

**FORD MOTOR COMPANY AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government Incentives**

We receive incentives from U.S. and non-U.S. governmental entities in the form of tax rebates or credits, grants, and loans. Government incentives are recorded in our consolidated financial statements in accordance with their purpose as a reduction of expense or other income. The benefit is generally recorded when all conditions attached to the incentive have been met and there is reasonable assurance of receipt. Government incentives related to capital investment are recognized in *Net Property* as a reduction to the net book value of the related asset. The incentives are recognized over the life of the asset as a reduction to depreciation and amortization expense.

During 2022, we were awarded incentives by the State of Tennessee related to land, capital, and property tax abatements in connection with Ford's capital investment in our new electric vehicle assembly plant and job commitments. These incentives are available until December 2051. The fair value of the land benefit in 2022 was \$ 144 million and was recorded in *Net Property* fully offset by the value of the incentive. A capital grant of \$ 285 million is expected to be received in 2023 and will reduce the depreciation and amortization expense over the life of the related assets.

In 2022, we were also awarded incentives by the Canadian government and Province of Ontario in connection with the development of electric vehicles at our Oakville Assembly Plant. Equipment, tooling, and labor incentives of C\$ 590 million are expected to be received over the terms of the agreements beginning in 2024 through 2033 and will be recognized as a reduction of the related expenses.

Ford may also indirectly benefit from incentives and grants awarded to companies with which we are affiliated but are not included in our consolidated financial statements.

Ford's receipt of government incentives could be subject to reduction, termination, or claw back. Claw back provisions are monitored for ongoing compliance and are accrued for when losses are deemed probable and estimable (see Note 25).

**Selected Other Costs**

Engineering, research, and development expenses are reported in *Cost of sales* and primarily consist of salaries, materials, and associated costs. Engineering, research, and development costs are expensed as incurred when performed internally or when performed by a supplier if we guarantee reimbursement. Advertising costs are reported in *Selling, administrative, and other expenses* and are expensed as incurred. Engineering, research, development, and advertising expenses for the years ended December 31 were as follows (in billions):

	2020		2021		2022	
Engineering, research, and development	\$	7.1	\$	7.6	\$	7.8
Advertising		2.8		3.1		2.2