



**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**Consolidated Financial Statements and Supplementary Information**

**For the Year Ended December 31, 2023**

**(With Summarized Financial Information for the Year Ended December 31, 2022)**

**and Report Thereon**



**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Winrock International Institute for  
Agricultural Development and Affiliates**

### *Opinion*

We have audited the consolidated financial statements of Winrock International Institute for Agricultural Development and Affiliates (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position on pages 28-29 and the consolidating schedule of activities on page 30 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
June 25, 2024

**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2023**

**(With Summarized Financial Information as of December 31, 2022)**

	2023	2022
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 47,753,357	\$ 26,063,956
Restricted cash	130,118	130,118
Accounts receivable (net of credit losses of \$54,531)	4,496,614	3,158,727
Contributions and grants receivable, current	18,219,527	10,463,089
Prepaid expenses and deposits	4,221,531	4,895,848
TOTAL CURRENT ASSETS	74,821,147	44,711,738
Contributions and grants receivable, net of current	-	50,000
Investments	59,699,010	53,699,754
Property and equipment, net	8,740,534	8,428,155
Right of use asset	12,670,361	12,675,155
Other assets	75,000	75,000
TOTAL ASSETS	\$ 156,006,052	\$ 119,639,802
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,166,032	\$ 3,536,640
Accrued compensation	7,584,285	7,696,858
Refundable advances	35,915,880	10,069,829
Contract liabilities	706,429	813,130
Lease liability, current portion	1,702,709	1,766,604
Line of credit	4,399,613	-
Notes payable, current portion	324,287	313,178
TOTAL CURRENT LIABILITIES	53,799,235	24,196,239
Lease liability, net of current portion	15,632,221	15,676,256
Notes payable, net of current portion	1,606,971	1,931,145
Deferred compensation liability	1,323,785	1,137,269
TOTAL LIABILITIES	72,362,212	42,940,909
Net Assets		
Without donor restrictions	69,180,801	64,118,631
With donor restrictions	14,463,039	12,580,262
TOTAL NET ASSETS	83,643,840	76,698,893
TOTAL LIABILITIES AND NET ASSETS	\$ 156,006,052	\$ 119,639,802

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

**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>OPERATING REVENUE AND SUPPORT</b>				
Federal grants and contracts	\$ 99,342,815	\$ -	\$ 99,342,815	\$ 80,844,273
Contributions	7,184,380	2,096,434	9,280,814	18,358,331
Contracts with customers	2,622,620	-	2,622,620	3,374,037
Carbon registry fees	5,601,765	-	5,601,765	5,815,905
Other income	234,762	-	234,762	286,592
Investment income appropriated for expenditures	2,189,000	-	2,189,000	2,059,396
Net assets released from restriction:				
Satisfaction of program restrictions	213,657	(213,657)	-	-
	<u>117,388,999</u>	<u>1,882,777</u>	<u>119,271,776</u>	<u>110,738,534</u>
<b>OPERATING EXPENSES</b>				
Program services				
Agriculture, resilience and water	38,234,965	-	38,234,965	35,734,671
Human rights, education and empowerment	35,739,664	-	35,739,664	30,566,306
Environment and energy	16,645,700	-	16,645,700	15,286,414
Other programs	9,909,346	-	9,909,346	6,759,068
	<u>100,529,675</u>	<u>-</u>	<u>100,529,675</u>	<u>88,346,459</u>
Total Program Services				
Management and general	18,276,916	-	18,276,916	15,954,743
	<u>118,806,591</u>	<u>-</u>	<u>118,806,591</u>	<u>104,301,202</u>
<b>TOTAL OPERATING EXPENSES</b>				
Change in net assets from operations	(1,417,592)	1,882,777	465,185	6,437,332
<b>Nonoperating Activities</b>				
Investment income (losses) in excess of appropriations	6,479,762	-	6,479,762	(12,482,995)
	<u>6,479,762</u>	<u>-</u>	<u>6,479,762</u>	<u>(12,482,995)</u>
Total Nonoperating Activities				
CHANGE IN NET ASSETS	5,062,170	1,882,777	6,944,947	(6,045,663)
NET ASSETS, BEGINNING OF YEAR	64,118,631	12,580,262	76,698,893	82,744,556
NET ASSETS, END OF YEAR	<u>\$ 69,180,801</u>	<u>\$ 14,463,039</u>	<u>\$ 83,643,840</u>	<u>\$ 76,698,893</u>

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

**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(With Summarized Financial Information for the Year Ended December 31, 2022)

	Agriculture, Resilience and Water	Human Rights, Education and Empowerment	Environment and Energy	Other Programs	Total Program Services	Management and General	2023 Total	2022 Total
Salaries and benefits	\$ 18,653,022	\$ 16,580,647	\$ 11,036,112	\$ 4,366,930	\$ 50,636,711	\$ 12,948,081	\$ 63,584,792	\$ 56,547,265
Subcontracts	9,923,569	3,548,468	637,603	1,690,681	15,800,321	-	15,800,321	11,678,800
Grants	1,592,055	4,699,849	948,324	2,500,199	9,740,427	-	9,740,427	9,166,750
Consultants and professional fees	2,170,492	1,761,959	1,076,920	558,369	5,567,740	1,030,017	6,597,757	6,512,172
Travel	1,560,103	1,778,013	648,981	212,842	4,199,939	566,997	4,766,936	4,173,361
Other	371,305	444,056	1,169,600	223,233	2,208,194	702,290	2,910,484	3,852,456
Office	792,401	677,202	223,096	127,444	1,820,143	1,580,486	3,400,629	3,449,295
Occupancy	1,059,268	1,340,983	312,872	16,541	2,729,664	256,957	2,986,621	2,828,881
Fellowships and training	847,247	2,541,637	352,819	14,510	3,756,213	152	3,756,365	2,639,524
Vehicles and equipment	1,116,496	965,612	104,129	158,613	2,344,850	102,012	2,446,862	1,499,330
Conferences, conventions and meetings	148,993	1,401,214	135,244	39,984	1,725,435	71,623	1,797,058	1,283,503
Depreciation and amortization	-	-	-	-	-	747,873	747,873	596,336
Interest	14	24	-	-	38	270,428	270,466	73,529
<b>TOTAL EXPENSES</b>	<b>\$ 38,234,965</b>	<b>\$ 35,739,664</b>	<b>\$ 16,645,700</b>	<b>\$ 9,909,346</b>	<b>\$ 100,529,675</b>	<b>\$ 18,276,916</b>	<b>\$ 118,806,591</b>	<b>\$ 104,301,202</b>

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

**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

(With Summarized Financial Information for the Year Ended December 31, 2022)

	2023	2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,944,947	\$ (6,045,663)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	747,873	596,336
Loss on disposal of property and equipment	-	50,000
Allowance for credit losses	170,292	174,823
Net realized and unrealized (gains) losses on investments	(7,099,567)	11,235,193
Amortization of right of use asset	802,183	811,299
Changes in assets and liabilities:		
Accounts receivable	(1,508,179)	(147,898)
Contributions and grants receivable	(7,706,438)	(1,439,302)
Prepaid expenses and deposits	674,317	(885,431)
Other assets	-	47,755
Accounts payable and accrued expenses	(320,995)	915,082
Accrued compensation	(112,573)	157,195
Refundable advances	25,846,051	(7,032,504)
Contract liabilities	(106,701)	(412,531)
Lease liability	(905,319)	(929,235)
Deferred compensation liability	186,516	(219,876)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>17,612,407</b>	<b>(3,124,757)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	3,788,934	236,812
Purchases of investments	(1,789,178)	(1,822,601)
Purchases of property and equipment	(1,060,252)	(628,107)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>939,504</b>	<b>(2,213,896)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	4,350,000	1,839,932
Payments on notes payable	(313,065)	(738,939)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,036,935</b>	<b>1,100,993</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>22,588,846</b>	<b>(4,237,660)</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<b>27,961,231</b>	<b>32,198,891</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR</b>	<b>\$ 50,550,077</b>	<b>\$ 27,961,231</b>
Cash and cash equivalents	\$ 47,753,357	\$ 26,063,956
Cash equivalents included in investments	2,666,602	1,767,157
Restricted cash	130,118	130,118
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 50,550,077</b>	<b>\$ 27,961,231</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 270,466	\$ 73,529
Conversion of line of credit to term loan	\$ -	\$ (2,320,932)
Conversion to term loan from line of credit	\$ -	\$ 2,320,932

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

# WINROCK INTERNATIONAL INSTITUTE FOR AGRICULTURAL DEVELOPMENT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *NATURE OF OPERATIONS*

Winrock International Institute for Agricultural Development (“Winrock”) is a not-for-profit organization that provides solutions to some of the world’s most complex social, agricultural and environmental challenges. A recognized leader in U.S. and international development, Winrock combines technical expertise with entrepreneurial innovation to improve lives around the globe. Major areas of focus include:

- Agriculture, resilience and water
- Human rights, education and empowerment
- Environment and energy
- Other programs including community and economic development.

Winrock holds a 20% ownership in the Innovation Fund, LLC, which was formed in October 2016 to promote the public welfare by making and administering loans or investments for the benefit of low and moderate income individuals and/or communities located in the State of Arkansas. Together, Winrock and the Innovation Fund, LLC are referred to as “Winrock” throughout these consolidated financial statements. The ownership interest is insignificant and is included in other assets in the accompanying consolidated financial statements.

In October 2019, Winrock International Foundation LLC (the Foundation) was formed as a single member LLC, with Winrock as the sole member. The Foundation is a not-for-profit organization exempt under Section 501(c)(3) of the IRC. The Foundation holds investments related to the board-designated endowment funds for Winrock, and may, from time to time, hold other assets.

In May 2020, Winrock Solutions, LLC (Winrock Solutions) was formed as a single member LLC, with Winrock as the sole member. Winrock Solutions is a not-for-profit organization exempt under Section 501(c)(3) of the IRC. Winrock Solutions furthers Winrock’s mission to provide solutions to some of the world’s most complex social, agricultural and environmental challenges.

In December 2020, Environmental Resources Trust, LLC (ERT) was formed as a single member LLC, with Winrock as the sole member. ERT is a not-for-profit organization exempt under Section 501(c)(3) of the IRC. ERT furthers Winrock’s mission to develop human resources and husbandry and improve natural resource management and enhance confidence in the scientific integrity and social equity of environmental markets to catalyze ambitious and transformational climate action.

**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***NATURE OF OPERATIONS (CONTINUED)***

The Foundation, Winrock Solutions, and ERT are disregarded entities for taxation purposes of Winrock, and all activities of these entities are reported on the tax return of Winrock.

Together, Winrock, the Foundation, Winrock Solutions, and ERT are referred to as the “Organization” throughout these consolidated financial statements.

***BASIS OF CONSOLIDATION***

The consolidated financial statements include the accounts of Winrock, the Foundation, Winrock Solutions, and ERT. All intercompany transactions and balances have been eliminated in consolidation.

***BASIS OF ACCOUNTING AND REPORTING***

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

***CASH AND CASH EQUIVALENTS***

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months at the time of acquisition. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

***RECEIVABLES***

Accounts receivable are recorded at their net realizable value. Accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against an allowance account. Winrock provides an allowance for credit losses for the amounts deemed uncollectible. The allowance is based on management’s analysis of historical collectability as well as expected future loss.

***INVESTMENTS***

The Organization’s investment portfolio is perpetual, and its central investment objective is to provide a stable stream of revenue to support operations while ensuring the highest total returns over the long term.

Investments consist of cash and cash equivalents, equity funds and securities, fixed-income funds and bonds, and investments in private credit and private equity funds. These investments are recorded in the accompanying consolidated statement of financial position at

**WINROCK INTERNATIONAL INSTITUTE FOR  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*INVESTMENTS (CONTINUED)*

fair value. Purchases and sales are reflected on a trade date basis. Interest, dividends, and realized gains or losses are recorded when earned. Changes in the fair value of the portfolio are included in investment income or loss in the consolidated statement of activities, net of investment expenses.

*FAIR VALUE*

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. They also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Following are the three levels of inputs that may be used to measure fair value:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following are the valuation methodologies the Organization uses to measure financial instruments at fair value:

Cash and cash equivalents held in investment accounts – Cash equivalents held in investment accounts are reflected at cost plus accrued interest.

Equity securities and mutual funds – Exchange-traded equity securities and mutual funds are generally valued based on quoted prices in an active market and are categorized in Level 1 of the fair value hierarchy.

Investments in private equity funds – The Organization’s investments in limited partnerships include direct private equity investments in private equity funds. Initially, the transaction price is generally considered to be the general partner’s best estimate of fair value.

**WINROCK INTERNATIONAL INSTITUTE FOR  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***FAIR VALUE (CONTINUED)***

Thereafter, the estimated fair value of investments in private equity funds, which are not readily marketable, is based on the ownership percentage of the underlying fund as of the measurement date. The funds value underlying securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the investment manager of the fund, and may not reflect amounts that could be realized upon immediate sale nor amounts that may be ultimately realized. The Organization follows the fair value measurement provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 practical expedient where investments measured at net asset value (NAV) are not reported within the fair value hierarchy.

Corporate bonds, government and agency bonds and municipal bonds – The estimated fair value is determined by discounting the related cash flows based on current yields of similar instruments with comparable characteristics, as provided by a third party using a computerized valuation formula. These bonds are not actively traded and are categorized as Level 2 of the fair value hierarchy.

***PROPERTY AND EQUIPMENT***

Property and equipment, including leasehold improvements, are carried at cost or, if donated, at their estimated fair value at the time of donation, net of accumulated depreciation or amortization. Purchases made by and donations received by the Organization in excess of \$5,000 and with an economic life in excess of one year are capitalized. Depreciation is provided for on a straight-line basis over the estimated useful life of each asset. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. The estimated useful lives, by classes of assets, are as follows:

	<u>Estimated Useful Lives</u>
Buildings and improvements	10-40
Equipment	3-10
Furniture and fixtures	3-20
Leasehold improvements	10-40

The costs of repairs and maintenance are recognized as an expense when incurred. Upon disposition of property and equipment, the related cost and accumulated depreciation or amortization are removed from the accounts and any gain or loss is reflected in the consolidated statement of activities.

**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***PROPERTY AND EQUIPMENT (CONTINUED)***

Property and equipment are reviewed annually for impairment or whenever events or changes in circumstances indicate that an asset's carrying value may not be recoverable. Impairment losses are recognized if expected future cash flows from the asset is less than its carrying value. The reduced basis resulting from an impairment loss is used as a new basis for calculating future period depreciation or amortization. The Organization recognized no impairment losses related to property and equipment during the year ended December 31, 2023.

Property and equipment outlays that are eligible for reimbursement under government grant agreements are expensed. The lengths of the projects are typically shorter than the life of the property and equipment. These items are then donated to the local agency or given back to the project funder once the project is completed.

***NET ASSETS***

Net assets are classified for reporting purposes based on the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories follow:

*Without donor restrictions* – Net assets that are not subject to donor-imposed restrictions. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*With donor restrictions* – Net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event or action of the Organization.

***REVENUE RECOGNITION***

A portion of the Organization's revenue is derived from cost-reimbursable federal grants and contracts and other non-federal contributions, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met the conditions in the specific contract or grant provisions. Amounts received prior to meeting the conditions are reported as refundable advances in the consolidated statement of financial position. Amounts recognized but not yet received under the agreements are included in contributions and grants receivable in the accompanying consolidated statement of financial position. Additionally, the Organization has similar agreements with international governmental agencies recognized under the same basis and are included in contribution revenue in the accompanying consolidated statement of activities when the conditions have been substantially met. Amounts earned and released in the same year under conditional awards are reported as support without donor restrictions in the accompanying consolidated statement of activities.

# WINROCK INTERNATIONAL INSTITUTE FOR AGRICULTURAL DEVELOPMENT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *REVENUE RECOGNITION (CONTINUED)*

The Organization recognizes all unconditional promises to give in the period in which the commitment is made and the value is measurable. Unconditional contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions. All unconditional promises to give are considered to be available for use unless specifically required by the donor. Amounts received that are designated for future periods or restricted for specific purposes are recorded as with donor restrictions. When a donor-stipulated time restriction expires or purpose restriction is met, 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. Unconditional contributions are reported at their net realizable value.

Contracts with customers are for agreements with non-federal agencies to provide specific services. Revenue is recognized under the agreements over time as the performance obligations are met.

Carbon registry fees includes amounts earned for various services provided under the Organization's Carbon Registry Software including the following: (i) accounts set up and annual renewal fee, (ii) credit activation fees, (iii) credit cancellation fees, (iv) transfer fees and (v) credit retirement fees. Account set up and annual renewal fees are recognized ratably over the annual period from which the account holder joined. Credit activation fees are recognized when the performance obligation has been satisfied, which occurs when the carbon credits held by the account holder are certified and listed on the exchange. Credit cancellation fees are recognized when the performance obligation is satisfied, which occurs when the carbon credits are cancelled and transferred to the California Carbon exchange. Transfer fees are recognized when the performance obligation is satisfied, which occurs when the account holder transfers credits to another account. Credit retirement fees are recognized as revenues when the performance obligation is satisfied, which occurs when the credits are cancelled to offset emissions. All consideration for the carbon credit related fees is variable based on the volume (in tons) of carbon credits utilized in each transaction. Revenues are recorded gross of expenses owed to a third party to administer the carbon registry and amounts uncollected are included in accounts receivable in the accompanying consolidated statement of activities.

#### *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of supporting the program and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional category of the Organization are reported as expenses of that functional category, while shared costs, including salaries and benefits, occupancy and

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)***

office expenses that benefit multiple functional categories have been allocated among the functional categories based on time studies and other methods. Fundraising, as defined by GAAP, includes the costs of soliciting contributions and grants. Salaried employees of the Organization did not expend significant effort for the solicitation of contributions during the year ended December 31, 2023, nor did the Organization incur significant other costs specific to fundraising during the year ended December 31, 2023.

***FOREIGN CURRENCY ADJUSTMENTS***

Winrock's functional currency for all operations worldwide is the U.S. dollar. Foreign monetary assets and liabilities are translated at exchange rates in effect at the end of the year. Accounts related to the statement of activities are translated at average monthly rates during the year. Gains and losses from translation of foreign currency into U.S. dollars are included in other expenses. Gains and losses resulting from foreign currency transactions are also included in other expenses.

***RECLASSIFICATIONS***

Certain reclassifications have been made to the 2022 balances to conform to 2023 financial statement presentation.

***MEASURE OF OPERATIONS***

Operating revenue and expenses generally reflect those revenues and expenses that management can influence, including annual appropriated operating support from earnings of the investment portfolio based on the spending formula established by the Organization's Board of Directors. Nonoperating activities include investment earnings (losses) of the investment portfolio in excess of the amount appropriated for operations.

***USE OF ESTIMATES***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***ADOPTION OF NEW ACCOUNTING STANDARDS***

In June 2016, the FASB issued guidance (FASB ASC 326), *Current Expected Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the entity that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

**NOTE 2 – ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of December 31, 2023:

Project advances	\$ 1,905,767
Contracts with customers	150,885
Carbon registry	670,460
Other receivables	<u>1,824,033</u>
Total Accounts Receivable	4,551,145
Less: Allowance for Credit Losses	<u>(54,531)</u>
Accounts Receivable, Net	<u>\$ 4,496,614</u>

All accounts receivable were due within one year.

**NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable, totaling \$18,219,527 as of December 31, 2023, were attributable to various donors and considered fully collectible. All amounts were due within one year. No discount on future receivables was recorded as it was not significant to the financial statements. As of December 31, 2023, contributions and grants receivable include unbilled receivables of \$1,479,678 relating to federal grants and contracts.

The Organization received several grants totaling approximately \$33,404,000 to support the Organization's conservation and other programs. Payments of these grants are subject to certain performance requirements and or the incurrence of qualifying expenses. The Organization recognized approximately \$18,261,000 as an unconditional contribution for the

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**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE (CONTINUED)**

year ended December 31, 2023. As of December 31, 2023, a total of approximately \$30,286,000 had been recognized on these conditional grants, with the remaining approximately \$3,118,000 yet to be recognized as revenue.

Additionally, the Organization has received cost-reimbursable grants from U.S. federal agencies totaling approximately \$721 million, of which approximately \$365 million had been obligated for expenditure. As of December 31, 2023, the Organization had approximately \$356 million committed but not yet funded under the obligated amounts that had yet to be recognized because conditions had not yet been met.

**NOTE 4 – INVESTMENTS**

Investments consisted of the following as of December 31, 2023:

Cash and cash equivalents held for investments	\$ 2,666,602
Equity investments:	
Equity mutual funds	28,537,602
Equity securities	16,646,804
Fixed-income investments:	
Government and agency bonds	4,888,381
Corporate bonds	2,159,393
Private securities	1,779,148
Municipal bonds	1,359,547
Fixed income mutual funds	638,526
Other investments:	
Private equity funds	656,065
Private credit	<u>366,942</u>
Total Investments	<u>\$ 59,699,010</u>

Included in investments is \$1,323,785 of investments held for a deferred compensation liability as of December 31, 2023.

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**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 5 – FAIR VALUE MEASUREMENT**

The following table presents the Organization’s hierarchy for its assets measured at fair value on a recurring basis as of December 31, 2023:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets measured at fair value:				
Investments:				
Equity investments:				
Equity mutual funds	\$ 28,537,602	\$ 28,537,602	\$ -	\$ -
Equity securities	16,646,804	16,646,804	-	-
Fixed-income investments:				
Government and agency bonds	4,888,381	-	4,888,381	-
Corporate bonds	2,159,393	-	2,159,393	-
Private securities	1,779,148	-	1,779,148	-
Municipal bonds	1,359,547	-	1,359,547	-
Fixed-income mutual funds	<u>638,526</u>	<u>-</u>	<u>638,526</u>	<u>-</u>
Total Investments in the Fair Value Hierarchy	56,009,401	<u>\$ 45,184,406</u>	<u>\$ 10,824,995</u>	<u>\$ -</u>
Cash and cash equivalents	2,666,602			
Other investments measured at NAV <sup>(a)</sup> :				
Private equity funds	656,065			
Private credit	<u>366,942</u>			
Total Investments	<u>\$ 59,699,010</u>			

<sup>(a)</sup> These investments are measured at NAV or its equivalent as a practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 5 – FAIR VALUE MEASUREMENT (CONTINUED)**

The following table discloses information concerning the fair value measurement of investments calculated using NAV per share as of December 31, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity funds	\$ 656,065	\$ -	N/A	N/A
Private credit	366,942	133,058	N/A	N/A

The fair value of the private equity funds is using the NAV per share of the investments. Investments in this category are not subject to redemption. The fund values are reduced through distributions that are received from liquidation of the underlying assets. As of December 31, 2023, it was estimated that the underlying assets of these funds will be liquidated over a period of 5 to 10 years.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2023:

Land	\$ 575,773
Buildings and improvements	3,917,304
Leasehold improvements	3,956,314
Software	2,589,885
Furniture and fixtures	154,565
Equipment	556,645
Construction in progress	<u>1,034,677</u>
Total Property and Equipment at Cost	12,785,163
Less: Accumulated Depreciation and Amortization	<u>(4,044,629)</u>
Property and Equipment, Net	<u>\$ 8,740,534</u>

For the year ended December 31, 2023, depreciation and amortization expense was \$747,873.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 7 – LINE OF CREDIT**

Winrock has an open-ended revolving line of credit agreement of up to approximately \$10,000,000 as of December 31, 2023. The line of credit was secured by investments and had interest rate of 6.82% as of December 31, 2023. At December 31, 2023, the line of credit had an outstanding balance of \$4,399,613. Interest expense associated with the line of credit totaled \$195,893 for the year ended December 31, 2023.

**NOTE 8 – NOTES PAYABLE**

In November 2021, Winrock amended the terms of its line of credit for its ERP project wherein the interest only period was extended to July 2022, and the loan converts to a term loan with 81 consecutive monthly principal and interest payments beginning October 3, 2022 through maturity date of June 3, 2029. At December 31, 2023, the note payable had an outstanding balance of \$1,931,258.

Future principal payments due under the note payable as of December 31, 2023 were as follows:

2024	\$ 324,287
2025	336,171
2026	348,296
2027	360,859
2028	373,825
Thereafter	<u>187,820</u>
Total Notes Payable	\$ 1,931,258
Less: Current Portion	<u>(324,287)</u>
Lease Liability, Noncurrent	<u>\$ 1,606,971</u>

Interest expense associated with notes payable totaled \$74,573 for the year ended December 31, 2023.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 9 – NET ASSETS**

***NET ASSETS WITHOUT DONOR RESTRICTIONS***

As of December 31 2023, the Organization’s net assets without donor restrictions were composed of the following:

Undesignated	\$ 13,849,134
Board-designated	<u>55,331,667</u>
Total Net Assets Without Donor Restrictions	<u>\$ 69,180,801</u>

***NET ASSETS WITH DONOR RESTRICTIONS***

As of December 31, 2023, net assets with donor restrictions were available for the following purposes:

Environment and energy	\$ 7,547,025
Agriculture resilience and water	1,493,309
Other programs	<u>5,422,705</u>
Total Net Assets With Donor Restrictions	<u>\$ 14,463,039</u>

**NOTE 10 – ENDOWMENT FUNDS**

The Organization has board-designated endowment funds that are included in net assets without donor restrictions. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

***INTERPRETATION OF RELEVANT LAW***

The Arkansas General Assembly issued the Arkansas Uniform Prudent Management of Institutional Funds Act. Unless there are explicit donor instructions, this law gives the boards of not-for-profit associations the flexibility to determine the appropriate use of endowment principal and related investment income.

Boards should consider the following factors in determining a prudent use of investment income and endowment principal:

- 1) general economic conditions
- 2) the possible effect of inflation or deflation
- 3) the expected tax consequences, if any, of investment decisions or strategies
- 4) the role that each investment or course of action plays within the overall investment portfolio of the fund
- 5) the expected total return from income and the appreciation of investments

# WINROCK INTERNATIONAL INSTITUTE FOR AGRICULTURAL DEVELOPMENT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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### NOTE 10 – ENDOWMENT FUNDS (CONTINUED)

#### *INTERPRETATION OF RELEVANT LAW (CONTINUED)*

- 6) other resources of the organization
- 7) the needs of the organization and the funds to make distributions and to preserve capital, and
- 8) an asset's special relationship or special value, if any, to the charitable purposes of the organization.

#### *RETURN OBJECTIVES AND SPENDING POLICY*

The Foundation Board has adopted an investment policy for endowment assets that strives to provide a stable stream of revenue in support of Winrock's operations. The Foundation Board expects that this stream of revenue will increase, on average, at least as fast as the rate of the general price inflation, and that there will be no erosion in the buying power of this revenue over time. The long-term goal of the Foundation Board is to manage the funds so that, after all the disbursements, the fund will maintain its value. The policies include investing in the following allowable investment vehicles: cash, cash equivalents, equity and fixed-income securities, mutual funds, and other assets.

The investment policy of the Organization allows the Foundation Board to approve spending up to 5% of the fund's average fair value. The fund's average fair value for the fiscal year is defined as the average of the fund's fair value at the end of the 12 calendar quarters ending on the most recent June 30. The Foundation Board approved spending was 4.0% of its fund for the year ended December 31, 2023.

#### *STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES*

The board-designated endowment funds are intended to be a permanent and presumably perpetual endowment, therefore, the directors have adopted a long-term investment strategy. The Foundation Board accepts the generally recognized principle that equity investments, although more volatile than other assets, offer the highest total returns over the long term. The Foundation Board therefore favors equity investments and other assets likely to produce the most favorable result over time. The Foundation Board also accepts the generally recognized principle that prudent diversification of investments offers considerable protection in an uncertain world. The Foundation Board therefore divides and allocates the board-designated endowment funds both among and within a number of asset classes. The current asset classes of the board-designated endowment funds are (i) equity securities including equity mutual funds, (ii) fixed-income securities, including fixed-income mutual funds, and (iii) private equity funds. It is expected that cash and cash equivalents will be held from time to time as reserves for future investment, but these are not considered to be a permanent asset class.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 10 – ENDOWMENT FUNDS (CONTINUED)**

Changes in board-designated endowment funds for the year ended December 31, 2023, which is included in net assets without donor restrictions, were as follows:

Board-designated endowment funds, beginning of year	\$ 50,512,145
Net investment income	8,601,821
Net appropriation for expenditures	<u>(3,782,299)</u>
Board-designated Endowment Funds, End of Year	<u>\$ 55,331,667</u>

**NOTE 11 – AVAILABILITY OF RESOURCES AND LIQUIDITY**

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Organization's financial assets available within one year of December 31, 2023 were:

Available Financial Assets:

Cash and cash equivalents	\$ 47,753,357
Investments redeemable in one year	58,375,225
Accounts receivable	4,496,614
Contributions and grants receivable	<u>18,219,527</u>
Total Financial Assets Available Within One Year	128,844,723

Less:

Financial assets unavailable for general expenditure within one year:	
Financial assets with donor restrictions	(14,463,039)
Financial assets unavailable without Board approval	<u>(55,331,667)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 59,050,017</u>

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, investments and lines of credit, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through regular monitoring and reviewing of the Organization's cash flow needs. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 11 – AVAILABILITY OF RESOURCES AND LIQUIDITY (CONTINUED)**

Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of the Organization's liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or available to support organizational initiatives. The Organization can liquidate the majority of its investments anytime, and therefore, the investments are available to meet current cash flow needs. Additionally, the Organization has board-designated net assets that could be available for current operations with Board approval.

**NOTE 12 – OPERATING LEASES**

The Organization entered into a noncancelable lease with the landlord for an office space in Arlington, VA in November 2019. The lease commenced on January 1, 2020, and is set to expire on June 30, 2034. The lease contains annual escalation clause of 2.75%. Additionally, the lease provides a tenant allowance of \$3,980,080 and requires a letter of credit equal to one monthly installment of the base rent. The balance of the letter of credit was \$130,118 as of December 31, 2023, and is shown as restricted cash in the accompanying consolidated statement of financial position. Winrock recorded a lease liability equal to the present value of the future payments under the terms of the lease, discounted at a risk free rate of return of 4.75%.

The Organization entered into a noncancelable lease with the landlord for an office space in Little Rock, AR in October 2023. The lease commenced on January 1, 2024, and is set to expire on December 31, 2028. The lease contains various incentives and annual escalation clause of 2%. Winrock recorded a lease liability equal to the present value of the future payments under the terms of the lease, discounted at a risk free rate of return of 3.93%.

The Organization also has noncancelable leases for its foreign offices in Kenya and Philippines which expires in July 2024 and December 2024, respectively.

The leases contain escalation clauses for increases in the annual minimum rent of 2% to 10%. Under GAAP, all rental payments, including rent increases, are recognized on a straight-line basis over the term of the lease. The Organization has also entered into multiple noncancelable leases for copiers for its office locations in Little Rock, AR and Arlington, VA. The leases contain fixed rate payments over the lease term that began in December 2019 and expire in December 2024.

All leases noted above are accounted for in accordance with ASC 842, *Leases*, and lease liabilities are recorded based on the present value of the future payments of the lease, discounted at estimated incremental borrowing rates between 3% and 5%, based on

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 12 – OPERATING LEASES (CONTINUED)**

comparable interest rates available to the Organization under borrowing arrangements for similar amounts and duration of the leases. The Organization has established right of use assets equal to the remaining lease liabilities under the lease agreements. The Organization has not considered leases with terms of less than twelve months in its analysis.

The Organization also leases office space in numerous foreign countries under short-term lease agreements, and has a number of operating lease agreements for various items of office equipment.

The weighted average lease term and discount rate as of December 31, 2023 were as follows:

Weighted average remaining lease term	10.38 years
Weighted average discount rate	4.71%

Future minimum lease payments due under this lease as of December 31, 2023 were as follows:

2024	\$ 1,908,575
2025	1,951,332
2026	2,029,382
2027	2,083,833
2028	2,139,766
Thereafter	<u>12,148,074</u>
Total Lease Liability	22,260,962
Less: Present Value Discount	(4,926,032)
Less: Current Portion	<u>(1,702,709)</u>
Lease Liability, Noncurrent	<u>\$ 15,632,221</u>

Rent expense, included in occupancy in the consolidated statement of functional expenses, was \$2,986,621 for the year ended December 31, 2023.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 13 – RISKS AND CONTINGENCIES**

***CASH***

The Organization maintains cash accounts in countries in which it operates. Cash balances totaling \$2,346,443 at December 31, 2023, were held by banks in foreign countries. Those funds that are held in the denominations of the foreign countries are subject to valuation adjustments based on exchange rates in effect at any given time. These cash accounts are not insured by the Federal Deposit Insurance Corporation (FDIC) and may not be insured by any other means. Furthermore, transfers of these funds back to the United States may be restricted due to local market conditions or the laws governing such transactions in the country where the funds are maintained.

In addition to cash held by banks in foreign countries, the Organization maintains cash balances in domestic banks, which aggregate balance, at times, may exceed the FDIC insured limit of \$250,000 per depositor per institution. As of December 31, 2023, the Organization exceeded the maximum limit insured by the FDIC by approximately \$44,250,000. The Organization monitors the creditworthiness of these banks and has not experienced any credit losses on its cash and cash equivalents.

***FEDERAL GRANTS***

Funding from the United States Agency for International Development primary award accounted for approximately 63% of total revenue and support, excluding net investment income for 2023. Funding from other United States government agencies accounted for approximately 18% of total revenue and support, excluding net investment income for 2023.

***CONTRIBUTIONS AND GRANTS RECEIVABLE***

Contributions and grants receivable are from a variety of third parties that potentially subject the Organization to concentrations of credit risk since the Organization generally does not require collateral from these third parties. Such credit risk is considered by management to be limited due to the Organization's donor base and its donors' financial resources. At December 31, 2023, approximately 52% of contributions and grants receivable was due from one entity.

***INVESTMENT RISKS***

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in fair values will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 13 – RISKS AND CONTINGENCIES (CONTINUED)**

***FOREIGN OPERATIONS***

The Organization's field operations are primarily taking place in foreign countries, and the political, social, and economic factors within these countries give rise to the potential for economic risks and uncertainties. The Organization evaluates these factors regularly but does not consider any factors to be significant in relation to operations at December 31, 2023.

***COMPLIANCE AUDIT***

The Organization has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although the Organization expects such amounts, if any, to be insignificant.

**NOTE 14 – RETIREMENT PLANS**

The Organization maintains a 403(b) retirement plan that covers substantially all benefit-eligible employees, including expatriates, and provides for employer contributions equal to 10% of the gross salary of each employee. Vesting of employer contributions occurs after one year of service. For the year ended December 31, 2023, employer contributions to the plan totaled \$2,718,658, which is included in salaries and benefits in the consolidated statement of functional expenses.

The Organization's employees who are not U.S. citizens participate in a separate retirement savings plan which is also a defined contribution plan. For the year ended December 31, 2023, employer contributions to the plan totaled \$375,138, which is included in salaries and benefits in the consolidated statement of functional expenses.

In addition, the Organization has a deferred compensation plan for its eligible executives under the IRC Section 457(b). Under the Section 457(b) plan, salary deferral and employer contributions to the plan are fully vested. Deferred compensation investments, included as part of investments, and liabilities of \$1,323,785 as of December 31, 2023 were included in the accompanying consolidated statement of financial position, and represent the cumulative amount of contributions to the plan, as well as accumulated earnings and losses since the plan's inception.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**NOTE 15 – INCOME TAXES**

The Organization is exempt from income taxes under Section 501(c)(3) of the IRC and a similar provision of state law, except for taxes on unrelated business income. For the year ended December 31, 2023, no provision for income taxes was made, as the Organization had no net significant unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertainty in income taxes for the year ended December 31, 2023, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2023, there were tax returns that remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files, however, there are currently no audits for any tax periods pending or in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest or income tax expense. As of December 31, 2023, the Organization had no accruals for interest and/or penalties.

**NOTE 16 – PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION**

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**NOTE 17 – SUBSEQUENT EVENT**

The Organization has evaluated all subsequent events for potential recognition and disclosure through June 25, 2024, the date the consolidated financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

**WINROCK INTERNATIONAL INSTITUTE FOR  
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**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**DECEMBER 31, 2023**

	Winrock International	Winrock International Foundation	Winrock Solutions	Environmental Resources Trust	Eliminations	Total
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 47,707,806	\$ 3,192	\$ 36,296	\$ 6,063	\$ -	\$ 47,753,357
Restricted cash	130,118	-	-	-	-	130,118
Accounts receivable, current	4,144,813	-	448,373	896,727	(993,299)	4,496,614
Contributions and grants receivable, current	15,858,045	-	1,911,476	450,006	-	18,219,527
Due from affiliates, net	-	-	4,248,815	8,845,866	(13,094,681)	-
Prepaid expenses and deposits	4,179,354	-	8,334	33,843	-	4,221,531
<b>TOTAL CURRENT ASSETS</b>	<b>72,020,136</b>	<b>3,192</b>	<b>6,653,294</b>	<b>10,232,505</b>	<b>(14,087,980)</b>	<b>74,821,147</b>
Investments	1,430,660	58,268,350	-	-	-	59,699,010
Property and equipment, net	8,740,534	-	-	-	-	8,740,534
Right of use asset	12,670,361	-	-	-	-	12,670,361
Other assets	75,000	-	-	-	-	75,000
<b>TOTAL ASSETS</b>	<b>\$ 94,936,691</b>	<b>\$ 58,271,542</b>	<b>\$ 6,653,294</b>	<b>\$ 10,232,505</b>	<b>\$ (14,087,980)</b>	<b>\$ 156,006,052</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued expenses	\$ 2,599,652	\$ 993,299	\$ 286,038	\$ 280,342	\$ (993,299)	\$ 3,166,032
Accrued compensation	7,584,285	-	-	-	-	7,584,285
Due to affiliates, net	11,148,105	1,946,576	-	-	(13,094,681)	-
Refundable advances	33,696,654	-	2,134,596	84,630	-	35,915,880
Contract liabilities	-	-	574,781	131,648	-	706,429
Lease liability, current portion	1,702,709	-	-	-	-	1,702,709
Line of credit	4,399,613.14	-	-	-	-	4,399,613
Notes payable, current portion	324,287.30	-	-	-	-	324,287
<b>TOTAL CURRENT LIABILITIES</b>	<b>61,455,305</b>	<b>2,939,875</b>	<b>2,995,415</b>	<b>496,620</b>	<b>(14,087,980)</b>	<b>53,799,235</b>
Lease liability, net of current portion	15,632,221	-	-	-	-	15,632,221
Notes payable, net of current portion	1,606,971	-	-	-	-	1,606,971
Deferred compensation liability	1,323,785	-	-	-	-	1,323,785
<b>TOTAL LIABILITIES</b>	<b>80,018,282</b>	<b>2,939,875</b>	<b>2,995,415</b>	<b>496,620</b>	<b>(14,087,980)</b>	<b>72,362,212</b>

*See auditors' report on supplementary information.*

**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)**

**DECEMBER 31, 2023**

	Winrock International	Winrock International Foundation	Winrock Solutions	Environmental Resources Trust	Eliminations	Total
Net Assets						
Without donor restrictions	\$ 13,144,806	\$ 55,331,667	\$ (4,031,557)	\$ 4,735,885	\$ -	\$ 69,180,801
With donor restrictions	1,773,603	-	7,689,436	5,000,000	-	14,463,039
<b>TOTAL NET ASSETS</b>	<b>14,918,409</b>	<b>55,331,667</b>	<b>3,657,879</b>	<b>9,735,885</b>	<b>-</b>	<b>83,643,840</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 94,936,691</b>	<b>\$ 58,271,542</b>	<b>\$ 6,653,294</b>	<b>\$ 10,232,505</b>	<b>\$ (14,087,980)</b>	<b>\$ 156,006,052</b>

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**WINROCK INTERNATIONAL INSTITUTE FOR  
AGRICULTURAL DEVELOPMENT AND AFFILIATES**

**CONSOLIDATING SCHEDULE OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Winrock International	Winrock International Foundation	Winrock Solutions	Environment Resources Trust	Eliminations	Consolidated Total
<b>OPERATING REVENUE AND SUPPORT</b>						
Federal grants and contracts	\$ 99,342,815	\$ -	\$ -	\$ -	\$ -	99,342,815
Contributions	1,421,163		6,122,121	1,737,530	-	9,280,814
Contracts with customers	2,622,620		-	-	-	2,622,620
Carbon registry fees	-		-	5,601,765	-	5,601,765
Grants from affiliates	4,137,900		-	-	(4,137,900)	-
Other income	38,494		196,268	-	-	234,762
Investment income appropriated for expenditures	-	2,189,000	-	-	-	2,189,000
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>107,562,992</b>	<b>2,189,000</b>	<b>6,318,389</b>	<b>7,339,295</b>	<b>(4,137,900)</b>	<b>119,271,776</b>
<b>OPERATING EXPENSES</b>						
Program services						
Grants to affiliates	-	3,782,299	-	355,601	(4,137,900)	-
Agriculture, resilience and water	37,531,431	-	703,534	-	-	38,234,965
Human rights, education and empowerment	35,195,724	-	543,940	-	-	35,739,664
Environment and energy	9,335,106	-	990,567	6,320,027	-	16,645,700
Other programs	5,237,171	-	4,672,175	-	-	9,909,346
<b>Total Program Services</b>	<b>87,299,432</b>	<b>3,782,299</b>	<b>6,910,216</b>	<b>6,675,628</b>	<b>(4,137,900)</b>	<b>100,529,675</b>
Management and general	15,236,102	-	1,487,796	1,553,018	-	18,276,916
<b>TOTAL OPERATING EXPENSES</b>	<b>102,535,534</b>	<b>3,782,299</b>	<b>8,398,012</b>	<b>8,228,646</b>	<b>(4,137,900)</b>	<b>118,806,591</b>
Change in net assets from operations	5,027,458	(1,593,299)	(2,079,623)	(889,351)	-	465,185
<b>Nonoperating Activities</b>						
Investment income after appropriations	66,941	6,412,821	-	-	-	6,479,762
<b>Total Nonoperating Activities</b>	<b>66,941</b>	<b>6,412,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,479,762</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,094,399</b>	<b>4,819,522</b>	<b>(2,079,623)</b>	<b>(889,351)</b>	<b>-</b>	<b>6,944,947</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>9,824,010</b>	<b>50,512,145</b>	<b>5,737,502</b>	<b>10,625,236</b>	<b>-</b>	<b>76,698,893</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 14,918,409</b>	<b>\$ 55,331,667</b>	<b>\$ 3,657,879</b>	<b>\$ 9,735,885</b>	<b>\$ -</b>	<b>\$ 83,643,840</b>

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