

International Food Policy Research Institute

Financial Statements; Audit of Federal Awards
Performed in Accordance with Title 2 U.S. Code of
Federal Regulations Part 200, *Uniform Administrative
Requirements, Cost Principles, and Audit
Requirements for Federal Awards*; and Schedule of
Indirect Costs

December 31, 2021 and 2020
(With Independent Auditors' Report Thereon)

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Independent Auditor's Report

RSM US LLP

Audit & Risk Committee of the Board of Trustees
International Food Policy Research Institute

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of International Food Policy Research Institute (IFPRI), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, changes in net assets and cash flows for the years 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 IFPRI as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. 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 IFPRI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 IFPRI's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IFPRI'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 IFPRI'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022, on our consideration of IFPRI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IFPRI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IFPRI's internal control over financial reporting and compliance.

RSM VS LLP

Washington, D.C.
April 28, 2022

International Food Policy Research Institute
Statements of Financial Position
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents (Note 2(d))	\$ 24,962	\$ 28,852
Investments (Note 3)	87,805	86,708
Advances, prepaids and other assets, net (Note 4)	8,021	9,200
Accounts receivable, net (Note 4)	18,336	16,153
	<hr/>	<hr/>
Total current assets	139,124	140,913
Property and equipment, net (Note 5)	5,904	6,961
	<hr/>	<hr/>
Total assets	<u>\$ 145,028</u>	<u>\$ 147,874</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 11,956	\$ 5,272
Accrued vacation	4,061	3,941
Advance payment of CGIAR grant funds	2,299	11,061
Unexpended project funds	44,977	44,719
Amount held for HarvestPlus program (Note 2(h))	31,505	30,506
	<hr/>	<hr/>
Total current liabilities	94,798	95,499
Deferred rent	12,266	13,350
Accrued postretirement benefits (Note 8)	5,646	5,918
	<hr/>	<hr/>
Total liabilities	112,710	114,767
	<hr/>	<hr/>
Net assets without donor restrictions (Note 2(b))		
Board designated	422	449
Undesignated	24,095	25,563
Other net assets	7,801	7,095
	<hr/>	<hr/>
Total net assets without donor restrictions	32,318	33,107
	<hr/>	<hr/>
Commitments and contingencies (Notes 6 and 10)		
Total liabilities and net assets	<u>\$ 145,028</u>	<u>\$ 147,874</u>

The accompanying notes are an integral part of the financial statements.

International Food Policy Research Institute
Statements of Activities
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

	<u>2021</u>	<u>2020</u>
Support and revenue:		
Grants and contracts	\$ 115,939	\$ 113,358
Investment income, net	569	720
Total support and revenue	<u>116,508</u>	<u>114,078</u>
Expenses:		
Program expenses	103,684	100,975
Support and other expenses	14,319	15,148
Total expenses	<u>118,003</u>	<u>116,123</u>
Change in net assets without donor restrictions before other changes	<u>(1,495)</u>	<u>(2,045)</u>
Other changes:		
Unrealized gains on investments	444	2,251
Postretirement related changes	262	271
	<u>706</u>	<u>2,522</u>
Change in net assets	(789)	477
Net assets:		
Beginning	<u>33,107</u>	<u>32,630</u>
Ending	<u>\$ 32,318</u>	<u>\$ 33,107</u>

The accompanying notes are an integral part of the financial statements.

International Food Policy Research Institute
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

	2021				2020			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	28,979	5,222	175	34,376	29,856	5,039	180	35,075
Employee Benefits	14,438	2,917	101	17,456	14,986	2,839	105	17,930
Professional services	813	609	-	1,422	898	496	-	1,394
Accounting fees	20	299	-	319	51	216	-	267
Legal fees	4	179	-	183	30	147	-	177
Office expenses	305	9	-	314	129	8	-	137
Information technology	770	112	-	882	790	68	-	858
Occupancy	4,117	1,641	-	5,758	4,584	1,641	-	6,225
Travel	251	22	7	280	800	4	12	816
Conferences, conventions, meetings	321	67	-	388	415	108	-	523
Insurance	16	165	-	181	10	221	-	231
Training and development	28	10	-	38	30	35	-	65
Depreciation	985	357	-	1,342	1,042	376	-	1,418
Bad debt expense	-	7	-	7	-	980	-	980
CGIAR Pass-thru collaboration	16,060	-	-	16,060	11,767	-	-	11,767
Other collaborators & subcontractors	34,788	168	-	34,956	33,351	176	-	33,527
CSP	-	1,463	-	1,463	-	1,511	-	1,511
Printing & Publication	583	37	-	620	585	48	-	633
Equipment Rental & maintenance	622	227	-	849	783	308	-	1,091
All other expenses	584	525	-	1,109	868	630	-	1,498
Total	103,684	14,036	283	118,003	100,975	14,851	297	116,123

The accompanying notes are an integral part of the financial statements.

International Food Policy Research Institute
Statements of Changes in Net Assets
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

	2021			
	Board Designated	Undesignated	Other Net Assets	Total
Balance at December 31, 2020	\$ 449	\$ 25,563	\$ 7,095	\$ 33,107
Net change in investment in property and equipment (Note 5(a))	(1,057)	1,057	-	-
Amortization of landlord-financed property and equipment (Note 5(b))	1,030	(1,030)	-	-
Change in unrestricted net assets before other comprehensive income	-	(1,495)	-	(1,495)
Post-retirement related changes	-	-	262	262
Unrealized gain on investment	-	-	444	444
Balance at December 31, 2021	<u>\$ 422</u>	<u>\$ 24,095</u>	<u>\$ 7,801</u>	<u>\$ 32,318</u>
	2020			
	Board Designated	Undesignated	Other Net Assets	Total
Balance at December 31, 2019	\$ 545	\$ 27,512	\$ 4,573	\$ 32,630
Net change in investment in property and equipment (Note 5(a))	(1,129)	1,129	-	-
Amortization of landlord-financed property and equipment (Note 5(b))	1,033	(1,033)	-	-
Change in unrestricted net assets before other comprehensive income	-	(2,045)	-	(2,045)
Post-retirement related changes	-	-	271	271
Unrealized gain on investment	-	-	2,251	2,251
Balance at December 31, 2020	<u>\$ 449</u>	<u>\$ 25,563</u>	<u>\$ 7,095</u>	<u>\$ 33,107</u>

The accompanying notes are an integral part of the financial statements.

International Food Policy Research Institute
Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (789)	\$ 477
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(420)	(2,255)
Depreciation and amortization	1,342	1,418
Deferred rent	(1,084)	(797)
Provisions for uncollectible receivables	5	(360)
(Increase) decrease in assets:		
Accounts receivable	(2,188)	8,464
Advances, prepaids and other assets	1,179	(2,352)
Increase (decrease) in liabilities:		-
Accounts payable and accrued expenses	6,684	(3,670)
Accrued vacation	120	(177)
Advance payment of CGIAR grant funds	(8,762)	(6)
Unexpended project funds	258	(4,866)
Amount held for Harvest Plus Challenge Program	999	12,407
Accrued postretirement benefits	(272)	(48)
Net cash (used in) provided by operating activities	<u>(2,928)</u>	<u>8,235</u>
Cash flows from investing activities		
Acquisition of property and equipment	(285)	(289)
Purchases of investments	(16,470)	(25,726)
Proceeds from sales of investments	<u>15,793</u>	<u>33,979</u>
Net cash (used in) provided by investing activities	<u>(962)</u>	<u>7,964</u>
Net (decrease) increase in cash and cash equivalents	(3,890)	16,199
Cash and cash equivalents, beginning of year	<u>28,852</u>	<u>12,653</u>
Cash and cash equivalents, end of year	<u><u>\$ 24,962</u></u>	<u><u>\$ 28,852</u></u>

The accompanying notes are an integral part of the financial statements.

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

1. Nature of Activities

By Executive Order 12359, the International Food Policy Research Institute (IFPRI) is a public international organization entitled to certain privileges, exemptions and immunities conferred by the International Organizations Immunities Act, including exemption from federal income tax under Section 501(c)(3), except on unrelated business activities.

IFPRI was established to identify and analyze alternative national and international strategies and policies for meeting food needs in the world, with particular emphasis on low-income countries and on the poorer groups in those countries. While the research effort is geared to the precise objective of contributing to the reduction of hunger and malnutrition, the factors involved are many and wide-ranging, requiring analysis of underlying processes and extending beyond a narrowly defined food sector.

IFPRI's direct research program reflects worldwide interaction with policymakers, administrators and others concerned with increasing food production and with improving the equity of its distribution. Research results are published and distributed to officials and others concerned with national and international food and agricultural policy. As a constituent of the CGIAR, IFPRI receives the majority of its support for the integrated program of research from governments, international and regional organizations and foundations. As a constituent of CGIAR with international status, 50% of IFPRI's Trustees are appointed by CGIAR.

Created in 1971, CGIAR is an association of public and private members supporting a system of 15 research centers (Centers), including IFPRI, which work in more than 100 countries to utilize cutting-edge science to reduce hunger and poverty, improve human nutrition and health, and protect the environment.

In 2011, the CGIAR introduced a new programmatic based approach to doing business. The Donors to the CGIAR, represented by a new Fund Council, approved the creation of 15 CGIAR Research Programs (CRPs), each to be led by a designated Center. IFPRI was designated to lead two of these CRPs, with a commencement date of January 1, 2012. The CRPs led by IFPRI were the Policies, Institutions and Markets and the Agriculture for Nutrition and Health. The Lead Center is responsible, through a Program Implementation Agreement (PIA), for overseeing the implementation of the CRP by Program Participants and for all payments to and reporting from Program Participants. Program participants include other CGIAR supported Centers and Partners who are subcontracted by the Lead Center via Program Participant Agreement (PPA) or other suitable contracting arrangement. The Lead Center includes in its Statement of Activities expenses incurred by subcontracted Centers and the corresponding revenue.

During 2016, CGIAR transitioned to a new operating structure, which established the CGIAR System Organization, governed by a System Management Board. A System Council replaced the Fund Council.

A second phase of the transition to a new operating structure commenced on January 1, 2017, which resulted in the continuing operation of 11 CRPs and 3 Platforms. The CRP on Policies, Institutions, and Markets and on Agriculture for Nutrition and Health (A4NH) were among the CRPs approved for the second phase and will continue to be led by IFPRI.

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

Donors to the CGIAR may channel funds through a special CGIAR Fund and designate the funds to Funding “Windows”. Funds through Window 1 are allocated and disbursed by the Fund Council to CRPs. Funds through Window 2 are designated by the Donors to specific CRPs. Funds through Window 3 are allocated by Donors to specific CGIAR Centers to finance CRPs or other activities. Funds through Bilateral agreements are provided directly to specific CGIAR Centers from the Donor, rather than passing through a CGIAR Fund.

IFPRI presents revenue and expenses flowing through these “Windows” and “Bilateral” funding (i.e., CRP structure) as part of Grants and contracts in the accompanying statements of activities.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

b) Basis of Presentation

IFPRI prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)*. ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The ASU was adopted for the year ended December 31, 2021 using a retrospective basis. The adoption of this standard had no impact on the statements of financial position and the statements of activities and changes in net assets.

Net Assets

Net assets represent resources classified for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. A description of the two classes is as follows:

Net assets without donor restrictions: Net assets without donor restrictions represent funds that are available for the support of IFPRI’s operations. Net assets without donor restrictions are available for the overall operations of IFPRI and include both designated and undesignated net asset portions, as follows:

Board Designated:

Net Investment in Property and Equipment – A portion of net assets without donor restrictions has been designated by the Board to reflect net investment in property and equipment. See Note 5 for additional disclosure.

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

Undesignated:

IFPRI considers its undesignated net assets to be operating reserves. Under the guidelines of CGIAR, operating reserves should be equivalent to 75 to 90 days of operating expenses; however, IFPRI's Board encourages a minimum 90-day reserve. The operating reserves are composed of cash and cash equivalents and certain receivables, less certain liabilities, prepaid grant funds, and contract funds received in advance. These net assets represent approximately 93 and 98 days of total net assets expenses for 2021 and 2020, respectively. The balances of \$24,095 and \$25,563 are presented as undesignated net assets at December 31, 2021 and 2020, respectively.

Unrecognized Actuarial Gain:

IFPRI provides health care and life insurance benefits to certain retired employees and their dependents. This portion of unrestricted net assets represents the accumulated changes in net assets related to the postretirement benefit changes that have not yet been recognized in net periodic postretirement benefit cost. See Note 8 for additional disclosure.

Net assets with donor restrictions: Net assets 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. IFPRI did not have any net assets with donor restrictions at December 31, 2021 or 2020. Donor restricted contributions where the restrictions are met in the same year the contribution is received are classified as net assets without donor restrictions in the accompanying financial statements.

c) Revenue

IFPRI's revenue is primarily derived from cost-reimbursement-type grants and contracts, which are accounted for as are conditional contributions. Revenue is recognized when the barriers to recognition are met, generally over the grant period as related allowable expenses are incurred.

IFPRI's receivables represent amounts which have been earned, but for which funds have not yet been received. Unexpended project funds primarily represent amounts received by IFPRI and related to specific projects funded by donors, but for which the related costs have not yet been incurred. Advance payment of CGIAR's grant funds in the accompanying statements of financial position relates to amounts received by IFPRI prior to the research conducted on the respective grant and include disbursements from the CGIAR to CRPs via the Funding Windows referred to in Note 1.

Concentrations of credit risk with respect to accounts receivable are limited due to the majority of receivables being from CGIAR-member countries and international organizations. Management does not believe a significant risk exists in connection with IFPRI's concentrations of credit at December 31, 2021.

d) Cash and Cash Equivalents

Cash and cash equivalents are carried at cost, which approximates fair value and is comprised of interest-bearing deposits in money market accounts and commercial paper with original maturities of three months or less.

IFPRI maintains its cash equivalents at two financial institutions in the United States. The balances, at times, may exceed levels fully insured under federal law. At December 31, 2021 and 2020, IFPRI held \$23,712 and \$27,602, respectively in five accounts, in balances in excess of amounts covered by the Federal Deposit Insurance Company.

e) Investments

Investments consist of U.S. government and agency obligations, equity and fixed income mutual and exchange traded funds, and corporate obligations. Investments are recorded at fair value, which is based on quoted market prices or dealer quotes. Gains and losses arising from the sale, maturity or other disposition of investments are accounted for on a specific identification basis, calculated as of the trade date. Realized gains and losses are reported as financial income in the statements of activities. Unrealized gains and losses are reported as other changes in net assets on the statement of activities. Investment income is reported as net assets without donor restrictions revenue, unless stipulated for a specific purpose by a donor.

IFPRI's investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

f) Fair Value of Financial Statements

ASC 820, *Fair Value Measurements*, establishes among other things, a hierarchical disclosure framework, which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. The hierarchy gives highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3 measurements).

Under ASC 820, Financial instruments are 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, IFPRI performs a detailed analysis of the assets and liabilities that are measured at fair value, on a recurring basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs that are not corroborated are classified as Level 3. There were no Level 3 inputs for any assets held by IFPRI at December 31, 2021 and 2020.

g) Property and Equipment

Furnishings and equipment, software, computer equipment and vehicles owned by IFPRI are recorded at cost and depreciated over their estimated useful lives of three to six years using the straight-line method, with one-half year convention in the first year. Leasehold improvements are recorded at cost and are amortized over the term of the lease.

Expenditures for long lived-lived additions greater than \$1 are capitalized. Expenditures for less costly items and maintenance and repairs are charged to operations as incurred.

Valuation of Long Lived Assets:

IFPRI accounts for the subsequent measurement of certain long-lived assets in accordance with subsection of the FASB ASC Topic *Property, Plant, and Equipment* that addresses impairment or disposal of long-lived assets. The accounting standard requires that property, plant and equipment be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There was no impairment of long lived assets as of December 31, 2021 or 2020.

h) Amount held for HarvestPlus Program

Amount held for HarvestPlus Program relates to funds received for the benefit of participating organizations in the HarvestPlus Program. In January 2012, the HarvestPlus Program activities became a component of the IFPRI led CRP “Agriculture for Nutrition and Health (A4NH)”. Prior to January 2013, the net balance of funds received and disbursed for the benefit of participating organizations in the HarvestPlus Program were captured under the Amount held for HarvestPlus Program in the statements of financial position.

During 2012, IFPRI continued to disburse funds received for HarvestPlus under the prior funding mechanism and only reflected revenues and expenses for HarvestPlus Program activities undertaken directly by IFPRI in the statement of activities. Starting January 2013, IFPRI determined that all amounts held for the HarvestPlus Program were received under the A4NH CRP and, therefore, were under the control of IFPRI. Revenues are recognized by IFPRI for all expenditures by IFPRI and the participating organizations to the extent expenses have been incurred. All amounts received from funding agencies but not yet expended by IFPRI or other participating organizations are reported as Amount held for HarvestPlus Program on the statements of financial position. All amounts disbursed by IFPRI to participating organizations where the participating organization has not yet expended the funds are included in Advances, prepaids, and other assets on the statements of financial position (see note 4(b)).

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

i) Expenses

Costs are presented as research expenses, collaborator expenses and general and administration expenses. Research expenses include personnel, travel, supplies and services and depreciation. Collaborator expenses are distinguished between CGIAR collaboration and other partner collaborations.

j) Allocation of Expenses

Direct costs are charged specifically to the programs benefited. Benefit costs are allocated to the programs based upon the proportion of fringe benefit costs to total salaries. Research support and general and administration costs are collectively referred to as indirect costs.

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

k) Use of Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

l) Accounts Receivable

Accounts receivables are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual account receivable balances for conditions that may impair collection. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

m) Income Taxes

IFPRI is generally exempt from federal income tax under Internal Revenue Code Section 501(c) (3). In addition, IFPRI has been classified as an organization that is not a private foundation within the meaning of Section 170 (b) (1) (A) (vi) of the Code. Income that is not related to its exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

IFPRI has adopted the standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, IFPRI may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

Management evaluated IFPRI's tax positions and concluded that IFPRI has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Generally, IFPRI is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2018.

n) Reclasses

Certain items in the 2020 information have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

o) Subsequent Events

IFPRI has evaluated subsequent events through April 28, 2022, which is the date the financial statements were available to be issued.

p) Recently Issued Accounting Guidance

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which changes the accounting for leases. While both lessees and lessors are affected by the new guidance, the effects on lessors is largely unchanged. Under the new guidance, lessees will be required to recognize the following for all long terms leases: (1) a lease liability, which is the lessee's obligation to make lease payments measured on a discounted basis and (2) a right-of-use asset, which represents the lessee's right to use (or control use of) a specified asset for the lease term. The standard will be effective for the IFPRI's fiscal year ending December 31, 2022. IFPRI is currently evaluating the impact of the adoption of this guidance on the financial statements.

3. Investments and Fair Value Measurements

Investments are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
U.S. government and agency obligations	\$ 10,889	\$ 10,802
Corporate obligations	16,733	16,694
Mutual and exchange traded funds - equity	10,419	8,477
Mutual and exchange traded funds - fixed income	<u>49,764</u>	<u>50,735</u>
Investments	<u>\$ 87,805</u>	<u>\$ 86,708</u>

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

Investment income is comprised of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Realized gain (losses)	\$ (24)	\$ 4
Interest and dividends	<u>990</u>	<u>1,198</u>
	966	1,202
Investment expenses	<u>(397)</u>	<u>(482)</u>
Investment income	<u><u>\$ 569</u></u>	<u><u>\$ 720</u></u>

Interest, dividends and realized gains (losses) are included in financial income on the statements of activities. Financial expenses on the statement of activities includes investment fees and foreign exchange losses.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as defined in ASC 820 (see Note 2(f)) as of December 31:

	<u>2021</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
U.S. Government and agency obligations	\$ 10,889	\$ -	\$ 10,889
Corporate obligations	16,525	-	16,525
Mutual and exchange traded funds - equity	9,871	9,871	-
Mutual and exchange traded funds - fixed income	<u>50,520</u>	<u>50,520</u>	<u>-</u>
	<u><u>\$ 87,805</u></u>	<u><u>\$ 60,391</u></u>	<u><u>\$ 27,414</u></u>
	<u>2020</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
U.S. Government and agency obligations	\$ 10,802	\$ -	\$ 10,802
Corporate obligations	16,694	-	16,694
Mutual and exchange traded funds - equity	8,477	8,477	-
Mutual and exchange traded funds - fixed income	<u>50,735</u>	<u>50,735</u>	<u>-</u>
	<u><u>\$ 86,708</u></u>	<u><u>\$ 59,212</u></u>	<u><u>\$ 27,496</u></u>

IFPRI's U.S. government and agency obligations and corporate obligations are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items.

The fair value of IFPRI's mutual and exchange traded fund investments is based on quoted market prices and is considered Level 1 in the fair value hierarchy.

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

4. Accounts Receivable, Net and Advances, Prepaids and Other Assets, Net

a) Accounts receivable, net consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Project resivables	\$ 19,663	\$ 17,485
	19,663	17,485
Less allowance for doubtful accounts	<u>(1,327)</u>	<u>(1,332)</u>
Accounts receivable, net	<u><u>\$ 18,336</u></u>	<u><u>\$ 16,153</u></u>

Billed accounts receivable and unbilled accounts receivable on projects totaled \$5,575 and \$14,088 at December 31, 2021, respectively, compared to \$5,474 and \$12,011 at December 31, 2020, respectively.

b) Advances, prepaids and other assets, net consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Advance to HarvestPlus partners	\$ 3,954	\$ 2,862
Advance to CGIAR CRP partners	-	1,918
Other advances, prepaids and deposits	<u>4,417</u>	<u>4,770</u>
	8,371	9,550
Less allowance for doubtful accounts	<u>(350)</u>	<u>(350)</u>
Advances, prepaids and deposits, net	<u><u>\$ 8,021</u></u>	<u><u>\$ 9,200</u></u>

Advances, prepaids and other assets are primarily comprised of funding advanced to research partners that will be liquidated and recorded as revenue and expenses upon submission of expenditure reports by partners. Employee and miscellaneous receivables are also included.

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

5. Property and Equipment

a) Property and equipment, net

Property and equipment, net consist of the following at December 31:

	2020	Additions	Disposals	2021
Acquisition cost:				
Furnishing, computer and equipment	\$ 4,893	\$ 201	\$ -	\$ 5,094
Leasehold improvements	8,323	-	-	8,323
Vehicles	558	76	-	634
Software	978	8	-	986
	<u>14,752</u>	<u>285</u>	<u>-</u>	<u>15,037</u>
Total	<u>14,752</u>	<u>285</u>	<u>-</u>	<u>15,037</u>
Accumulated depreciation:	<u>7,791</u>	<u>1,342</u>	<u>-</u>	<u>9,133</u>
Net book value	<u>\$ 6,961</u>	<u>\$ (1,057)</u>	<u>\$ -</u>	<u>\$ 5,904</u>
	2019	Additions	Disposals	2020
Acquisition cost:				
Furnishing, computer and equipment	\$ 4,669	\$ 224	\$ -	\$ 4,893
Leasehold improvements	8,323	-	-	8,323
Vehicles	518	40	-	558
Software	953	25	-	978
	<u>14,463</u>	<u>289</u>	<u>-</u>	<u>14,752</u>
Total	<u>14,463</u>	<u>289</u>	<u>-</u>	<u>14,752</u>
Accumulated depreciation:	<u>6,373</u>	<u>1,418</u>	<u>-</u>	<u>7,791</u>
Net book value	<u>\$ 8,090</u>	<u>\$ (1,129)</u>	<u>\$ -</u>	<u>\$ 6,961</u>

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
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b) Leasehold improvements

IFPRI's lease agreement for a new headquarters office, effective May 2017, includes a \$10,703 allowance for renovation cost. Landlord-financed costs are included in property and equipment, with a corresponding entry to deferred rent. Since the amounts arise from the overall lease transaction and there is no net impact on cash and expenses, the net book value of landlord-financed assets is deducted in arriving at the adjusted net book value.

The 2021 net investment in properties and equipment's is computed as follows:

Total net book value of property and equipment at December 31, 2021 (Note 5)	\$ 5,904
Less landlord-financed assets:	
Cost of assets	9,780
Accumulated amortization at December 31, 2021	(4,298)
Total net book value of landlord financed	<u>5,482</u>
Net investment in property and equipment at December 31, 2021	<u><u>\$ 422</u></u>

The 2020 net investment in properties and equipment's is computed as follows:

Total net book value of property and equipment at December 31, 2020 (Note 5)	\$ 6,961
Less landlord-financed assets:	
Cost of assets	9,780
Accumulated amortization at December 31, 2020	(3,268)
Total net book value of landlord financed	<u>6,512</u>
Net investment in property and equipment at December 31, 2020	<u><u>\$ 449</u></u>

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
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6. Leases

IFPRI leases office space at its headquarters. The current headquarters lease ends in 2029. In addition, IFPRI has other office lease arrangements at several international locations.

Future minimum lease payments for office and certain office equipment leases are as follows:

Years Ending December 31:

2022	\$ 6,622
2023	6,348
2024	6,422
2025	6,580
2026	6,745
Thereafter	16,233
	<u>\$ 48,950</u>

Total operating lease expense for the years ended December 31, 2021 and 2020, amounted to approximately \$5,737 and \$6,208 respectively.

7. Retirement Plan

IFPRI maintains a defined contribution retirement plan for all full-time employees, under which IFPRI contributes 15% of an employee's base compensation. Contributions for U.S. employees and resident aliens are made to the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Contributions for the nonresident staff are made to the International Agricultural Research Centers Retirement Plan. Total contributions were \$5,373 and \$5,508 for the years ended December 31, 2021 and 2020, respectively. All plan participants are immediately vested in their contributions.

8. Postretirement Benefits

IFPRI provides health care and life insurance benefits to certain retired employees and their dependents. Employees become eligible for benefits after meeting certain age and service requirements. The plan is contributory with retiree contributions adjusted annually and contains other cost-sharing features, such as deductibles and coinsurance.

The postretirement benefit plan's funded status recognized in the financial statements at December 31:

	<u>2021</u>	<u>2020</u>
Components of net periodic benefit cost:		
Service cost	\$ 383	\$ 485
Interest cost	158	201
Amortization of unrecognized net gain	(458)	(385)
Net periodic cost	<u>\$ 83</u>	<u>\$ 301</u>

International Food Policy Research Institute
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(In U.S. Dollar Thousands)

The postretirement benefit plan's funded status recognized in the financial statements at December 31:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 5,918	\$ 5,966
Service cost	383	485
Interest cost	158	201
Participant Contribution	92	77
Actuarial (gain)/loss	(721)	(657)
Benefits paid	(184)	(154)
Benefit obligation at year-end	<u>5,646</u>	<u>5,918</u>
Funded Status	<u>(5,646)</u>	<u>(5,918)</u>
Accrued benefit cost	<u>\$ 5,646</u>	<u>\$ 5,918</u>

The net gain that has not been recognized as a component of net periodic postretirement benefit cost as of December 31:

	<u>2021</u>	<u>2020</u>
Unrecognized gain	<u>\$ 3,444</u>	<u>\$ 3,181</u>

The net gain that is amortized into net periodic benefit cost over the next fiscal year:

	<u>2022</u>	<u>2021</u>
Amortization of gain during the year		
Unrecognized net gain	<u>\$ 541</u>	<u>\$ 458</u>

The accumulated postretirement benefits obligation was determined using a discount rate of 3.00% and 2.70% at December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the health care cost trend rate was 6.25%, grading down by 0.25% each year until 5% is reached for 2027 and thereafter.

In October 2021, the Society of Actuaries released new data regarding observed mortality rate improvements. Fiscal year 2020 mortality gain reflects the changes in mortality improvement projection assumptions. The mortality improvement projection assumption was updated from Scale MP-2020 to Scale MP-2021 applied on a generational basis beginning with the Pri-2012 mortality tables' base year of 2012.

IFPRI's policy is to fund the aforementioned benefits as claims and premiums are paid.

International Food Policy Research Institute
Notes to Financial Statements
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Employer contributions expected to be made for the next fiscal year are \$ 112. Postretirement benefits expected to be paid for each of the next five years, and the aggregate for the succeeding five years, are as follows:

2022	\$ 112
2023	145
2024	172
2025	192
2026	217
2027 – 2031	1,416

9. Liquidity and Availability

IFPRI 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. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	24,962	28,852
Accounts receivable	18,336	16,153
Investments	87,805	86,708
	<u>\$ 131,103</u>	<u>\$ 131,713</u>

As part of IFPRI's liquidity management, operating investments have been structured to be available as general expenditures, liabilities, and other obligations come due.

10. Contingency

Revenue: A substantial portion of revenue is subject to audit by grantors. These audits may result in a liability payable to the grantor. The amount, if any, of expenditures, which may be potentially disallowed, cannot be determined at this time, although management expects such amounts to be immaterial to the statements of financial position, activities and cash flows.

COVID-19: On January 30, 2020 The World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantine in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, and adverse impact on the economic and financial markets of many countries, including geographical areas in which IFPRI operates. Management is continually monitoring the potential impact of the pandemic on IFPRI. Management will review and adjust planned expenditures should it be determined the outbreak will significantly impact the financial position and activities of IFPRI.

International Food Policy Research Institute
Notes to Financial Statements
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(In U.S. Dollar Thousands)

11. Conditional Grants

Conditional grants are recognized as earned in the year in which IFPRI incurs qualified expenses which also meet the conditions. Conditional grant funds received in excess of costs incurred are recorded as deferred revenue until earned. Grant costs incurred in excess of funds received are recorded as accounts receivable. As of December 31, 2021, the following are conditional grants by funder:

Funder	Total Conditional Grant	Amount Earned Through 2021	Amount of Conditional Grant Left to Earn
Cash grants from U.S. Government	\$85,483	\$70,004	\$15,478
Cash grants from Other Donors	1,037,936	731,794	306,143
	<u>\$1,123,419</u>	<u>\$801,798</u>	<u>\$321,621</u>

IFPRI has awarded conditional grants to subrecipients related to the performance of these projects. The outstanding commitment on these subrecipient agreements was \$4,973 as of December 31, 2021.

International Food Policy Research Institute

Schedule of Expenditures of Federal Awards Year Ended December 31, 2021 (In U.S. Dollar Thousands)

Federal grantor/program title	IFPRI Project Number	Assistance Listing Number	Grant Number	Begin-Date	End-Date	Passed through to Subrecipients	Total Expenditures
Major Research and Development Federal Award Program							
Food Policy Research Program							
<i>United States Agency for International Development:</i>							
Comprehensive Africa Agriculture Development Programme	699012	98.UNK	AID-BFS-IO 17-00001	03/27/17	12/31/22	\$ 343	\$ 6,443
Impact Evaluation of Feed the Future Programs in Ethiopia	602086	98.UNK	AID-663-IO-13-00001	01/04/13	11/30/20		
Feed the Future Impact Evaluation	601061	98.UNK	AID-BFS-IO-14-000	11/07/13	09/30/21	-	123
Evaluating Impact and Building Capacity: An Egypt Strategy Support Program	602114	98.UNK	AID-263-IO-I 5-00001	07/01/15	03/29/24	-	1,081
Feed The Future Uganda Biosafety Activity	600251	98.UNK	7206-1719-IO-00001	03/06/19	03/06/23	64	278
Myanmar Agriculture Policy Support Activity (MAPSA)	602236	98.UNK	7204-8221-IO-00002	10/01/21	09/30/24	-	243
<i>Passthrough Funds Received from Michigan State University</i>							
Feed the Future Nigeria Agricultural Policy Project (NAPP)	602115	98.UNK	RC105214	07/01/15	01/31/21	-	79
<i>Passthrough Funds Received from World Vision</i>							
DFAP ETHIOPIA	601103	98.UNK	AID-FFP-A-16-00008	10/01/16	07/31/21	-	1,017
<i>Passthrough Funds Received from Digital Green</i>							
Feed the Future Developing Local Extension Capacity	600167	98.UNK	DG-CNTR-2016-17-42	09/15/16	03/31/21	-	265
USAID Foreign Assistance for Programs Overseas							
<i>Passthrough Funds Received from Tufts University</i>							
Global Hunger and Food Security Research Strategy	600119	98.001	06-S131627	08/12/13	09/30/22	-	428
<i>Passthrough Funds Received from Michigan State University</i>							
Feed the Future Innovation Lab for Food Security Policy Research, Capacity and Influence	602207	98.001	7200-AA19-LE-00001	05/15/19	05/14/24	-	596
<i>Passthrough Funds Received from Cornell University</i>							
Innovations in Feed the Future Monitoring and Evaluation	603159	98.001	7200AA18CA00014	09/30/18	08/18/21	-	48
Food for Peace Development Assistance Program (DAP)							
<i>Passthrough Funds Received from Cooperative for Assistance and Relief Everywhere, Inc.</i>							
TITUKULANE Malawi DFSA	619024	98.007	72DFFPI 9CA00004	10/01/19	07/31/24	-	248
<i>Passthrough Funds Received from Save the Children Federation, Inc.</i>							
Implementer-Led Design, Evidence, Analysis and Learning (IDEAL)	601153	98.007	72DFFP19LA00001	07/01/21	04/30/23	9	62
Total United States Agency for International Development						416	10,911
<i>Millennium Challenge Corporation</i>							
Advisory Services – Program Management for Development and Implementation within the Agricultural Sector	603140	85.UNK	95332418T0015	08/16/19	09/30/24	-	205
MCC Foreign Assistance for Overseas Programs							
To provide support to MCC in program due diligence, development and implementation by providing statistical capacity and survey support and gender and social analysis	614026	85.002	95332419T0011	08/16/19	08/15/24	-	421
Total Millennium Challenge Corporation						-	626

(Continued)

International Food Policy Research Institute

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2021 (In U.S. Dollar Thousands)

Federal grantor/program title	IFPRI Project Number	Assistance Listing Number	Grant Number	Begin-Date	End-Date	Passed through to Subrecipients	Total Expenditures
<i>United States Department of Agriculture:</i>							
<i> Passthrough Funds Received from University of Florida</i>							
Climate Adaptation and Mitigation in Fruit and Vegetable Supply Chains	600214	10.UNK	UFDSP00011816	07/01/17	06/30/21	\$ -	\$ 49
<i> Passthrough Funds Received from Texas State University</i>							
Global AgLeader: Development of Leadership and Global Competency to Enhance Recruitment of Minority Students in Agriculture	600259	10.UNK	2018-700001-27829	02/26/19	04/14/21	-	2
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	600280	10.250	58-6000-0-0061	08/21/20	03/31/22	-	24
<i> Passthrough Funds Received from World Vision, Inc.</i>							
Food for Education	601141	10.608	FFE-656-2019/018-00	09/22/20	09/30/24	-	270
Technical Agricultural Assistance							
Advocacy of Sci-Based DM in Ag Biotech	600187	10.960	TA-JV-16-047	10/01/16	09/30/21	6	6
Total United States Department of Agriculture						<u>6</u>	<u>351</u>
<i>National Science Foundation</i>							
Integrative Activities							
<i> Passthrough Funds Received from University of Connecticut</i>							
Integrative Activities	600169	47.083	117151	04/01/16	03/31/21	-	57
Total National Science Foundation						<u>-</u>	<u>57</u>
<i>NASA</i>							
Science							
<i> Passthrough Funds Received from University of Maryland</i>							
NASA Food Security and Agriculture Consortium (FSAC)	603187	43.001	92064-Z6059211	11/01/19	10/31/22	-	49
Total NASA						<u>-</u>	<u>49</u>
<i>General Services Administration, OGP</i>							
Assignment of Jessica Leight	601133	99.RD	OX0003200	09/01/19	03/31/21	-	24
Total, General Services Administration						<u>-</u>	<u>24</u>
Total research and development program and total expenditures of federal awards						<u>\$ 422</u>	<u>\$ 12,018</u>

International Food Policy Research Institute

Schedule of Indirect Costs Year Ended December 31, 2021 (In U.S. Dollar Thousands)

Type of Expenses	Total	Direct Project Costs	Administrative Costs of Overall Management	Subcontractor Handling Costs	Subcontractors and Subrecipients	CGIAR Pass-thru Collaboration	Other Unallowable Indirect Costs
Salaries and wages	\$ 34,376	\$ 28,979	\$ 5,351	\$ 46	\$ -	\$ -	\$ -
Employee Benefits	17,456	14,438	2,992	26	-	-	-
Professional services	1,422	813	609	-	-	-	-
Accounting fees	319	20	299	-	-	-	-
Legal fees	183	4	179	-	-	-	-
Office expenses	314	305	9	-	-	-	-
Information technology	882	770	112	-	-	-	-
Occupancy	5,758	4,117	1,641	-	-	-	-
Travel	280	251	29	-	-	-	-
Conferences, conventions, meetings	388	321	67	-	-	-	-
Insurance	181	16	165	-	-	-	-
Training and development	38	28	10	-	-	-	-
Depreciation	1,342	985	357	-	-	-	-
Bad debt expense	7	-	-	-	-	-	7
CGIAR Pass-thru collaboration	16,060	-	-	-	-	16,060	-
Direct subcontractors and Subgrantees	18,482	-	-	-	18,482	-	-
Other collaborators & subcontractors	16,474	16,306	168	-	-	-	-
CSP	1,463	-	1,096	367	-	-	-
Printing & Publication	620	583	37	-	-	-	-
Equipment Rental & maintenance	849	622	227	-	-	-	-
All other expenses	1,109	584	352	5	-	-	168
Total expenses	<u>\$ 118,003</u>	<u>\$ 69,142</u>	<u>\$ 13,700</u>	<u>\$ 444</u>	<u>\$ 18,482</u>	<u>\$ 16,060</u>	<u>\$ 175</u>

Allocation rates

	G&A			Sub Handling Final Rate
	Overall	Exclusions	Final Rate	
Direct Project Costs	\$ 69,142	\$ 70	\$ 69,212	\$ 18,482
Subcontractor Handling Costs	444	-	444	
Total Base	69,586	70	69,656	18,482
Pool Costs	13,700	(70)	13,630	\$ 444
Allocation rate	<u>19.69%</u>		<u>19.57%</u>	<u>2.40%</u>

International Food Policy Research Institute

Notes to Schedules of Expenditures of Federal Awards and Indirect Costs Year Ended December 31, 2021 (In U.S. dollar thousands)

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of International Food Policy Research Institute (IFPRI) under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a select portion of the operations of IFPRI, it is not intended to and does not present the financial position, changes in net assets or cash flows of IFPRI.

The schedule of indirect costs presents the actual indirect cost rates and the detail of expenses included in the calculation of the indirect cost rates.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenses are not allowable or are limited as to reimbursement. Moreover, expenses include a portion of costs associated with general activities (indirect costs), which are allocated to federal awards under negotiated formulas referred to as indirect costs rates. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Grants and contracts allow for a provisional general and administrative rate to be used in applying for advance draw-downs of federal funds and billings to federal agencies during the year. The provisional general and administrative rate and subcontractor administration rate for the year ended December 31, 2021, was 18.50% and 2.50%, respectively. IFPRI has a Negotiated Indirect Cost Rate Agreement (NICRA) and did not elect the 10% de minimis indirect cost rate.

General and administrative expenses are allocated to grants during the year and are included in the basic financial statements and accompanying schedules at year-end, based on the actual rate in addition to direct costs less certain specific exclusions based on grant terms and provisions. The actual general and administrative rate and subcontractor administration rate for the year ended December 31, 2021, was 18.50% and 2.40%, respectively.

The provisional rates are subject to adjustment, based on final rates and as agreed upon by the federal oversight agency.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

RSM US LLP

Independent Auditor's Report

Audit & Risk Committee of the Board of Trustees
International Food Policy Research Institute

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of International Food Policy Research Institute (IFPRI), which comprise IFPRI's the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IFPRI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IFPRI's internal control. Accordingly, we do not express an opinion on the effectiveness of IFPRI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of IFPRI's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether IFPRI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IFPRI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IFPRI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM VS LLP

Washington, D.C.
April 28, 2022

**Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; And Report on Schedule Of Expenditures
Of Federal Awards Required By the Uniform Guidance**

RSM US LLP

Independent Auditor's Report

Audit & Risk Committee of the Board of Trustees
International Food Policy Research Institute

Report on Compliance for The Major Federal Program

Opinion on Each Major Federal Program

We have audited International Food Policy Research Institute's (IFPRI) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of IFPRI's major federal programs for the year ended December 31, 2021. IFPRI's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, IFPRI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of IFPRI and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of IFPRI's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to IFPRI's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on IFPRI's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about IFPRI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 IFPRI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of IFPRI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of IFPRI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of IFPRI as of and for the year ended December 31, 2021, and have issued our report thereon dated April 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Washington, D.C.
April 28, 2022

International Food Policy Research Institute

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2021**

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| ▪ Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| ▪ Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None Reported |

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- | | | |
|---|-------------------|----------------------------|
| ▪ Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| ▪ Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None Reported |

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major programs:

AL Number(s) or Other Identifying Number

Name of Federal Program or Cluster

Various

Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

Section II. Financial Statement Findings

None Reported.

Section III. Findings and Questioned Costs for Federal Awards

None Reported.

International Food Policy Research Institute

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021**

There were no findings reporting for the year ended December 31, 2020.