Foundation for Food and Agriculture Research

Financial Report
December 31, 2022

Contents

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, 2022, the related statements of activities, functional expenses 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, 2022, 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.
August 17, 2023

Foundation for Food and Agriculture Research

Balance Sheet
December 31, 2022

Assets	
Cash and cash equivalents	$ 14,049,482
Certificate of deposit	200,248
Contributions receivable	17,429,534
Award match receivable, net of discount	106,784,978
Investments	209,784,632
Security deposits	141,587
Right-of-use asset—operating, net	493,018
Total assets	$ 348,883,479
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 18,766
Grants payable, net of discount	183,203,797
Accrued expenses	668,657
Conditional grant advances	12,693,919
Lease liability, net	981,067
Total liabilities	197,566,206
Commitments and Contingencies (Note 8)	
Net assets:	
Without donor restrictions:	
Undesignated	-
Board-designated	151,317,273
Total net assets	151,317,273
Total liabilities and net assets	$ 348,883,479

See notes to financial statements.

Foundation for Food and Agriculture Research

Statement of Activities
Year Ended December 31, 2022

Revenue and support:	
Recognition of deferred appropriation	$ 88,325,887
Matching award revenue, net	86,409,219
Investment loss, net of fees	(28,058,254)
Contributions	2,453,737
Consortia contributions	538,193
Total revenue and support	149,668,782
Expenses:	
Program services:	
Grants and awards program	134,118,878
Supporting services:	
General and administrative	2,669,931
Development	1,974,488
Total expenses	138,763,297
Change in net assets	10,905,485
Net assets:	
Beginning	140,411,788
Ending	$ 151,317,273

See notes to financial statements.

Foundation for Food and Agriculture Research

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Supporting Services		
	Grant and Awards Program	General and Administrative	Development	Total
Award expense	$ 128,524,227	$ -	$ -	$ 128,524,227
Salaries and benefits	3,262,500	1,293,831	1,329,553	5,885,884
Travel, event and meeting expense	305,038	236,935	147,268	689,241
Professional fees	1,592,251	956,032	319,585	2,867,868
Occupancy	417,838	165,705	170,280	753,823
Other expense	17,024	17,428	7,802	42,254
	$ 134,118,878	$ 2,669,931	$ 1,974,488	$ 138,763,297

See notes to financial statements.

Foundation for Food and Agriculture Research

Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	$ 10,905,485
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized and unrealized loss in investments	33,107,071
Decrease on discount on award match receivables	10,902,856
Amortization of right-of-use asset—operating	123,179
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Award match receivable, net of discount	1,398,827
Contributions receivable	(5,015,669)
Increase (decrease) in:	
Accounts payable	(223,012)
Grants payable, net of discount	(6,875,386)
Accrued expenses	67,664
Conditional grant advances	(88,236,223)
Lease liability—operating	(238,009)
Net cash used in operating activities	(44,083,217)
Cash flows from investing activities:	
Proceeds from sales of investments	203,256,376
Purchase of investments	(159,305,193)
Net cash provided by investing activities	43,951,183
Net decrease in cash and cash equivalents	(132,034)
Cash and cash equivalents:	
Beginning	14,181,516
Ending	$ 14,049,482
Supplemental disclosures of cash flow information:	
Addition to right-of-use asset for operating lease as of January 1, 2022	$ 616,197
Addition to operating lease liability as of January 1, 2022	$ 1,219,075
Operating cash out flows – payments on operating lease	$ 602,878

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 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, 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, 2022.

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.

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.

Contributions receivable: Contributions receivable are carried at original invoice amounts, less an estimate made for double receivable based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At December 31, 2022 there was no allowance considered necessary.

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.

Right-of-use assets: Right-of-use (ROU) assets consist of the initial lease liability, any payments made to the lessor at or before the commencement date, minus any incentives received, and initial direct costs. ROU assets on operating type leases are amortized over the lease term in conjunction with the amortization of the lease liability in order to achieve a straight-line expense recognition.

Leases: On January 1, 2022, the Foundation adopted Accounting Standards Update (ASU) 2016-02 using the modified retrospective approach with cumulative effect of applying the standard being recognized at the date of initial adoption. The Foundation elected to apply the package of practical expedients related to the transition. These practical expedients allowed the Foundation to carry forward its historical assessments of whether any existing contracts are or contain leases, the lease classification for each lease existing at January 1, 2022, and whether any initial direct costs for such leases qualified for capitalization. There was no cumulative effect to net assets as of January 1, 2022, and the adoption of ASU 2016-02 did not impact the presentation of the Foundation's statements of activities or cash flows.

Lease liabilities: Long-term leases are recognized at the present value of all lease payments using a risk free rate comparable with that of the individual lease terms.

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

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, 2022, 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 employee cost.

Use of estimates: The preparation of financial statements in accordance with accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Subsequent events: The Foundation has evaluated subsequent events through August 17, 2023, the date on which 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, 2023, as grants and awards are issued and the match requirement is satisfied. As of December 31, 2022, the following financial assets are available to meet annual operating needs for the upcoming fiscal year:

Cash and cash equivalents	$ 14,049,482
Certificate of deposit	200,248
Contributions receivable	17,429,534
Award match receivable to be collected within one year, net of discount	36,442,821
Investments	209,784,632
Total financial assets available	277,906,717
Exclude conditional grant advances	(12,693,919)
Exclude invested funds subject to Board approval	(151,317,273)
Financial assets available to meet operating needs within one year	$ 113,895,525

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, 2022:

	Total	Level 1	Level 2	Level 3
Investments:				
Equity mutual funds:				
Real estate	$ 2,277,503	$ 2,277,503	$ -	$ -
Small blend	11,702,629	11,702,629	-	-
Large blend	69,852,136	69,852,136	-	-
Large value	1,945,856	1,945,856	-	-
Foreign large blend	24,184,911	24,184,911	-	-
Energy	3,858,166	3,858,166	-	-
Fixed-income mutual funds	10,367,846	10,367,846	-	-
U.S. Government obligations:				
U.S. Treasury notes and government securities	33,135,774	-	33,135,774	-
Corporate securities	51,324,414	-	51,324,414	-
Total investments at fair value	208,649,235	$ 124,189,047	$ 84,460,188	$ -
Investments in cash held at cost	1,135,397			
	$ 209,784,632			

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 loss, net of fees for the year ended December 31, 2022:

Interest and dividends	$ 5,398,637
Net realized and unrealized loss	(33,107,071)
Investment fees	(349,820)
	$ (28,058,254)

Note 4. Leases

The Foundation leases office space under an agreement that commenced in December 2017, and expires September 2026. During 2022, the Foundation adopted Topic 842, resulting in a right of use asset and lease liability recorded in the balance sheet at December 31, 2022. The Foundation determined the lease to be considered an operating lease under Topic 842. The Foundation calculated the present value of the lease over the term of the respective lease, using the risk-free rate of 1.39% as of January 1, 2022, the beginning of the lease term. The remaining lease term is 3.75 years. The lease agreement provides for annual increases in base rent of 2.5%.

Note 4. Leases (Continued)

Future minimum cash basis lease payments are as follows:

Years ending December 31:	
2023	$ 259,427
2024	265,913
2025	272,560
2026	208,661
Future minimum lease payments	1,006,561
Less imputed interest*	25,494
Discounted lease liability	$ 981,067

* Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

Lease expenses was $184,281 at December 31, 2022.

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, 2022, are as follows:

Years ending December 31:	
2023	$ 62,522,493
2024	57,165,479
2025	41,620,437
2026	19,837,197
2027	7,028,323
	188,173,929
Less discount (2.26%)	(4,970,132)
	$ 183,203,797

Note 6. Award Match Receivable

The expected future receipts, parallel funding or payments by awardee to satisfy award matching receivables at December 31, 2022, are as follows:

Years ending December 31:	
2023	$ 36,442,821
2024	33,320,349
2025	24,259,527
2026	11,562,613
2027	4,096,636
	109,681,946
Less discount (2.26%)	(2,896,968)
	$ 106,784,978

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 $248,957 during the year ended December 31, 2022.

Note 8. Commitments and Contingencies

The Foundation has an employment agreement with a key employee that calls for severance payments in the event that the employee is terminated without cause or the employee resigns with good reason.

Note 9. Conditional Grant

The Foundation has a conditional grant in the amount of $12,693,919 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.