Foundation for Food and Agriculture Research

Financial Report
December 31, 2020

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Foundation for Food and Agriculture Research

Report on the Financial Statements
We have audited the accompanying financial statements of Foundation for Food and Agriculture Research (the Foundation), which comprise the balance sheet as of December 31, 2020, the related statements of activities, functional expense, cash flows for the year then ended, and the related notes to financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Food and Agriculture Research as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
July 22, 2021

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Foundation for Food and Agriculture Research

Balance Sheet
December 31, 2020

Assets	
Cash and cash equivalents	$ 9,704,065
Certificate of deposit	200,248
Contributions receivable	267,236
Award match receivable, net of discount	118,020,690
Investments	318,678,897
Security deposits	141,587
Total assets	$ 447,012,723
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 100,101
Grants payable, net of discount	189,580,241
Accrued expenses	504,683
Conditional grant	176,083,551
Deferred rent	655,443
Total liabilities	366,924,019
Commitments and contingencies (Note 4)	
Net assets:	
Without donor restrictions:	
Undesignated	-
Board designated	80,088,704
Total net assets	80,088,704
Total liabilities and net assets	$ 447,012,723

See notes to financial statements.

Foundation for Food and Agriculture Research

Statement of Activities
Year Ended December 31, 2020

Revenue and support:	
Recognition of deferred appropriation	$ 84,328,897
Matching award revenue, net	85,447,969
Investment income, net of fees	20,553,439
Consortia contributions	396,500
Contributions	27,915
Event revenues	140,523
Other revenue	53,423
Total revenue and support	190,948,666
Expenses:	
Program:	
Grants and awards program	129,317,958
Supporting services:	
General and administrative	2,599,310
Development	1,079,151
Total expenses	132,996,419
Change in net assets	57,952,247
Net assets:	
Beginning	22,136,457
Ending	$ 80,088,704

See notes to financial statements.

Foundation for Food and Agriculture Research

Statement of Functional Expense
Year Ended December 31, 2020

	Program Services	Supporting Services		
	Grant and Awards Program	General and Administrative	Development	Total
Award expense	$ 125,506,476	$ -	$ -	$ 125,506,476
Salaries and benefits	2,573,157	1,295,421	466,418	4,334,996
Travel, event and meeting expense	109,669	30,703	212,095	352,467
Professional fees	414,211	864,477	265,765	1,544,453
Occupancy	703,645	354,240	127,545	1,185,430
Other expense	10,800	54,469	7,328	72,597
	$ 129,317,958	$ 2,599,310	$ 1,079,151	$ 132,996,419

See notes to financial statements.

Foundation for Food and Agriculture Research

Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities:	
Change in net assets	$ 57,952,247
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Deferred rent	53,428
Realized and unrealized gain in investments	(13,510,545)
Increase on discount on award match receivables	930,999
Increase on discount on grant payables	(1,342,857)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Award match receivable, net of discount	(35,999,287)
Contributions receivable	1,217,368
Increase (decrease) in:	
Accounts payable	12,670
Grants payable, net of discount	42,640,491
Accrued expenses	160,797
Conditional grant	(84,329,089)
Net cash used in operating activities	(32,213,778)
Cash flows from investing activities:	
Sales of investments	216,717,574
Purchase of investments	(187,796,925)
Net cash provided by investing activities	28,920,649
Net decrease in cash and cash equivalents	(3,293,129)
Cash and cash equivalents:	
Beginning	12,997,194
Ending	$ 9,704,065

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Foundation for Food and Agriculture Research (the Foundation) is a nonprofit organization established to support innovative and actionable science addressing today's food and agricultural challenges. The Foundation was established by the Farm Bill passed in 2014 and a federal appropriation of $200 million and charged with complementing and furthering the important work of the U.S. Department of Agriculture. The Foundation will increase scientific and technological research, innovation and partnerships critical to enhancing sustainable production of nutritious food for a growing global population.

During the year ended December 31, 2018, the 2018 Farm Bill (the Bill) was passed, which provided the Foundation with a federal appropriation of approximately $185 million. The Foundation received the appropriation during the year ended December 31, 2019, upon successful submission of the Foundation's strategic plan as required by the Bill.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Not-for-Profit Entities topics of the Codification, Balance Sheet and Income Statement, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Undesignated net assets are available for the overall operations of the Foundation.

Net assets without donor restrictions – Board designated: Net assets that are not subject to donor-imposed stipulations. Net assets designated by the Board to be used for administering future awards.

Net assets with donor restrictions: Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at December 31, 2020.

Cash and cash equivalents: For purpose of the statement of cash flows, the Foundation considers all unrestricted highly-liquid investments, not part of the Foundation's brokerage accounts, purchased with an original maturity of 90 days or less to be cash equivalents.

Financial risk: The Foundation maintains funds in bank deposit accounts which, at times, may exceed federally-insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant financial risk on cash and cash equivalents.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Foundation invests in various types of securities which are exposed to various risks, such as market, interest rate and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and the amounts reported in the financial statements.

Investments: Investments in equity and debt securities are recorded at fair value. To adjust the carrying value of these investments, the change in fair value is included in investment income, net of fees on the statement of activities. The Foundation classifies cash in the investment portfolio as investments and is recorded at cost.

Award match receivable: The award matching receivable is comprised of unconditional non-federal match commitments (promises to give) to the Foundation. The receivables are satisfied through non-federal matching payments to the Foundation, parallel payments to the Foundation's grant awardee or unconditional contributions provided by the awardee on the Foundation's program. Awardees certify the commitment to meet the matching requirements when the grant is awarded. The matching award revenue is recognized when received and when the award is made, which occurs simultaneously. The related award match receivable is relieved in accordance with the award terms. Receivables that will be satisfied in more than one year are discounted to their net present value using a rate commensurate with the risks involved.

Property and equipment: Property and equipment, if any, are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the depreciable assets. The Foundation capitalizes all property and equipment purchased with a cost of $5,000 or more.

Deferred rent: The Foundation has a lease agreement for office space in Washington, D.C. In addition to annual escalating payments over the life of the lease, the agreement provided for four months of abated rent. The annual increases and abatement are being amortized on a straight-line basis over the life of the lease agreement.

Support and revenue: The federal appropriation is recognized to the extent that the Foundation secures at least an equal amount of non-federal matching funds, provided to the Foundation or directly to the awardee, or unconditional contributions provided by the awardee to match each expenditure. Under the 2018 Farm Bill, the Foundation is permitted to recognize revenue to the extent that non-federal matching funds have been secured on an organization-wide basis and not a per project basis. Revenue continues to be recognized to the extent that that the Foundation secures at least an equal amount of non-federal matching funds. The appropriation received in advance of achieving the criteria for revenue recognition is recorded as a conditional grant on the balance sheet. When restricted revenue is received and spent in the same reporting period the Foundation recognizes the funds as unrestricted. Unconditional promises to give in the form of matching funds on Foundation established research projects are recognized as matching award revenue as the promises are received. The Foundation recognizes all donor restricted contributions in which in the restriction is met in the period received as net assets without donor restrictions. The Foundation does not have significant revenue from contracts with customers.

Grants payable: Unconditional grants are recorded as expenses in the period awarded and are comprised of amounts to be paid directly by the Foundation and amounts to be satisfied through non-federal matching payments. Payables that will be satisfied in more than one year are discounted to their net present value using a rate commensurate with the risks involved.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: The Foundation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Income that is not related to exempt purposes, less applicable deductions, is subject to income taxes. The Foundation had no significant net unrelated business income for the year ended December 31, 2020, and was determined to not be a private foundation.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no certain tax positions that require adjustment to the financial statements.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, costs have been charged to the program and supporting services benefited. The majority of expenses are directly identifiable. The Foundation allocates certain overhead expenses such as rent based on personnel time.

Use of estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimated.

Adopted accounting pronouncement: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in: (1) evaluating whether transactions should be accounting for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Where the Foundation is a resource provider, the ASU was adopted during the year ended December 31, 2020. The Foundation has adopted this amendment on a modified prospective basis with minimal effect on the financial statement.

Pending accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the Codification topic 840, Leases. Under ASU 2016-02, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021.

Subsequent events: The Foundation evaluated subsequent events through July 22, 2021, which is the date of the financial statements were available to be issued.

Note 2. Liquidity and Financial Availability

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Management expects to utilize a significant portion of the conditional grant liability during the year ending December 31, 2021 as grants and awards are issued and the match requirement is satisfied. As of December 31, 2020, the following financial assets are available to meet annual operating needs for the upcoming fiscal year:

Cash and cash equivalents	$ 9,704,065
Certificate of deposit	200,248
Contributions receivable	267,236
Award match receivable, net of discount	118,020,690
Investments	318,678,897
Total financial assets available	446,871,136
Exclude conditional grant liability	(176,083,551)
Exclude invested funds subject to Board approval	(80,088,704)
Financial assets available to meet operating needs within one year	$ 190,698,881

Note 3. Fair Value Measurements and Investments

The Foundation follows the Codification topic, Fair Value Measurement. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure about fair value measurements. The topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Note 3. Fair Value Measurements and Investments (Continued)

The following table summarizes the Foundation's assets, which are measured at fair value on a recurring basis as of December 31, 2020:

	Total	Level 1	Level 2	Level 3
Investments:				
Equity mutual funds:				
Real estate	$ 5,165,734	$ 5,165,734	$ -	$ -
Small blend	6,887,818	6,887,818	-	-
Large blend	34,234,828	34,234,828	-	-
Foreign large blend	19,229,614	19,229,614	-	-
Emerging markets	1,984,181	1,984,181	-	-
Fixed income mutual funds	16,183,119	16,183,119	-	-
U.S. Government obligations:				
U.S. Treasury notes and government securities	92,788,968	-	92,788,968	-
Corporate securities	130,348,142	-	130,348,142	-
Total investments at fair value	306,822,404	$ 83,685,294	$ 223,137,110	$ -
Investments in cash held at cost	11,856,493			
	$ 318,678,897			

The Foundation's equity and fixed income mutual funds are publicly traded on active markets with identical assets and are considered Level 1. The Foundation's investments in U.S. Government obligations and corporate bonds are classified as Level 2 instruments as there are not quoted market prices in active markets for identical assets. Their value is determined using models and other valuation methodologies, which are corroborated by market data.

The following schedule summarizes investment income, net of fees for the year ended December 31, 2020:

Interest and dividends	$ 7,615,487
Net realized and unrealized gain	13,510,545
Investment fees	(572,593)
	$ 20,553,439

Note 4. Commitments and Contingencies

Leases: The Foundation has a lease agreement for office space that expires in 2026. Total rent expense was approximately $705,000 for the year ended December 31, 2020. Commitments related to the lease are as follows:

Years ending December 31:	
2021	$ 710,711
2022	697,353
2023	765,853
2024	795,132
2025	825,582
Thereafter	665,277
	$ 4,459,908

COVID-19 pandemic: The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including geographical areas in which the Foundation operates. While the Foundation has mitigated the financial impact to its business, it is unknown how long these conditions will last and what the complete financial effect will be to the Foundation. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Note 5. Grants Payable

The expected future payments on the awarded grants made by the Foundation and from non-federal entities who have provided the match at December 31, 2020, are as follows:

Years ending December 31:	
2021	$ 111,762,603
2022	36,773,400
2023	37,302,514
2024	6,613,920
	192,452,437
Less discount (2.26%)	(2,872,196)
	$ 189,580,241

Note 6. Award Match Receivable

The expected future receipts, parallel funding or payments by awardee to satisfy award matching receivables at December 31, 2020, are as follows:

Years ending December 31:	
2021	$ 69,617,388
2022	22,873,400
2023	23,202,514
2024	4,113,921
	119,807,223
Less discount (2.26%)	(1,786,533)
	$ 118,020,690

Note 7. Retirement Plan

The Foundation has a defined contribution 401(k) retirement plan covering all eligible employees who have completed one month of service. Under the plan, the Foundation matches 100% of the employees' contribution up to 6% of salary. The Foundation contributed approximately $503,000 during the year ended December 31, 2020.

Note 8. Conditional Grant

The Foundation has a conditional grant in the amount of $176,540,363 that will be recognized as revenue once criteria for recognition is substantially achieved. The grantor has appropriated the entire grant in advance and is reflected as a conditional grant liability on the accompanying balance sheet.