

# **Foundation for Food and Agriculture Research**

Financial Report  
December 31, 2021

## Contents

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Independent auditor's report	1-2
<hr/>	
Financial statements	
Balance sheet	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-12

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## Independent Auditor's Report

Board of Directors  
Foundation for Food and Agriculture Research

### Opinion

We have audited the financial statements of Foundation for Food and Agriculture Research (the Foundation), which comprise the balance sheet as of December 31, 2021, the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 from 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be 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 from 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 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, 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 the Foundation'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 the Foundation'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.

*RSM US LLP*

Washington, D.C.  
October 28, 2022

## Foundation for Food and Agriculture Research

### Balance Sheet December 31, 2021

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#### Assets

Cash and cash equivalents	\$ 14,181,516
Certificate of deposit	200,248
Contributions receivable	12,413,865
Award match receivable, net of discount	119,086,661
Investments	286,842,885
Security deposits	141,587

**Total assets** \$ 432,866,762

#### Liabilities and Net Assets

##### Liabilities:

Accounts payable	\$ 241,778
Grants payable, net of discount	190,079,183
Accrued expenses	600,993
Conditional grant advances	100,930,142
Deferred rent	602,878

**Total liabilities** 292,454,974

Commitments and contingencies (Note 4)

##### Net assets:

###### Without donor restrictions:

Undesignated	-
Board-designated	140,411,788

**Total net assets** 140,411,788

**Total liabilities and net assets** \$ 432,866,762

See notes to financial statements.

**Foundation for Food and Agriculture Research**

**Statement of Activities  
Year Ended December 31, 2021**

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Revenue and support:	
Recognition of deferred appropriation	\$ 75,332,739
Matching award revenue, net	72,473,082
Investment income, net of fees	18,163,988
Consortia contributions	575,858
Contributions	2,196,040
Other Revenue	278,392
<b>Total revenue and support</b>	<u>169,020,099</u>
Expenses:	
Program:	
Grants and awards program	105,069,092
Supporting services:	
General and administrative	2,070,527
Development	1,557,396
<b>Total expenses</b>	<u>108,697,015</u>
<b>Change in net assets</b>	60,323,084
Net assets:	
Beginning	<u>80,088,704</u>
Ending	<u>\$ 140,411,788</u>

See notes to financial statements.

**Foundation for Food and Agriculture Research**

**Statement of Functional Expenses  
Year Ended December 31, 2021**

	Program Services	Supporting Services		Total
	Grant and Awards Program	General and Administrative	Development	
Award expense	\$ 101,155,348	\$ -	\$ -	\$ 101,155,348
Salaries and benefits	2,675,291	1,125,841	1,008,763	4,809,895
Travel, event and meeting expense	27,628	13,958	20,206	61,792
Professional fees	647,954	684,563	313,185	1,645,702
Occupancy	531,233	223,559	200,310	955,102
Other expense	31,638	22,606	14,932	69,176
	<u>\$ 105,069,092</u>	<u>\$ 2,070,527</u>	<u>\$ 1,557,396</u>	<u>\$ 108,697,015</u>

See notes to financial statements.

## Foundation for Food and Agriculture Research

### Statement of Cash Flows Year Ended December 31, 2021

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Cash flows from operating activities:	
Change in net assets	\$ 60,323,084
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Deferred rent	(52,565)
Realized and unrealized gain in investments	(11,915,212)
Increase on discount on award match receivables	(777,579)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Award match receivable, net of discount	(288,392)
Contributions receivable	(12,146,629)
Increase (decrease) in:	
Accounts payable	141,677
Grants payable, net of discount	498,942
Accrued expenses	96,310
Conditional grant advances	(75,153,409)
<b>Net cash used in operating activities</b>	<u>(39,273,773)</u>
Cash flows from investing activities:	
Sales of investments	398,960,194
Purchase of investments	(355,208,970)
<b>Net cash provided by investing activities</b>	<u>43,751,224</u>
<b>Net increase in cash and cash equivalents</b>	4,477,451
Cash and cash equivalents:	
Beginning	<u>9,704,065</u>
Ending	<u>\$ 14,181,516</u>

See notes to financial statements.



## Foundation for Food and Agriculture Research

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** Foundation for Food and Agriculture Research (the Foundation) is a nonprofit foundation 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 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 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, 2021.

**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.

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.

## Foundation for Food and Agriculture Research

### Notes to Financial Statements

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

**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 nonfederal match commitments (promises to give) to the Foundation. The receivables are satisfied through nonfederal 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, is 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 nonfederal matching funds have been secured on a Foundation-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 nonfederal matching funds. The appropriation received in advance of achieving the criteria for revenue recognition is recorded as conditional grant advances 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 composed of amounts to be paid directly by the Foundation and amounts to be satisfied through nonfederal 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.

**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, 2021, and was determined to not be a private foundation.

## Foundation for Food and Agriculture Research

### Notes to Financial Statements

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

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 in the United States of America (U.S. GAAP) 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.

**Pending accounting pronouncement:** In February 2016, the FASB issued Accounting Standards Update (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 October 28, 2022, 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, 2022, as grants and awards are issued and the match requirement is satisfied. As of December 31, 2021, the following financial assets are available to meet annual operating needs for the upcoming fiscal year:

Cash and cash equivalents	\$ 14,181,516
Certificate of deposit	200,248
Contributions receivable	12,413,865
Award match receivable, net of discount	119,086,661
Investments	286,842,885
Total financial assets available	<u>432,725,175</u>
Exclude conditional grant advances	(100,930,142)
Exclude invested funds subject to Board approval	(140,411,788)
Financial assets available to meet operating needs within one year	<u>\$ 191,383,245</u>

## Foundation for Food and Agriculture Research

### Notes to Financial Statements

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#### 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.

The following table summarizes the Foundation's assets, which are measured at fair value on a recurring basis as of December 31, 2021:

	Total	Level 1	Level 2	Level 3
Investments:				
Equity mutual funds:				
Real estate	\$ 2,921,643	\$ 2,921,643	\$ -	\$ -
Small blend	14,031,879	14,031,879	-	-
Large blend	76,553,976	76,553,976	-	-
Large value	2,364,313	2,364,313	-	-
Foreign large blend	39,709,234	39,709,234	-	-
Emerging markets	6,811,179	6,811,179	-	-
Fixed-income mutual funds	13,779,920	13,779,920	-	-
U.S. Government obligations:				
U.S. Treasury notes and government securities	42,900,106	-	42,900,106	-
Corporate securities	86,474,040	-	86,474,040	-
Total investments at fair value	285,546,290	\$ 156,172,144	\$ 129,374,146	\$ -
Investments in cash held at cost	1,296,595			
	<u>\$ 286,842,885</u>			

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.

## Foundation for Food and Agriculture Research

### Notes to Financial Statements

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#### Note 3. Fair Value Measurements and Investments (Continued)

The following schedule summarizes investment income, net of fees for the year ended December 31, 2021:

Interest and dividends	\$ 6,729,806
Net realized and unrealized gain	11,915,212
Investment fees	<u>(481,030)</u>
	<u>\$ 18,163,988</u>

#### Note 4. Commitments and Contingencies

**Leases:** The Foundation has a lease agreement for office space that expires in 2026. Total rent expense was approximately \$600,000 for the year ended December 31, 2021. Commitments related to the lease are as follows:

Years ending December 31:	
2022	\$ 697,353
2023	765,853
2024	795,132
2025	825,582
2026	<u>665,277</u>
	<u>\$ 3,749,197</u>

#### 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, 2021, are as follows:

Years ending December 31:	
2022	\$ 121,585,539
2023	37,026,608
2024	24,825,316
2025	<u>9,137,765</u>
	192,575,228
Less discount (2.26%)	<u>(2,496,045)</u>
	<u>\$ 190,079,183</u>

## Foundation for Food and Agriculture Research

### Notes to Financial Statements

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#### Note 6. Award Match Receivable

The expected future receipts, parallel funding or payments by awardee to satisfy award matching receivables at December 31, 2021, are as follows:

Years ending December 31:

2022	\$ 77,976,367
2023	22,223,591
2024	14,900,303
2025	5,484,541
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	120,584,802
Less discount (2.26%)	(1,498,141)
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	<u>\$ 119,086,661</u>

#### 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 \$785,000 during the year ended December 31, 2021.

#### Note 8. Conditional Grant

The Foundation has a conditional grant in the amount of \$100,930,142 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 conditional grant advances on the accompanying balance sheet.