

**International Fertilizer Development Center
Financial Statements
December 31, 2022 and 2021**

International Fertilizer Development Center
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December 31, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors
International Fertilizer Development Center

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of International Fertilizer Development Center ("IFDC"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of IFDC as of December 31, 2022 and 2021, and the changes in its net assets and its 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 audit in accordance with 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. 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 IFDC 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 opinions.

Change in Accounting Principle

IFDC implemented the Financial Accounting Standards Board's (FASB) ASC Topic 842, Leases, which encompasses ASU 2016-02, Leases (Topic 842) and also additional ASUs that amend and clarify this topic. This standard changed reporting for IFDC's lease arrangements and is further discussed in Note 2. Our opinion is not modified with respect to this matter..

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 IFDC's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards 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 IFDC'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 IFDC'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 August 21, 2023 on our consideration of IFDC'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 IFDC'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 IFDC's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Athens, Alabama
August 21, 2023

International Fertilizer Development Center
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,925,709	\$ 15,869,746
Grants and contracts receivable	9,686,033	8,705,170
Other receivables	294,298	253,708
Prepaid expenses and advances	450,176	287,234
Advances to subrecipients	333,986	1,057,932
Total current assets	<u>28,690,202</u>	<u>26,173,790</u>
Noncurrent Assets		
Right of use assets – leases	388,085	-
Buildings and equipment, net	457,971	493,869
Total noncurrent assets	<u>846,056</u>	<u>493,869</u>
Total assets	<u>\$ 29,536,258</u>	<u>\$ 26,667,659</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,353,860	\$ 2,326,239
Accrued salary, withholdings, annual leave, and sick leave	1,987,256	838,680
Lease liability, current	208,368	-
Deferred revenue	24,146,855	23,578,940
Total current liabilities	<u>29,696,339</u>	<u>26,743,859</u>
Noncurrent Liabilities		
Lease liability	179,717	-
Building improvement liability	-	277,052
Total noncurrent liabilities	<u>179,717</u>	<u>277,052</u>
Total liabilities	<u>29,876,056</u>	<u>27,020,911</u>
Net assets:		
Without donor restrictions	(339,798)	(353,252)
With donor restrictions	-	-
Total net assets	<u>(339,798)</u>	<u>(353,252)</u>
Total liabilities and net assets	<u>\$ 29,536,258</u>	<u>\$ 26,667,659</u>

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

International Fertilizer Development Center
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Revenue and support:			
Grants and contracts	\$ 59,925,140	\$ -	\$ 59,925,140
Other government assistance	297,614	-	297,614
Total revenue and support	60,222,754	-	60,222,754
Expenses:			
Program –			
Research and development	7,025,800	-	7,025,800
Field projects	37,351,423	-	37,351,423
Capacity building	8,261,604	-	8,261,604
Support services –			
Administrative	6,696,050	-	6,696,050
Operational expense	910,909	-	910,909
Total expenses	60,245,786	-	60,245,786
Change in net assets from operating activities	(23,032)	-	(23,032)
Nonoperating activities			
Interest income	36,486	-	36,486
Change in net assets from nonoperating activities	36,486	-	36,486
Change in net assets	13,454	-	13,454
Net assets, beginning of year	(353,252)	-	(353,252)
Net assets, end of year	\$ (339,798)	\$ -	\$ (339,798)

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

International Fertilizer Development Center
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Revenue and support:			
Grants and contracts	\$ 51,308,648	\$ -	\$ 51,308,648
Other government assistance	846,910	-	846,910
Other	-	-	-
Total revenue and support	<u>52,155,558</u>	<u>-</u>	<u>52,155,558</u>
Expenses:			
Program –			
Research and development	3,900,863	-	3,900,863
Field projects	34,909,038	-	34,909,038
Capacity building	6,733,132	-	6,733,132
Support services –			
Administrative	5,615,156	-	5,615,156
Operational expense	997,590	-	997,590
Total expenses	<u>52,155,779</u>	<u>-</u>	<u>52,155,779</u>
Change in net assets from operating activities	<u>(221)</u>	<u>-</u>	<u>(221)</u>
Nonoperating activities			
Interest income	<u>19,827</u>	<u>-</u>	<u>19,827</u>
Change in net assets from nonoperating activities	<u>19,827</u>	<u>-</u>	<u>19,827</u>
Change in net assets	19,606	-	19,606
Net assets, beginning of year	<u>(372,858)</u>	<u>-</u>	<u>(372,858)</u>
Net assets, end of year	<u>\$ (353,252)</u>	<u>\$ -</u>	<u>\$ (353,252)</u>

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

International Fertilizer Development Center
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 13,454	\$ 19,606
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	35,898	35,897
Change in assets and liabilities:		
Grants and contracts receivable	(980,863)	(161,246)
Right-of-use asset	152,192	
Other receivables	(40,590)	(63,858)
Supplies inventory	-	28,046
Advances to subrecipients	723,946	513,155
Prepaid expenses	(162,942)	3,664
Accounts payable and accrued liabilities	1,027,621	1,302,828
Right-of-use liability	(152,192)	-
Accrued salary, annual leave and sick leave	1,148,576	114,633
Deferred revenue	567,915	(4,712,326)
Other liabilities	(277,052)	277,052
	2,055,963	(2,642,549)
Net cash flows provided by (used in) operating activities		
Cash and Cash Equivalents		
Beginning of year	15,869,746	18,512,295
End of year	\$ 17,925,709	\$ 15,869,746

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

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 – GENERAL

International Fertilizer Development Center (“IFDC”) is a non-profit organization incorporated October 7, 1974 under the state laws of Alabama. On March 14, 1977, IFDC was designated as a public international organization by executive order of the President of the United States. IFDC focuses on increasing and sustaining food and agricultural productivity in developing countries and transitional economies through the development and transfer of effective and environmentally sound plant nutrient technology and agribusiness expertise. In the event of dissolution, the articles of incorporation provide that the residual assets of the organization will be distributed to one or more tax exempt organizations or to the federal, state, or local government for exclusive public purposes.

IFDC is engaged in the following programs:

- *Research and Development Program* – The Research and Development Program is comprised primarily of three programs: 1) Developing and Scaling Out Technologies, Approaches and Practices, which develops and diffuses technologies that address nutrient management issues and promotes advancement of sustainable agricultural intensification; 2) Supporting Policy Reforms and Market Development, which conducts evidence-based policy analyses to support reform processes in multiple dimensions of economic policy and 3) Learning Agendas and Knowledge Management, which works to ensure that IFDC captures, documents, analyzes, and disseminates the knowledge generated from all of IFDC’s work on increased agricultural productivity.
- *Field Projects Program* – The Field Projects Program aims to increase the productivity and profitability of smallholder agriculture through the development of competitive and sustainable agricultural value chains and the improvement of social and environmental stability in various regions of the world.
- *Capacity Building Program* – The Capacity Building Program aims to equip IFDC partners (farmers, dealers, marketers, entrepreneurs) in developing countries with the capabilities, expertise and skills required to perform their functions in the food value chain in an effective and efficient manner.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of IFDC have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of IFDC and changes therein are classified as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of IFDC. IFDC’s board may designate assets without restrictions for specific operational purposes from time to time.
- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of IFDC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

It remains the policy of IFDC to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net assets are available.

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Allowances, if any, are established for pledges estimated to be uncollectible.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Grants and Contracts

Except for the any amounts classified as contributions discussed above, IFDC's grants and contracts are considered to be exchange contracts and, therefore, the revenues are classified as unrestricted and are recognized as the related funds are expended. Deferred revenue of \$24,146,855 and \$23,578,940 at December 31, 2022 and 2021, respectively, represents funds received or billings in advance or in excess of amounts expended on grants and contracts. Grants and contracts receivable represent amounts earned or billed under exchange contracts but not received at year end. As previously noted, amounts are deemed earned and are recognized as revenue as the related funds are expended.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to IFDC's ongoing activities. Nonoperating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

IFDC considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Other Receivables

Other receivables consist primarily of receivables from employees. Due to the nature of IFDC's operations in foreign countries, advances are routinely made to employees working in these regions for living or travel expenses. All amounts are due within one year.

Supplies Inventory

Inventories of supplies are valued at the lower of cost or replacement cost using the first-in, first-out method.

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Advances to Subrecipients

Advances to subrecipients represent payments to subrecipients in advance of services being provided by the subrecipients in accordance with the terms of the grant contract. These payments are recorded as advances when made and are appropriately reclassified as project expenses as the work is performed under these contracts.

Buildings and Equipment

Buildings and equipment are recorded at cost, or fair value at the date of donation in the case of gifts. Major renewals and betterments are capitalized. IFDC's capitalization policy defines a major renewal or betterment as a purchase of property, plant or equipment with a cost exceeding \$5,000 and a life reasonably expected to be longer than one year. Maintenance and repairs are charged to expense as incurred. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from three to twelve years. When items of buildings or equipment are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is included in the statements of activities and changes in net assets.

Accrued Annual and Sick Leave

Annual and sick leave accrue at the monthly rate of 16 hours and 8 hours, respectively. Employees may carry forward annual leave up to a maximum of 176 hours and sick leave up to a maximum of 1,200 hours. Annual leave in excess of 176 hours can be converted to sick leave until accrued sick leave reaches 1,200 hours. Upon termination, employees are paid for accrued annual leave up to 176 hours. All unused sick leave is forfeited upon termination.

Income Tax Status

IFDC has a tax determination letter from the Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Uncertain Tax Positions

IFDC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization had no unrelated business activities that are subject to taxes.

Foreign Currency

IFDC records transactions denominated in foreign currency on a monthly basis, using the average monthly exchange rate. Bank accounts denominated in foreign currency are translated as of the ending balance sheet dates using the current exchange rate at that time.

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Concentrations of Credit Risk

IFDC maintains cash accounts with several large financial institutions. All accounts at financial institutions in the United States of America are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per bank. IFDC also maintains cash accounts with foreign financial institutions. IFDC's policy is to maintain one month's worth of operating expenses within these foreign accounts to cover current expenses of programs based in these foreign countries. Credit risk with respect to deposits and investments, is more fully described in Note 4.

During the year ended December 31, 2022 and 2021, approximately 15% and 18%, respectively, of revenues were generated from contributions, grants or contracts directly or indirectly funded by USAID. During the year ended December 31, 2022 and 2021, approximately 49% and 54%, respectively, of revenues were generated from contributions, grants or contracts directly or indirectly funded by one foreign government. At times, IFDC may have concentrations of receivables from both foreign and domestic entities. Management evaluates the collectability of these receivables and reserves for any receivables that are doubtful of collection. At December 31, 2022 and 2021, receivables from contributions, grants and contracts funded by USAID were 45% and 29%, respectively, of total contributions, grants and contracts receivable. At December 31, 2022 and 2021, IFDC had \$4,665,389 and \$6,179,428, respectively, of receivables from foreign governments and entities.

Long-Lived Assets

IFDC reviews long-lived assets held and used in operations for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability is performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. IFDC did not recognize any impairment write-downs for long-lived assets in 2022 and 2021.

New Accounting Standards – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet. IFDC adopted these ASU's effective January 1, 2022.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At December 31, 2022, IFDC has \$28,240,026 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$17,925,709, grants and contributions receivable of \$9,686,033, and other current financial assets of \$628,284.

At December 31, 2021, IFDC has \$25,886,556 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$15,869,746, grants and contributions receivable of \$8,705,170, and other current financial assets of \$1,311,640.

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 4 – CASH AND INVESTMENTS

Cash and Cash Equivalents

At December 31, cash and cash equivalents consisted of the following:

	<u>2022</u>	<u>2021</u>
Deposits in U.S. banks	\$ 7,623,760	\$11,128,079
Deposits in U.S. banks – money market	10,092,045	4,134,973
Deposits in foreign financial institutions	203,366	600,391
Petty cash funds	6,538	6,303
	<u>\$ 17,925,709</u>	<u>\$ 15,869,746</u>

At December 31, 2022, the balance per the bank statements (prior to reconciliation) of the U.S. bank deposits was \$7,532,577. Of this balance, \$528,009 was covered by FDIC insurance and none of the balance was collateralized with securities pledged by the financial institutions. At December 31, 2022, \$7,004,567 was unsecured or uncollateralized. At December 31, 2021, the balance per the bank statements (prior to reconciliation) of the U.S. bank deposits was \$11,073,422. Of this balance, \$527,955 was covered by FDIC insurance and none of the balance was collateralized with securities pledged by the financial institutions. At December 31, 2021, \$10,545,427 was unsecured or uncollateralized. The securities pledged to secure IFDC’s deposits are held by the pledging institution’s third party safe-keeper on behalf of IFDC. The securities are held in the name of the pledging financial institution. Pledges are released only by notification of consent from IFDC to the safekeeping financial institution.

NOTE 5 – BUILDINGS AND EQUIPMENT

Buildings and equipment consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 6,581,680	\$ 6,581,680
Equipment	385,771	385,771
	6,967,451	6,967,451
Accumulated depreciation	(6,509,480)	(6,473,582)
	<u>\$ 457,971</u>	<u>\$ 493,869</u>

Depreciation expense was \$35,898 and \$35,897 for the years ended December 31, 2022 and 2021, respectively.

IFDC’s building, which was being depreciated over thirty-five years, was fully depreciated during the year ended December 31, 2007. The land on which the building was constructed is owned by the Tennessee Valley Authority (“TVA”). On August 16, 1976, TVA granted IFDC a permanent easement for the construction, operation, and maintenance of fertilizer research and related facilities on this land. In the event that IFDC ceases such operations, TVA has the right to terminate the easement upon ninety days written notice to IFDC. Upon any such termination, IFDC, at its own expense, may remove any of the improvements that it shall have placed on the land within 180 days following termination of the easement. Any improvements not removed within the 180 day time frame shall, upon expiration thereof, automatically vest in TVA, its successors or assignees. IFDC’s building was constructed with federal funds received through a USAID capital construction program grant. This grant, effective June 30, 1975 through June 29, 1978, provided funds totaling \$8,800,000 for the support of capital development costs including the purchase and acquisition of capital equipment. Under the terms of the grant, any real property purchased or constructed with the use of these federal funds obligates IFDC, or in the case of any transfer of such property, any transferee, to use such property for a purpose for which the grant funds were expended or for another purpose involving the provision of similar services or benefits.

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

An amendment to IFDC's articles of incorporation, dated January 17, 1975, provides that in the event of dissolution, the residual assets of the organization will be turned over to one or more organizations which themselves are exempt as organizations described in Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1954 or corresponding sections of any prior or future Internal Revenue Code, or to the federal, state or local government for exclusive public purpose.

NOTE 6 – RETIREMENT PLAN

IFDC provides retirement benefits for eligible employees through a fully vested defined contribution retirement plan. Contributions, which are made by IFDC for each eligible employee, are based upon salary and age. IFDC's contributions for the years ended December 31, 2022 and 2021 were \$1,018,707 and \$997,204, respectively.

NOTE 7 – RISKS AND UNCERTAINTIES

IFDC's projects, like most projects of other International Agricultural Research Centers, are normally situated in unstable regions arising from the political turmoil and instability. The situation in any of these areas could change rapidly, at which time the project in that area may have to be abandoned or postponed. The abandonment or long-term interruption of any major project could have a negative impact on IFDC's financial position and/or results of operations. In addition, a majority of IFDC's multilateral and bilateral donor funding is subject to competition, changes in procurement policies and regulations, the continuing availability of congressional appropriations, world events, and the size and timing of programs in which IFDC may participate. These risks could result in deduction or loss of future funding. Significant reductions in multilateral or bilateral donor funding could have a material adverse impact on IFDC's financial position, results of operations and cash flows.

NOTE 8 – LINE OF CREDIT

IFDC entered into an agreement with First Metro Bank, Muscle Shoals, Alabama, for a \$5,000,000 unsecured line of credit in August 2022. The agreement allowed IFDC to borrow up to \$5,000,000 at 6.25% interest through August 2023. No amounts were outstanding at December 31, 2022 and 2021.

NOTE 9 – LEASING ACTIVITIES

IFDC has various operating leases related to office space and equipment. These leases have an average remaining lease term of 34 months. IFDC also has certain leases for certain equipment and office space with terms less than 12 months for which IFDC has elected to recognize in indirect costs on the straight-line basis.

The following summarizes the line items in the balance sheets which includes amounts for operating leases as of December 31, 2022:

Operating Lease

Operating Lease Right-of-Use Asset, Net	<u>\$ 388,085</u>
Current Portion of Operating Lease Right-of-Use Liability	\$ 208,368
Long Term Portion of Operating Lease Right-of-Use Liability	<u>179,717</u>
Total Operating Lease Liability	<u>\$ 388,085</u>

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term

Operating Lease	34 months
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Weighted Average Interest Rate

Operating Lease	6.25%
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The maturities of this operating lease liabilities as of December 31, 2022 is as follows:

2023	\$ 208,368
2024	144,458
2025	23,528
2026	<u>11,731</u>
Total	<u>\$ 388,085</u>

The following summarizes the line items in the statement of income which include the components of lease expense for the year ended December 31, 2022:

Operating Lease Costs

Operating Lease Expense Included in Administrative Costs	\$ 175,319
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The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities

Operating Cash Flows from Operating Lease	\$ -
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Lease Assets Obtained in Exchange for Lease Obligations:

Operating Leases	\$ 540,277
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International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 10 – GRANTS AND CONTRACTS

Revenue recognized under grants and contracts for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022	2021
African Development Bank	\$ 27,753	\$ 189,407
Alliance for a Green Revolution in Africa (AGRA)	905,067	1,102,435
Argus	49,089	30,000
AFS II	716,120	258,135
AAWL	101,645	-
APT	39,782	-
AdvanSix Canola	19,562	-
CGIAR – CIAT	64,699	-
Chonex	78,954	-
Development Gateway	522,136	169,349
Dutch Embassy of Benin	4,319,248	3,653,353
Dutch Embassy of Burundi	8,435,627	5,027,504
Dutch Embassy of Uganda	194,038	1,317,388
Dutch Embassy of Niger	4,419,295	2,602,045
Dutch Embassy of South Sudan	2,503,548	1,680,808
Dutch Embassy of Nigeria	2,191,452	112,035
DAI	371,704	13,127
EPA	92,561	100,861
CORAF/EnGrais	139,486	-
Government of Assam (India)	219,377	-
Government of Nigeria	230,418	679,821
GIZ Uganda	284,119	497,443
Catholic Relief Services	-	21,107
Hexion, Inc.	-	4,840
ICL Fertilizer	387,217	352,992
ICRISAT ICRR	50,000	-
IFAD VCDP	105,786	139,886
IFAD Nigeria	85,100	-
International Fertilizer Industry Association	103,912	99,805
International Food Policy Research Institute (IFPRI)	757,166	456,228
International Maize & Wheat Improvement Center (CIMMYT)	203,716	106,465
Irish Aid	289,763	348,638
Kula Bio	39,842	-
MAEP	873,500	839,229
Mercy Corps	467,538	385,964
Millennium Challenge Authority (MCA)	773,268	425,502
Minbos	141,526	-
Mosaic	535,189	-
Netherlands Minister for Development Cooperation (DGIS)	11,799,054	15,930,155
Nutrien	71,010	134,167
OCP Foundation	1,904,440	1,565,573
Miscellaneous Other	343,568	6,291
PACTE	305,544	121,848
PFI-NPK	44,000	-

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Phospholutions	187,899	-
QAFCO – Qatar	21,438	-
RTI	177,975	107,935
Saudi Basic Industries Corporation (SABIC)	165,339	296,149
Shell Oil Products US	146,341	142,748
Swiss Contract	2,028,588	2,311,620
Sulvaris	422,226	107,665
Sherritt	13,550	171,428
Sirius	62,648	176,645
United States Agency for International Development	10,908,998	9,287,852
USDA	-	96,913
Wal-Mart Foundation, Inc.	583,319	237,292
	<u>583,319</u>	<u>237,292</u>
Total grants and contracts revenue	<u>\$ 59,925,140</u>	<u>\$ 51,308,648</u>

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 13 – FUNCTIONAL EXPENSES

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and supplies and telephone costs, which are allocated based on usage estimates.

For fiscal year 2022, natural expense accounts were allocated as follows:

	Program Services			Supporting Services		Total
	Research and Development	Field Projects	Capacity Building	Administrative	Operational	
Compensation	\$ 2,079,948	\$ 9,978,738	\$ -	\$ 3,616,133	\$ 6,898	\$ 15,681,717
Benefits	812,204	3,815,625	-	1,332,419	3,794	5,964,042
Office expenses	358,558	1,557,269	-	133,005	81,682	2,130,514
Occupancy	26,362	1,302,412	-	1,676	574,350	1,904,800
Travel	197,446	3,224,038	-	520,029	2,258	3,943,771
Depreciation	462	-	-	-	35,436	35,898
Insurance	2,082	-	-	13,166	82,925	98,173
Research and development	2,434,572	11,137,828	-	307,552	-	13,879,952
Communications	9,045	328,505	-	39,131	50,813	427,494
Workshops and Training	1,057	-	8,261,604	2,000	-	8,264,661
Equipment and materials	187,042	598,069	-	107,161	41,423	933,695
Shipping	42,766	25,115	-	7,542	4,498	79,921
Other	874,256	5,383,824	-	616,236	26,832	6,901,148
Total	\$ 7,025,800	\$ 37,351,423	\$ 8,261,604	\$ 6,696,050	\$ 910,909	\$ 60,245,786

International Fertilizer Development Center
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

For fiscal year 2021, natural expense accounts were allocated as follows:

	Program Services			Supporting Services		Total
	Research and Development	Field Projects	Capacity Building	Administrative	Operational	
Compensation	\$ 1,552,910	\$ 9,512,908	\$ 6,697	\$ 2,946,577	\$ 4,830	\$ 14,023,922
Benefits	647,212	3,454,382	-	1,118,916	3,933	5,224,443
Office expenses	6,174	1,248,905	4,112	43,833	43,867	1,346,891
Occupancy	27,481	1,256,083	-	62,901	398,354	1,744,819
Travel	63,832	2,452,780	11,339	151,807	2,531	2,682,289
Depreciation	-	-	-	462	35,436	35,898
Insurance	4,971	151,041	-	19,156	99,443	274,611
Research and development	868,603	10,404,794	-	80,186	-	11,353,583
Communications	7,112	-	-	14,684	308,138	329,934
Workshops/Training	-	-	6,709,206	-	-	6,709,206
Equipment and materials	239,905	852,899	-	241,271	24,090	1,358,165
Shipping	-	-	-	178	523	701
Other	482,665	5,575,247	1,778	935,185	76,444	7,071,319
Total	\$ 3,900,865	\$ 34,909,039	\$ 6,733,132	\$ 5,615,156	\$ 997,589	\$ 52,155,781

REPORT ON COMPLIANCE AND INTERNAL CONTROL



**Independent Auditor's 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***

To the Board of Directors
International Fertilizer Development Center

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 Fertilizer Development Center ("IFDC"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and 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 August 21, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered IFDC'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IFDC's internal control. Accordingly, we do not express an opinion on the effectiveness of IFDC'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 the entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, describe in the accompanying schedule of findings as item 2022-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether IFDC'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*.

IFDC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on IFDC's response to the findings identified in our audit and described in the accompanying schedule of findings. IFDC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Athens, Alabama
August 21, 2023

**International Fertilizer Development Center
 Schedule of Findings
 For the Year Ended December 31, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	yes	<u> x </u>	no
Significant deficiency(ies) identified?	<u> x </u>	yes	<u> </u>	no
Noncompliance material to financial statements noted?	<u> </u>	yes	<u> x </u>	no

Section II – Financial Statement Findings

REFERENCE

2022-001 - Financial Statement Finding

CRITERIA: Implementation of ASC 842 - 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. This includes the implementation of new accounting standards.

CONDITION: During the year, ASC 842 became effective, requiring the recording of the net present value of lease payments, for all leases that meet the defined criteria under ASC 842, which results in a right-of-use asset and right-of-use liability for the net present value of the lease payments.

CAUSE/EFFECT: While management properly recorded the lease payments on the statement of activities, they did not record the gross up on the statement of net position for the right-of-use asset and right-of-use liability. The effect of this entry was significant to the overall financial statements.

RECOMMENDATION: The auditor recommends that management review all future guidance and implementation of new standards as they become effective.

VIEW OF RESONSIBLE OFFICIALS: Management concurs with this finding and will reassess controls around implementation of new standards.



CORRECTIVE ACTION PLAN YEAR ENDING DECEMBER 31, 2022

1) Finding 2022-001 Financial Statement Finding:

New FASB Lease Accounting Standard ASC 842:

All leases longer than one year will now be recorded as an asset and corresponding liability on the balance sheet.

Management's Response:

Management understands the requirements specific to implementing new standards. We also note that the amounts were only a balance sheet gross up and did not affect the statement of activities.

Views of Responsible Officials and Corrective Action:

Management will reassess controls to ensure implementation of new standards are monitored and appropriately implemented.

A handwritten signature in blue ink, appearing to read "Chris Holt", is written over a white background.

Chris Holt, dCFO

Implementation Date: Immediately