See accompanying notes.

Family Health International

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

	Year Ended September 30	
	2020	2019
Revenue:		
Operating revenues	\$ 577,784	\$ 628,023
Income from services	99,150	140,321
Donations	10,432	16,597
Other income	3,107	5,309
Total revenue	690,473	790,250
Expenses:		
Program services	564,335	655,381
Supporting activities	129,713	131,195
Total expenses	694,048	786,576
Change in net assets	(3,575)	3,674
Net assets without donor restrictions:		
Beginning of year	94,927	91,253
End of year	\$ 91,352	\$ 94,927

See accompanying notes.

Family Health International

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended September 30	
	2020	2019
Operating activities		
Change in net assets	\$ (3,575)	\$ 3,674
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,377	1,505
Gain or loss on disposal of fixed assets	325	123
Changes in operating assets and liabilities:		
Accounts receivable	14,278	4,602
Prepaid expenses and deposits	(463)	(1,075)
Other assets	(311)	2,928
Accounts payable	1,660	(1,732)
Accrued expenses and other liabilities	994	(8,098)
Deferred revenue	2,159	(1,201)
Deferred rent	(811)	(472)
Net cash provided by operating activities	15,633	254
Investing activities		
Purchase of investments	(15,894)	(27,109)
Purchase of equipment	(141)	(417)
Net cash used in investing activities	(16,035)	(27,526)
Financing activities		
Funds drawn on line of credit	1,500	–
Net cash provided by financing activities	1,500	–
Net change in cash, cash equivalents, and restricted cash	1,098	(27,272)
Cash, cash equivalents, and restricted cash, beginning of year	84,348	111,620
Cash, cash equivalents, and restricted cash, end of year	\$ 85,446	\$ 84,348
Cash and cash equivalents, end of year	\$ 65,011	\$ 63,232
Restricted cash, end of year	20,435	21,116
Cash, cash equivalents, and restricted cash, end of year	\$ 85,446	\$ 84,348

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

Consolidated Statements of Functional Expenses (In Thousands)

Year Ended September 30, 2019

	Program Services	Supporting Activities	Total
Personnel expenses	\$ 102,978	\$ 75,579	\$ 178,557
Subcontracts and grants	301,668	–	301,668
Field office salaries and fringe benefits	95,662	4,103	99,765
Consultants and professional fees	25,726	10,123	35,849
Depreciation	–	1,505	1,505
Employee relocation and training	947	160	1,107
Employment advertising	152	61	213
Equipment < \$5K	2,261	243	2,504
Equipment > \$5K	4,442	–	4,442
Equipment maintenance and repairs	3,563	2,219	5,782
Equipment rental	1,789	21	1,810
Freight and postage	975	86	1,061
Insurance	760	773	1,533
Meetings	15,617	701	16,318
Membership dues	28	410	438
Occupancy	12,004	17,170	29,174
Office expenses	3,584	898	4,482
Other expenses	5,805	444	6,249
Other pass-through expenses	9,016	–	9,016
Participant expenses	28,300	–	28,300
Pharmaceuticals	1,234	–	1,234
Printing	2,062	147	2,209
Subscriptions and publications	1,279	1,852	3,131
Supplies	7,276	517	7,793
Travel expenses	27,214	4,120	31,334
Total functional expenses	654,342	121,132	775,474
Nonallocable charges	1,039	10,063	11,102
Total expenses	\$ 655,381	\$ 131,195	\$ 786,576

See accompanying notes.

Family Health International

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

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 subsidiary 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 subsidiary 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 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 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. COVID-19

Since late January 2020, the number of novel coronavirus (COVID-19) cases and countries affected grew rapidly, with a global pandemic declared in March 2020. In many of the countries FHI 360 operates, businesses ceased or limited operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, border closures, quarantines, social distancing, and closures of nonessential services triggered significant disruptions. FHI 360 took measures to prevent, mitigate, and contain the effects of COVID-19 through the implementation of safety, health, and educational measures for employees, communities and beneficiaries. In response to COVID-19, FHI 360 took immediate action to ensure financial stability, including the implementation of cost containment measures to reduce unrestricted operating expenses and increased monitoring of contributions to identify changes in donor behavior. FHI 360 managed existing resources to limit the impact of COVID-19 and did not utilize government or third-party relief.

3. 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.

Family Health International

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

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, 2020 and 2019, held outside of the United States were approximately \$8.1 million and \$13.8 million, 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, 2020 and 2019, was \$20.4 million and \$21.1 million, respectively.

Short-Term Investments

Short-term investments held by third parties are recorded at their fair values and consist of money market funds, government agency obligations, and certificates of deposit as of September 30, 2020 and 2019. 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.

Family Health International

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

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, 2020 and 2019, FHI 360 received funds in excess of expenditures on certain grants and contracts, which resulted in deferred revenue.

Revenue Recognition

Contributions

FHI 360 receives funding under grants and agreements from the U.S. Government and other institutional donors considered contributions. Effective October 1, 2019, FHI 360 adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and evaluated awards and amendments ongoing or executed after this date. No changes were made to agreements ended on or before September 30, 2019. The standard was adopted on a modified retrospective basis, and there was no change to the opening balance of net assets.

Under ASU 2018-08, 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

Family Health International

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

activity, matching or cost-sharing requirements. Contribution revenue with cost-sharing and/or match requirements are deferred until the provisions are met. Funds received in advance of satisfying the donor-imposed conditions are reported as deferred revenue in the consolidated statement of financial position. Audits and reviews could result in the disallowance of expenditures under the terms of the 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 revenue not yet recognized is composed of \$720.5 million from the United States Government (USG) and \$233.4 million from non-USG funders as of September 30, 2020. The amounts are based on total obligated amount less revenue activity 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. No prior revenue events were reversed, and any amounts awarded but not recognized in prior years now considered unconditional contributions were immediately recognized as income in the appropriate net asset category. The adoption of ASU 2018-08 resulted in the recognition of \$2.8 million in revenue that would have previously been deferred. FHI 360 adopted 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 partners and sub-grantees in connection with program implementation. FHI 360 will adopt provisions associated with contributions made as a resource provider in fiscal 2021 and is evaluating the impact of these provisions.

Exchange Revenue

Effective October 1, 2019, FHI 360 adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires entities to evaluate the accounting for transactions in which both parties directly receive commensurate value. Under the standard, revenue is recognized under the give-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 \$38.9 million.

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Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies (continued)

For statement of activity presentation purposes, operating revenues presents noncompetitive revenue earned while income from services presents competitive revenue earned in a commercial capacity. Donations represents unconditional contributions as defined above and other income is income earned from miscellaneous sources unrelated to our core business operations, for example, sublease income.

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, 2020 and 2019, 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 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.

Family Health International

Notes to Consolidated Financial Statements (continued)

3. 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 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)

3. Significant Accounting Policies (continued)

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

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

Recently Issued Accounting Pronouncements

In 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 for operating leases as 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.

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 short-term investments, including government money market funds, and has a committed line of credit of \$25.0 million, which it could draw, if needed.

At September 30, 2020, FHI 360 has \$216.6 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 \$122.8 million cash and cash equivalents and \$93.8 million accounts receivable.

Family Health International

Notes to Consolidated Financial Statements (continued)

4. Liquidity and Availability of Resources (continued)

Consolidating Statement of Financial Position
(In Thousands)

September 30, 2020

	FHI 360	Solutions	Partners	Ventures	Clinical	Konung	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 33,467	\$ 17,333	\$ 13,065	\$ 92	\$ 899	\$ 154	\$ 1	\$ 65,011
Restricted cash	20,435	–	–	–	–	–	–	20,435
Accounts receivable	96,734	1,567	4,907	11	7,037	122	(16,562)	93,816
Short-term investments at fair value	56,613	1,138	–	–	–	–	–	57,751
Prepaid expenses and deposits	8,671	18	5	–	451	1	–	9,146
Total current assets	215,920	20,056	17,977	103	8,387	277	(16,561)	246,159
Other assets	14,898	–	–	941	80	298	(12,194)	4,023
Property and equipment, net	10,505	2	–	–	27	–	1	10,535
Total assets	\$ 241,323	\$ 20,058	\$ 17,977	\$ 1,044	\$ 8,494	\$ 575	\$ (28,754)	\$ 260,717
Liabilities and net assets								
Current liabilities:								
Accounts payable	\$ 17,398	\$ 1,640	\$ 5,610	\$ 510	\$ 4,919	\$ 75	\$ (14,863)	\$ 15,289
Accrued expenses	29,552	383	95	2	308	2	(575)	29,767
Accrued salaries, payroll taxes, and fringe benefits	19,275	1,454	–	–	1,920	(1)	–	22,648
Accrued field office severance, leave, and retirement	16,686	–	–	–	162	–	(163)	16,685
Deferred revenue	46,248	16,546	11,392	–	–	–	–	74,186
Line of credit	–	–	–	–	1,500	–	–	1,500
Total current liabilities	129,159	20,023	17,097	512	8,809	76	(15,601)	160,075
Other liabilities	9,311	25	848	52	–	26	(972)	9,290
Total liabilities	138,470	20,048	17,945	564	8,809	102	(16,573)	169,365
Net assets:								
Net assets without donor restrictions	102,853	10	32	480	(315)	473	(12,181)	91,352
Total liabilities and net assets	\$ 241,323	\$ 20,058	\$ 17,977	\$ 1,044	\$ 8,494	\$ 575	\$ (28,754)	\$ 260,717

Family Health International

Notes to Consolidated Financial Statements (continued)

4. Liquidity and Availability of Resources (continued)

Consolidating Statement of Activities and Changes in Net Assets
(In Thousands)

Year Ended September 30, 2020

	FHI 360	Solutions	Partners	Ventures	Clinical	Konung	Eliminations	Consolidated
Revenue:								
Operating revenues	\$ 567,984	\$ 1,048	\$ 8,752	\$ –	\$ –	\$ –	\$ –	\$ 577,784
Income from services	60,444	25,106	528	25	12,923	383	(259)	99,150
Donations	10,437	560	1,120	–	–	–	(1,685)	10,432
Other income	19,806	52	801	83	161	–	(17,796)	3,107
Total revenue	658,671	26,766	11,201	108	13,084	383	(19,740)	690,473
Expenses:								
Program services	539,063	22,901	8,774	8	8,497	290	(15,198)	564,335
Supporting activities	117,123	3,636	1,992	308	11,199	17	(4,562)	129,713
Total expenses	656,186	26,537	10,766	316	19,696	307	(19,760)	694,048
Change in net assets, before eliminations	2,485	229	435	(208)	(6,612)	76	20	(3,575)
Net assets without donor restrictions:								
Beginning of year	100,368	(219)	(403)	688	6,297	397	(12,201)	94,927
End of year	\$ 102,853	\$ 10	\$ 32	\$ 480	\$ (315)	\$ 473	\$ (12,181)	\$ 91,352

Family Health International

Notes to Consolidated Financial Statements (continued)

5. Accounts Receivable

Accounts receivable included the following:

	September 30	
	2020	2019
	<i>(In Thousands)</i>	
Accounts receivable (billed and unbilled)	\$ 78,550	\$ 88,116
Accounts receivable related party <i>(Note 11)</i>	5,809	10,750
Subcontractor advances	10,147	9,635
Other receivables	964	1,093
Allowance for doubtful accounts	(1,654)	(1,500)
	\$ 93,816	\$ 108,094

6. 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:

	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
September 30, 2020				
Cash, bank deposit program, and money-market funds	\$ 57,751	\$ –	\$ –	\$ 57,751
Total short-term investments	\$ 57,751	\$ –	\$ –	\$ 57,751
September 30, 2019				
Cash, bank deposit program, and money-market funds	\$ 41,490	\$ –	\$ –	\$ 41,490
Corporate fixed income	–	367	–	367
Total short-term investments	\$ 41,490	\$ 367	\$ –	\$ 41,857

Family Health International

Notes to Consolidated Financial Statements (continued)

6. Short-Term Investments (continued)

Investments held by FHI 360 consisted of the following:

	September 30, 2020		September 30, 2019	
	Cost	Fair Value	Cost	Fair Value
	<i>(In Thousands)</i>			
Cash, bank deposit program, and money-market funds	\$ 57,751	\$ 57,751	\$ 41,490	\$ 41,490
Corporate fixed income	–	–	367	367
Total short-term investments	\$ 57,751	\$ 57,751	\$ 41,857	\$ 41,857

7. Property and Equipment, Net

Property and equipment, net include the following:

	September 30	
	2020	2019
	<i>(In Thousands)</i>	
Leasehold improvements	\$ 16,381	\$ 16,340
Equipment, software, furniture, and vehicles	13,249	13,376
Fine arts inventory	663	663
Accumulated depreciation/amortization	(19,758)	(18,283)
Total property and equipment, net	\$ 10,535	\$ 12,096

Family Health International

Notes to Consolidated Financial Statements (continued)

8. Short-Term Financing and Leases

FHI 360 rents its facilities, computers, and various equipment under rental agreements. Some leases contain escalation clauses. At September 30, 2020, future minimum lease expenses under these noncancelable operating leases are as follows (in thousands):

2021	\$	15,999
2022		15,397
2023		15,260
2024		15,016
2025		14,883
Thereafter		49,182
Total	\$	<u>125,737</u>

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

2021	\$	763
2022		675
2023		541
2024		121
2025		60
Thereafter		—
Total	\$	<u>2,160</u>

Total occupancy expense for the years ended September 30, 2020 and 2019, was \$27.7 million and \$29.2 million, respectively, which includes total rental and equipment lease expense (excluding sublease rental income) of \$17.3 million and \$17.3 million, respectively.

On September 18, 2020, FHI 360 entered into 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, 2021. There was a draw on the line of credit for \$1.5 million by FHI Clinical as of September 30, 2020, and there were no draws on the line of credit at September 30, 2019.

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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 \$12.4 million and \$13.8 million for the years ended September 30, 2020 and 2019, 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	
	2020	2019
	<i>(In Thousands)</i>	
Field severance	\$ 9,821	\$ 12,012
Field leave	3,854	4,189
Field retirement	2,192	2,433
Taxes withheld	818	971
Total	<u>\$ 16,685</u>	<u>\$ 19,605</u>

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

FHI 360 has 44 various awards with remaining cost-sharing requirements as of September 30, 2020. 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

Family Health International

Notes to Consolidated Financial Statements (continued)

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

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 \$34.3 million and \$27.8 million, at September 30, 2020 and 2019, 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 \$6.0 million and \$14.8 million in 2020 and 2019, respectively. FHI 360 expects to receive the funds during FY21. At September 30, 2020 and 2019, \$5.0 million and \$10.8 million, respectively, were outstanding.

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 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.

13. Subsequent Events

Subsequent events have been evaluated for disclosure through May 27, 2021, the date FHI 360's financial statements as of and for the years ended September 30, 2020 and 2019, 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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