Heifer Project International

Consolidated Financial Report and
Supplementary Information
June 30, 2022

Contents

Independent Auditor's Report

Board of Directors
Heifer Project International

Report on the Audit of Financial Statements

Opinion
We have audited the consolidated financial statements of Heifer Project International (the Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual organizations and is 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 consolidating supplementary 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
October 31, 2022

Heifer Project International

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	**$ 42,164,718**	$ 50,490,624
Restricted cash and cash equivalents	**17,849,759**	24,324,917
Accounts and interest receivable, net of allowance and discount	**7,689,954**	6,191,613
Grant reimbursements receivable	**508,686**	576,593
Prepaid expenses	**2,217,488**	1,560,299
Investments	**3,245,133**	2,705,611
Contributions receivable, net of allowance and discount	**3,421,601**	5,457,683
Interest in net assets of Heifer International Foundation	**183,059,147**	197,029,344
Property and equipment, net of accumulated depreciation	**40,069,547**	40,556,172
Total assets	**$ 300,226,033**	$ 328,892,856
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 8,676,901**	$ 8,272,682
Accrued expenses	**5,346,569**	5,286,475
Deferred revenue	**12,020,871**	18,533,605
Notes payable and long-term loans	**-**	7,002,100
Line of credit--related party	**2,685,067**	2,582,628
Total liabilities	**28,729,408**	41,677,490
Commitments and contingencies (Notes 6, 7, 10 and 16)		
Net assets:		
Without donor restrictions	**78,912,809**	78,462,759
With donor restrictions	**192,583,816**	208,752,607
Total net assets	**271,496,625**	287,215,366
Total liabilities and net assets	**$ 300,226,033**	$ 328,892,856

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ 130,161,671	$ 7,512,618	$ 137,674,289
Federal government grants	1,610,157	-	1,610,157
Other grants	21,017,944	-	21,017,944
Educational programs	190,217	-	190,217
Promotional events and material sales, net of cost	27,657	-	27,657
Contributed nonfinancial assets	6,686,363	-	6,686,363
Other income	2,334,581	-	2,334,581
Change in interest in net assets of Heifer International Foundation	3,688,227	(13,970,196)	(10,281,969)
Net assets released from restrictions	9,711,213	(9,711,213)	-
Total revenues, gains and other support	175,428,030	(16,168,791)	159,259,239
Expenses and losses:			
Program services	129,450,632	-	129,450,632
Management and general	7,610,252	-	7,610,252
Fundraising	37,224,053	-	37,224,053
Total expenses and losses	174,284,937	-	174,284,937
Change in net assets from operations	1,143,093	(16,168,791)	(15,025,698)
Other changes in net assets:			
Foreign currency translation adjustment	(693,043)	-	(693,043)
Total change in net assets	450,050	(16,168,791)	(15,718,741)
Net assets, beginning of year	78,462,759	208,752,607	287,215,366
Net assets, end of year	$ 78,912,809	$ 192,583,816	$ 271,496,625

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ 115,633,275	$ 4,337,161	$ 119,970,436
Federal government grants	410,859	-	410,859
Other grants	18,974,118	41,784	19,015,902
Educational programs	44,640	-	44,640
Promotional events and material sales, net of cost	66,561	-	66,561
Contributed nonfinancial assets	7,108,916	-	7,108,916
Other income	1,824,618	-	1,824,618
Change in interest in net assets of Heifer International Foundation	2,405,306	57,987,631	60,392,937
Net assets released from restrictions	4,640,952	(4,640,952)	-
Total revenues, gains and other support	151,109,245	57,725,624	208,834,869
Expenses and losses:			
Program services	90,023,297	-	90,023,297
Management and general	6,238,192	-	6,238,192
Fundraising	38,569,797	-	38,569,797
Total expenses and losses	134,831,286	-	134,831,286
Change in net assets from operations	16,277,959	57,725,624	74,003,583
Other changes in net assets:			
Foreign currency translation adjustment	187,791	-	187,791
Total change in net assets	16,465,750	57,725,624	74,191,374
Net assets, beginning of year	61,997,009	151,026,983	213,023,992
Net assets, end of year	$ 78,462,759	$ 208,752,607	$ 287,215,366

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (15,718,741)**	$ 74,191,374
Adjustments to reconcile change in net assets to net cash		
(used in) provided by operating activities:		
Depreciation	**3,413,150**	3,575,931
Forgiveness of the Paycheck Protection Program Loan	**(4,049,200)**	
Change in allowance for bad debts	**(177,580)**	(148,679)
Amortization of contribution receivable discount	**(114,404)**	(152,289)
Change in interest in net assets of Heifer International Foundation	**10,281,969**	(60,392,937)
(Gain) loss on disposals of equipment	**(202,034)**	5,489
Unrealized foreign exchange differences of fixed assets	**98,561**	(40,277)
Net realized and unrealized losses on investments	**(31,139)**	59,085
Stock donation	**(2,673,449)**	(2,381,674)
Proceeds from sales of donated stock	**2,682,760**	2,377,912
Changes in:		
Accounts and interest receivable	**(1,440,983)**	(2,484,158)
Grant reimbursements receivable	**67,907**	102,668
Prepaid expenses and other	**(1,174,883)**	(327,377)
Contributions receivable	**2,270,708**	3,501,524
Accounts payable	**(11,061)**	2,277,467
Accrued expenses	**60,094**	(432,686)
Deferred revenue	**(6,512,734)**	6,942,906
Net cash (used in) provided by operating activities	**(13,231,059)**	26,674,279
Cash flows from investing activities:		
Purchase of property and equipment	**(2,705,162)**	(1,609,566)
Proceeds from disposals of property and equipment	**297,391**	666,871
Proceeds from distributions from Heifer International Foundation	**3,688,227**	3,521,876
Contributions to Heifer International Foundation	**-**	(1,116,570)
Net cash provided by investing activities	**1,280,456**	1,462,611
Cash flows from financing activities:		
Net borrowings under line of credit	**102,439**	522,632
Principal payments on long-term loan payable	**(2,952,900)**	(1,109,743)
Net cash used in financing activities	**(2,850,461)**	(587,111)
(Decrease) increase in cash, cash equivalents and restricted cash	**(14,801,064)**	27,549,779
Cash, cash equivalents and restricted cash—beginning of year	**74,815,541**	47,265,762
Cash, cash equivalents and restricted cash—end of year	**$ 60,014,477**	$ 74,815,541

(Continued)

Heifer Project International

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2022 and 2021

		2022		2021
Supplemental schedule of noncash operating and investing activities:				
Purchases of property and equipment in accounts payable	$	415,281	$	190,966
Donation of stock	$	2,673,449	$	2,381,674
Forgiveness of Paycheck Protection Program Loan	$	4,049,200	$	-
Supplemental disclosures of cash flow information—interest paid	$	57,148	$	172,832
Reconciliation of cash, cash equivalents and restricted cash:				
Cash and cash equivalents	$	42,164,718	$	50,490,624
Restricted cash (assets restricted for long-term purposes)		17,849,759		24,324,917
Total cash, cash equivalents and restricted cash	$	60,014,477	$	74,815,541

See notes to consolidated financial statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: Heifer Project International (the Organization) believes ending global hunger and poverty begins with agriculture. For 78 years, Heifer Project International has invested in smallholder farmers around the world, supporting them to build businesses that are economically and environmentally sustainable. Through interventions designed to increase social capital, economic growth and overall resilience, Heifer Project International connects farmers to markets.

Founded in 1944 and originally incorporated in Indiana in 1953, Heifer Project International was formed as an Arkansas corporation in 1997 and is headquartered in Little Rock. Operating in 21 countries across Africa, Asia and the Americas, Heifer Project International provides farmers with technical assistance and opportunities to strengthen essential skills, including finance and business management. Farmers receive farming inputs including livestock and seeds, expert support to improve the quality and quantity of the goods they produce, as well as connections to local and international markets to increase sales and incomes. Heifer Project International works across a range of value chains, including food crops, livestock, spices and textiles.

Through relationships with governments, the private sector, small businesses, nonprofit organizations and other entities, Heifer Project International creates unique solutions to local challenges, designed to build inclusive, resilient economies.

Heifer Project International's revenue and other support are derived principally from contributions from individuals and groups in the United States.

Principles of consolidation: The consolidated financial statements (collectively, the financial statements) include the accounts of the Organization along with its activities carried out through international country program offices, some of which are registered as branch offices of Heifer Project International U.S. and others of which are formed as legally separate entities (LSEs). It is the Organization's policy to consolidate financial statements for those offices that meet both control and economic interest factors as per Accounting Standards Codification (ASC) Subtopic 958-810, Not-for-Profit Entities—Consolidation. Financial statements and supplemental schedules herein are therefore reported based on a consolidation of the Organization's U.S. domestic operations with operations of the Organization's country offices for which the control and economic interest criteria prevail. All significant intercompany accounts and transactions are eliminated in consolidation.

The table below lists Heifer Project International's branch and LSE offices included in these financial statements:

Africa	Asia	Americas	Europe
Ethiopia	Bangladesh	Ecuador LSE	Germany
Ghana***	Cambodia	Guatemala	
Kenya	Cambodia LSE	Haiti	
Nigeria LSE*	India	Honduras	
Malawi	India LSE	Mexico	
Rwanda	India LSE Passing Gifts**	Mexico LSE	
Senegal	Korea (South) LSE*	Nicaragua	
Tanzania	Nepal	Shared Wealth Ventures, LLC	
Uganda	Nepal LSE		
Zambia			
Zimbabwe			

* Added to consolidation in fiscal year 2021
** Added to consolidation in fiscal year 2022
*** Operations discontinued during fiscal year 2022

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

In addition to its U.S. program and operations, the Organization's financial statements for the fiscal years ended June 30, 2022 and 2021, included activity for the 29 international entities listed above. As of June 30, 2022, the Organization was in the process of establishing two other legally separate entities including an entity in Kenya which has been formed but has no financial activity to date, and a new legally separate entity being formed in Bangladesh.

Shared Wealth Ventures, LLC is a legally separate entity wholly owned by Heifer Project International that was formed in fiscal year 2018 to engage in impact investing that supports Heifer Project International's charitable mission. A secondary objective is to provide a reasonable financial return for investors. Shared Wealth Ventures, LLC uses a variety of investment vehicles to create impact, including loans, equity, convertible notes and guarantees.

In addition to the consolidated branch offices and LSEs, the Organization collaborates with other LSEs connected to the Organization by relationship agreements. These entities are excluded from financial consolidation by Heifer Project International management under ASC Subtopic 958-810. Under agreement, some of these entities carry the Heifer name, and all are involved in either project implementation using a shared Heifer model or providing funding for Heifer Project International programs, and in some cases, both. Common factors for each of these entities include formation as independent entities legally separate from the Organization, a largely independent governing board, and a relationship agreement with Heifer Project International. All such LSEs are encouraged to be self-supporting in their fundraising efforts and to be self-governing. The Organization does, however, work with these entities to solicit contributions to support program activities. For the fiscal years ended June 30, 2022 and 2021, $407,887 and $597,360, respectively, of the Organization's expenses consisted of funding provided to these unconsolidated related entities.

Heifer International Foundation (the Foundation or HIF) is a financially interrelated organization established to build an endowment to generate ongoing support for Heifer Project International's mission, to educate people on how planned charitable giving supports Heifer Project International's mission, and to serve as a fiduciary for the Foundation's donors. Heifer Project International has economic interest in the net assets of HIF; however, the Foundation maintains separate control of its net assets through its own board of trustees. The Organization's limited representation on the Foundation's board does not rise to the level of control through a majority voting interest. The Organization records its interest in the net assets of the Foundation under ASC Subtopic 958-20, Not-for-Profit Entities—Financial Interrelated Entities.

Use of estimates: Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions. Reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period, are affected by such estimates, and actual results could differ.

Cash and cash equivalents: The Organization considers all liquid investments with maturities of three months or less to be cash equivalents. The Organization occasionally maintains cash balances in excess of United States federally insured amounts. The Organization has not experienced any losses in such accounts.

Restricted cash: Heifer Project International maintains separate cash or cash equivalent accounts for amounts required by donor agreement to be separately held or amounts advanced by foundations, corporations or government agencies in advance of achievement of specific contractual restrictions.

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

Program-related investments: The Organization makes program-related investments (PRIs) through its wholly owned Shared Wealth Ventures, LLC subsidiary. These PRIs are comprised primarily of loans, guarantees of non-related-party debt, and equity investments, all made to further the Organization's charitable purpose by connecting farmers and farmer owned agribusinesses with access to capital, enabling them to achieve self-reliance more quickly. Additionally, the Organization works with financial intermediaries to build capacity and design loan products that provide loans to farmers on reasonable terms.

As of June 30, 2022 and 2021, the Organization's PRI loan portfolio was $5,644,478 and $4,698,520, respectively, included in accounts and interest receivable on the consolidated statements of financial position. Loans are measured at fair value at inception and are recorded net of discount (if a contribution element exists) or a reasonable loss reserve. The loss reserve is reviewed annually and adjusted if collectability risk has significantly changed based on the Organization's understanding of the borrower's financial health and payment history. Costs of making loans are expensed as incurred, and no loss reserve has been recorded for the years ended June 30, 2022 and 2021. The Organization has provided loan guarantees of $8,112,386 and $7,962,386, of which loss exposure related to the guarantees is $6,665,134 and $4,895,209, as of June 30, 2022 and 2021, respectively. The PRI portfolio includes two equity investments valued at $473,000 as of June 30, 2022 and 2021, which are recorded within other assets on the consolidated statements of financial position.

Investments and investment return: The Organization's investments, primarily consisting of mutual funds and private equity, were $3,245,133 and $2,705,611 at June 30, 2022 and 2021, respectively. Investments in equity and debt securities having readily determinable fair values are carried at fair value. Private equity investments without readily determinable values are carried at fair value determined through the use of a valuation methodology undertaken by an independent third party. Investment return includes dividend, interest and other investment income, and realized and unrealized gains and losses on investments. In accordance with ASC Section 958-225-45-8, Not-for-Profit Entities—Income Statement, investment return is reflected in the consolidated statements of activities as net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. Investments are recorded within other assets on the consolidated statements of financial position as of June 30, 2022 and 2021. Net investment return is recorded within other income on the consolidated statements of activities for the years ended June 30, 2022 and 2021.

Beneficial interest in assets held by HIF: Heifer Project International and HIF are financially interrelated entities with a common mission. HIF seeks private support for and holds net assets on behalf of Heifer Project International. HIF transfers assets to Heifer Project International when approved by HIF's trustees. Heifer Project International's interest in the net assets of HIF is accounted for in a manner similar to the equity method of accounting. The interest is reflected as an asset on the Organization's consolidated statements of financial position at an amount equal to HIF's net assets held for Heifer Project International. The Organization's overall interest in net assets of HIF was $183,059,147 and $197,029,344 at June 30, 2022 and 2021, respectively.

Accounts receivable: Accounts and interest receivable consist primarily of cash advances to various subgrantees (also referred to as project holders) of the Organization's country programs. These advances are made under letters of agreement executed for project funding and include detailed project budgets and requirements for programmatic and financial progress and routine reporting. As the project holders submit the required reports documenting the project spending, the advanced funds are then reflected in the consolidated statements of activities as program services expenses.

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

Accounts receivable also includes receivables from dairy farmer business associations (DFBAs) for project equipment procured by the Organization using the East Africa Dairy Development (EADD) investment fund, as well as advances to or collections by local banks providing DFBA financing. Under the agreement with the Gates Foundation, the EADD investment fund was established to provide a source of funding for initial procurement of chilling plant equipment, and funding for and then guarantee of loan financing to local farmer associations. At June 30, 2022 and 2021, $670,444 and $732,271, respectively, remained in accounts receivable from the DFBAs, against which was recorded an allowance for doubtful accounts of $475,204 and $519,426 for the years ended June 30, 2022 and 2021, respectively. The allowance for doubtful accounts was established using management estimates based upon repayment performance to date and other factors.

Contributions receivable: Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received.

The Organization also receives conditional promises to give, which are not recognized as revenue or included in receivables until such time as the conditions are substantially met. Conditional promises may be given by foundations, corporations or government agencies desiring to partner with the Organization in project funding. Such funding arrangements may take the form of grant awards, contribution agreements, cooperative agreements, relationship agreements or memorandums of understanding. Common to each of these arrangements is that payments are contingent upon achieving significant monitored and reported progress in project implementation. Cash received in advance of achievement of the contractual requirements is reported as deferred revenue. While payments may be scheduled in accordance with a budget proposal, actual payments generally vary in timing and amount based upon the progress of project activities. As of June 30, 2022 and 2021, the Organization had $42,885,016 and $41,887,612, respectively, of outstanding conditional promises to give.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method based on estimated useful lives of three to 20 years for vehicles, furniture, fixtures and equipment, and 10 to 40 years for buildings and land improvements. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Long-lived asset impairment: The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2022 or 2021.

Accrued expenses: Accrued expenses include expenses incurred, recognized and unpaid at the end of the period, such as compensation and related taxes, interest on long-term debt, and service fees.

Deferred revenue: Deferred revenue consists primarily of payments made by foundations, corporations or government agencies in advance of achievement of specific contractual restrictions, and deposits made in advance for facility rentals.

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

Net assets: Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: These net assets are available for use in general operations and are not subject to donor restrictions or those net assets with donor restrictions that have been satisfied.

Net assets with donor restrictions: These net assets are subject to donor-imposed restrictions. These include net assets that are subject to purpose or time restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

Heifer Project International's net assets with donor restrictions include the Organization's interest in the net assets of HIF. While Heifer Project International's interest in the net assets of HIF is included in the Organization's financial statements, availability of this asset is limited by HIF bylaws and by HIF donor stipulation. HIF's net assets include amounts that donors have stipulated be used for specified purposes of Heifer Project International, as well as amounts donors have stipulated be held in perpetuity, with the income thereon to be used as specified by the donor. HIF accounts for endowments using the standards included in ASC Subtopic 958-205, Not-for-Profit Entities—Presentation of Financial Statements and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was adopted by the state of Arkansas in the 2009 legislative session.

Revenue: Heifer Project International follows ASC Topic 606, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Income generated from contracts with customers consist of produce and livestock sales, educational programs, and promotional event sales and are not considered to be Heifer Project International's main sources of support. These revenues are recognized when the corresponding event takes place or when control of the product or livestock is transferred to the customer.

Contributions: Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions, as are gifts having donor stipulations that are satisfied in the period the gift is received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. The Organization also accounts for gifts received in response to designated mass market appeals as revenue without donor restrictions yet designated for the purpose disclosed in the fundraising appeal. Therefore, such gifts are used as intended, generally within the same fiscal year, yet without being classified as with donor-imposed restrictions as required by larger gifts accompanied by specific donor stipulation. Gifts received with a donor stipulation specifically limiting their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets without donor restrictions.

Contributions of non-financial assets: In fiscal year 2022, Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* addressing presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets was adopted. This guidance is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhanced presentation and disclosure.

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

This ASU requires that nonfinancial assets are presented as separate line items in the statement of activities and disclosures include a disaggregation of the amount contributed by category, a description of donor restrictions if any, and valuation techniques for the nonfinancial assets received. The update was applied on a retrospective basis to the contributions recognized in the fiscal years ended June 30, 2022 and 2021. The adoption did not have a material impact on the Organization financial statements.

In-kind contributions of media and broadcast time in the form of public service announcements were received during the fiscal years ended June 30, 2022 and 2021, with estimated values of $6,642,079 and $7,020,029, respectively and included within the contributed nonfinancial assets line item on the statements of activities. The estimated fair value was provided by an independent third party.

Unpaid volunteers make contributions of their time, principally in fundraising activities and in the Organization’s education programs. The value of these services is not recognized in the financial statements, since they do not meet certain applicable criteria specified under guidance issued under ASC Topic 958, Not-for-Profit Entities.

Grants and contracts: Support funded by grants is generally recognized as the Organization performs the agreed-upon services and incurs outlays eligible for reimbursement under the grant agreements. ASC Sections 958-605-15 through 958-605-55, Not-for-Profit Entities—Revenue Recognition, are applied in distinguishing contributions from exchange transactions and distinguishing between conditional and unconditional contributions. This funding is generally subject to contractual restrictions, which must be met through the incurrence of qualifying expenditures for specified programs. In applying this guidance, most grant funding is accounted for as exchange transactions.

Revenue from grants and contracts is recognized only when funds are utilized by the Organization to carry out the activity stipulated in the related agreement. Funds received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income taxes: The Organization is exempt from income taxes in the United States of America under section 501 of the Internal Revenue Code and a similar provision of state law. While Heifer Project International is a tax-exempt organization, the Organization is still subject to income tax on any unrelated business taxable income. No tax liability was required to be recorded for unrelated business income as of June 30, 2022 and 2021. Certain countries in which the Organization operates do not exempt charitable companies from taxes; therefore, the Organization may be subject to taxes in those countries. Shared Wealth Ventures, LLC, the Organization’s wholly owned subsidiary, is considered a disregarded entity for tax purposes.

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

Functional allocation of expenses: The Organization's expenses have been summarized on a functional basis in the consolidated statements of activities. Costs are directly allocated to functional categories where a clear relationship exists. The Organization's international field offices exist for the direct mission purpose of international development project implementation and management. Accordingly, all costs incurred by field offices are considered programmatic for purposes of functional allocation classification as reported in the consolidated statements of activities. Other costs incurred at the Heifer Project International headquarters level are allocated among program, management and general, and fundraising categories, directly where such relationship is clear, and indirectly based on time studies, headcount and other ratable allocation methods. The Organization conducts activities that jointly serve its education program objectives as well as fundraising and general and administrative activities. These costs, which are not specifically attributable to a single function or activity (i.e., joint costs), are allocated among functional categories using systematic, consistently applied methods in accordance with ASC Section 958-720-55, Not-for-Profit Entities—Other Expenses—Accounting for Costs of Activities that Include Fundraising.

Transactions in currency other than the U.S. dollar: The U.S. dollar is the reporting currency for the Organization. The Organization has operations in countries other than the United States that are translated to the Organization's reporting currency. Transaction gains or losses are reflected in program services expense in the consolidated statements of activities. Gains or losses upon translation of field office activities to U.S. dollar reporting are reflected as a separate line item adjustment to change in net assets as reported on the consolidated statements of activities.

Recent accounting pronouncement: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective-interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact the Organization's financial statements, as the Organization has certain operating and land lease arrangements for which it is the lessee. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which delays the effective date of the new leases standard for nonpublic not-for-profits that have not yet issued their financial statements reflecting its adoption. Those entities may elect to adopt the new guidance for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Therefore, this ASU will be effective for the Organization beginning with the fiscal year ending June 30, 2023. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Note 2. Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investments not required for annual operations. As of June 30, 2022 and 2021, the following financial assets are available to meet annual operating needs of the upcoming fiscal years:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 42,214,718	$ 50,540,624
Accounts receivable, net	2,495,958	813,722
Grants receivable	508,686	576,593
Contributions receivable available for operations	1,915,425	2,557,233
Distribution from beneficial interest in assets held by HIF	7,642,107	4,432,972
	$ 54,776,894	$ 58,921,144

Heifer Project International has various sources of liquidity at its disposal, including cash and cash equivalents, and a line of credit. See Note 7 for information about the Organization's line of credit.

Note 3. Contributions of Non-Financial Assets

Contributed nonfinancial assets utilized in programs and activities for the years ended June 30, 2022 and 2021, are as follows:

Category	Utilization	Valuation	2022	2021
Agricultural	Development programs	Lower of cost or market or net realizable value	$ 6,645	$ 64,512
Public service announcement (PSA)	Fundraising and public info	Market value of PSA from the service provider	6,642,079	7,020,029
Supplies	Development programs, general and administrative	Fair value provided by donor, lower of cost or market or net realizable value	37,639	24,375
		Total	$ 6,686,363	$ 7,108,916

The above non-financial assets were utilized in operational and program activities consistent with donor restrictions, where applicable.

Note 4. Contributions Receivable

Contributions receivable are considered restricted as to timing, since the funds from such contributions are not available for use until received by the Organization. Contributions receivable at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Due within one year	$ 1,915,425	$ 2,557,233
Due within five years	1,586,777	3,133,933
Due beyond five years	234,610	316,354
	3,736,812	6,007,520
Less:		
Allowance for uncollectible pledges	180,154	300,376
Unamortized discount	135,057	249,461
	$ 3,421,601	$ 5,457,683

At June 30, 2022 and 2021, one donor accounted for 69% and 75% of total contributions receivable, respectively.

Note 5. Interest in Net Assets of Heifer International Foundation

The Organization recognizes revenue for its change in interest in net assets of HIF after first taking into consideration the effect of any HIF distribution transactions during the year, as well as Heifer Project International transfers to the HIF endowment. The Organization accounts for distributions from HIF to Heifer Project International as asset transfers, decreasing the Organization’s interest in the net assets of HIF. Conversely, transfers by Heifer Project International to the HIF endowment are recognized as increases to Heifer’s interest in net assets of HIF. During the years ended June 30, 2022 and 2021, the Organization’s overall interest in net assets of HIF (decreased) increased by $(13,970,196) and $57,987,631, respectively.

The components of Heifer Project International’s net increase in interest in net assets of HIF are summarized in the following table:

	2022	2021
Beginning balance, July 1	$ 197,029,344	$ 139,041,713
HIF distributions to Heifer	(4,470,595)	(3,521,876)
Undesignated bequests transferred to HIF	782,368	1,116,570
Heifer’s change in interest in net assets to HIF	(10,281,970)	60,392,937
Net (decrease) increase in Heifer’s interest in net assets	(13,970,197)	57,987,631
Ending balance, June 30	$ 183,059,147	$ 197,029,344

Note 5. Interest in Net Assets of Heifer International Foundation (Continued)

The Organization and HIF both receive contributions in the form of testamentary bequests wherein Heifer Project International is named beneficiary, which, unless otherwise restricted by the donor, are accounted for as contributions without donor restrictions to Heifer Project International and may, at the Organization's discretion, be transferred to HIF. For the years ended June 30, 2022 and 2021, the Organization contributed bequest revenues of $782,368 and $1,116,570, respectively, to the HIF endowment. Heifer Project International's contributions to the HIF endowment are recorded through the Organization's interest in net assets of HIF. The Organization recognizes that such transfers to the HIF endowment do not meet the FASB's definition of a contribution as per ASC Section 958-605-20, since Heifer Project International is ultimately the beneficiary of the transfers. However, they do qualify as donor-restricted additions to HIF's endowment under the legal standards of UPMIFA as codified in Arkansas Code Annotated (ACA) §28-69-801 and following, especially ACA §28-69-802 and §28-69-804 (along with the Uniform Law Comments thereto). As required by law, HIF recognizes these transfers as donor-restricted increases to its permanent endowment fund, and thus, its net assets with donor restrictions. To ensure a meaningful financial statement presentation, Heifer Project International management has elected to retain HIF's net asset with donor restrictions classification for these funds in recognizing the Organization's change in interest in net assets of HIF.

The Organization's net assets with donor restrictions reflect the Foundation's net assets with donor restrictions that are to be held and invested in perpetuity, with the income thereon to be used as specified by the donor.

The Foundation recorded total net assets at June 30, 2022 and 2021, of $183,059,147 and $197,029,344, respectively, which make up a portion of Heifer Project International's net assets with donor restrictions.

In accordance with ASC Section 958-205-45, Losses of an Endowment Fund, the Foundation records investment losses on net assets with donor restrictions against net assets without donor restrictions, which may result in a net negative net asset without donor restrictions balance recorded by HIF. The Organization applies a net negative HIF net asset without donor restrictions balance against its own net assets without donor restrictions. However, Heifer Project International records a net positive HIF net asset without donor restriction balance as donor-restricted, which in essence recognizes that these assets remain unavailable to the Organization until authorized for distribution by the Foundation's donors and board. For the years ended June 30, 2022 and 2021, HIF reported net assets without donor restrictions of $37,749,813 and $25,952,703, respectively, which are included as a portion of the Organization's net assets with donor restrictions balance.

Note 6. Property and Equipment

Property and equipment is carried at cost, net of accumulated depreciation, and at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Land and improvements	$ 11,406,256	$ 11,412,702
Buildings	43,630,300	43,659,895
Vehicles	6,274,500	5,254,453
Furniture, fixtures, hardware and software	20,763,808	20,077,016
Construction in progress	584,902	380,839
	82,659,766	80,784,905
Less accumulated depreciation	42,590,219	40,228,733
	$ 40,069,547	$ 40,556,172

Heifer Project International capitalizes acquisitions of property and equipment with consideration to thresholds for useful life and amount. The Organization's capitalization thresholds vary by type of asset and location, with minimum amounts ranging between $5,000 and $10,000 and minimum useful lives between three and five years.

Depreciation expense amounted to $3,413,150 and $3,575,931 for the years ended June 30, 2022 and 2021, respectively, of which $752,451 and $836,297, respectively, relates to the depreciation expense recorded by country programs during the current and previous fiscal year. Costs, including depreciation expenses, incurred at the country-office level are included in program services costs from grants and field operations as disclosed in Note 13.

Note 7. Lines of Credit

The Organization has two revolving credit facilities with HIF. The available line of credit for operating expenses is the greater of $8,000,000 or 10% of the market value of the HIF total endowment, $17,655,222, with draws against this line of credit to have a maximum repayment term of three years and accrue interest at an agreed-upon rate no higher than the prime rate. During the years ended June 30, 2022 and 2021, there were no draws made under this line of credit agreement and, therefore, no interest was paid to the Foundation.

The Organization entered into a revolving line of credit agreement with HIF during 2018 that is only available to the Organization for use in connection with the impact investments made by Shared Wealth Ventures, LLC. The available line of credit is $7,500,000 and draws against the line accrue interest at 3%. The Organization made four draws totaling $102,439 and eight draws totaling $622,632 during the years ended June 30, 2022 and 2021, respectively. The Organization made repayments of $0 and $100,000 during the years ended June 30, 2022 and 2021, respectively. The outstanding balance as of June 30, 2022 and 2021, is $2,685,067 and $2,582,628, respectively.

Note 8. Notes Payable and Long-Term Loans

Notes payable: In April 2020, Heifer Project International entered into a Small Business Administration (SBA) Paycheck Protection Program (PPP) unsecured loan with Southern Bancorp for $4,049,200. The Organization applied for loan forgiveness for the total amount of the loan in July 2021. The loan bears interest at a fixed rate of 1.0% with interest payable monthly starting on the date the SBA remits the loan forgiveness to the lender. Any portion of the principal not forgiven is due April 28, 2022.

On July 30, 2021, the PPP loan was forgiven in full by the lender and is included within contributions on the statement of activities for the year ended June 30, 2022, in accordance with ASC Subtopic 958-605, Revenue Recognition—Contributions as all conditions for forgiveness had been met. The SBA may audit any PPP loan at its discretion until the end of the required document retention period for the loan. For the Organization's PPP loan, this period is 6 years, measured from the date the Organization applied for forgiveness.

Long-term loans: In November 2018, the Organization entered into a five-year unsecured loan agreement with HIF for $5,655,000. This loan was used to redeem revenue bonds that financed the Organization's capital improvements. The loan bears interest at a fixed rate of 3.50% with semiannual interest and principal payments of $622,688 through December 1, 2023.

As of June 30, 2021, the principal balance for the HIF loan was $2,952,900. The loan was paid off in February 2022.

Note 9. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes:

	2022	2021
Subject to expenditure for specified purpose:		
Sustainable projects	$ 6,239,611	$ 6,268,377
Promises to give, the proceeds from which have been restricted by donors for:		
Sustainable projects	3,085,728	5,133,145
	9,325,339	11,401,522
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	199,330	321,741
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by HIF	183,059,147	197,029,344
	$ 192,583,816	$ 208,752,607

Note 9. Net Assets (Continued)

Net assets released from restrictions: Net assets were released from donor restrictions after incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows during the years ended June 30:

	2022	2021
Satisfaction of purpose restrictions:		
Sustainable projects	$ 7,952,922	$ 2,626,204
Promises to give, the proceeds from which have been restricted by donors for:		
Sustainable projects	1,627,030	1,763,014
	9,579,952	4,389,218
Expiration of time restrictions	131,261	251,734
	$ 9,711,213	$ 4,640,952

Note 10. Revenue from Contracts with Customers

Significant changes in deferred revenue for the years ended June 30, 2022 and 2021, are as follows:

	2022	2021
Deferred revenue, beginning of year	$ 18,533,605	$ 11,590,699
Increases in deferred revenue due to cash received during the year	6,170,515	19,255,911
Revenue recognized	(12,683,249)	(12,313,005)
Deferred revenue, end of year	$ 12,020,871	$ 18,533,605

Note 11. Operating Leases

The Organization has entered into noncancelable operating leases expiring in calendar years 2022 through 2031 representing leases for office space. Future minimum lease payments at June 30, 2022, were as follows:

	U.S. Offices	International Offices	Total
Years ending June 30:			
2023	$ 298,721	$ 99,810	$ 398,531
2024	306,189	14,867	321,056
2025	313,844	-	313,844
2026	321,690	-	321,690
2027	329,732	-	329,732
Thereafter	1,339,627	-	1,339,627
	$ 2,909,803	$ 114,677	$ 3,024,480

Rental expense for all Heifer Project International U.S. operating leases was $223,461 and $254,826 for the years ended June 30, 2022 and 2021, respectively. Many of the Organization’s international country offices lease office space, for which rental expense amounted to approximately $756,000 and $607,000 for the years ended June 30, 2022 and 2021, respectively.

Note 12. Retirement Plans

The Organization sponsors two defined contribution retirement plans: a 403(b) plan and a nonqualified offshore retirement plan. All U.S.-based employees are eligible for the 403(b) plan. Certain country directors and other staff who are based in international countries are participants in the nonqualified offshore retirement plan. During the 2022 and 2021 fiscal years, a 3% employer contribution was made to the 403(b) plan as well as an employer match contribution of 2% for every 1% the employee contributed, up to a maximum of 4%. A 10% contribution was made to the nonqualified offshore retirement plan during both the 2022 and 2021 fiscal years. All contributions are based on the gross salaries of each participant in the plan. The Organization's contributions to the retirement plans were $1,289,155 and $919,894 for the years ended June 30, 2022 and 2021, respectively.

Note 13. Functional Expenses

The Organization classified expenses functionally for the years ended June 30, 2022 and 2021, as follows:

	2022			
	Program Services	Management and General	Fundraising	Total Expenses
Program costs—grants and field operations	$ 70,882,698	$ -	$ -	$ 70,882,698
Salaries and wages	13,229,761	2,993,379	5,252,700	21,475,840
Payroll taxes	972,748	203,614	398,235	1,574,597
Retirement plan contributions	883,875	187,881	338,689	1,410,445
Other employee benefits	1,322,232	299,059	497,963	2,119,254
Other personnel expenses	619,169	69,463	206,124	894,756
Volunteer expenses	32,469	-	-	32,469
Travel	717,035	56,388	118,724	892,147
Conferences and meetings	268,823	17,097	31,404	317,324
Occupancy	864,494	246,933	215,441	1,326,868
Equipment—minor purchases, rentals maintenance	1,748,225	539,372	459,299	2,746,896
Supplies	301,302	11,622	31,926	344,850
Printing and other media expense	4,130,542	35,452	4,234,625	8,400,619
Marketing and promotion expense	9,817,915	714,146	3,135,629	13,667,690
Accounting and audit fees	216,514	306,919	22,327	545,760
Legal fees	110,314	125,751	47,157	283,222
Other professional and consulting fees	14,802,538	382,993	16,522,734	31,708,265
Property and casualty insurance	184,592	244,796	84,886	514,274
Communications charges	264,261	175,435	152,611	592,307
Postage, shipping and freight	3,561,602	48,362	4,076,843	7,686,807
Depreciation	1,699,806	473,995	486,898	2,660,699
Interest expense	26,606	16,409	14,223	57,238
Other expenses	2,793,111	461,186	895,615	4,149,912
Total expenses and losses	$ 129,450,632	$ 7,610,252	$ 37,224,053	$ 174,284,937

Note 13. Functional Expenses (Continued)

	2021			
	Program Services	Management and General	Fundraising	Total Expenses
Program costs—grants and field operations	$ 44,631,594	$ -	$ -	$ 44,631,594
Salaries and wages	11,234,674	2,752,156	5,011,713	18,998,543
Payroll taxes	872,751	189,516	386,307	1,448,574
Retirement plan contributions	517,072	113,268	218,259	848,599
Other employee benefits	1,175,726	280,191	481,868	1,937,785
Other personnel expenses	1,187,717	33,473	152,320	1,373,510
Volunteer expenses	36,098	-	-	36,098
Travel	163,128	4,642	53,629	221,399
Conferences and meetings	12,152	3,564	3,468	19,184
Occupancy	772,037	191,783	167,302	1,131,122
Equipment—minor purchases, rentals maintenance	748,478	355,483	361,997	1,465,958
Supplies	327,650	24,177	272,187	624,014
Printing and other media expense	3,563,990	29,455	4,133,830	7,727,275
Marketing and promotion expense	10,743,825	187,972	1,801,089	12,732,886
Accounting and audit fees	77,466	263,075	26,731	367,272
Legal fees	104,426	125,773	51,582	281,781
Other professional and consulting fees	6,070,285	245,372	18,773,996	25,089,653
Property and casualty insurance	177,751	226,832	78,661	483,244
Communications charges	373,310	149,605	189,952	712,867
Postage, shipping and freight	3,374,170	45,382	4,193,360	7,612,912
Depreciation	1,798,593	440,697	500,344	2,739,634
Interest expense	-	40,519	-	40,519
Other expenses	2,060,404	535,257	1,711,202	4,306,863
Total expenses and losses	$ 90,023,297	$ 6,238,192	$ 38,569,797	$ 134,831,286

Note 14. Allocation of Joint Costs

The Organization conducts activities that include requests for contributions, as well as program and management and general components. Those activities include combined educational campaigns and fundraising solicitations through appeals, which include solicitations, as well as educational material that further a nonfundraising, educational program mission of the Organization. For the years ended June 30, 2022 and 2021, the costs of conducting these appeals included a total of $10,646,365 and $10,638,455, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs are included in printing and other media expense, marketing and promotion expense, and the postage, shipping and freight line items within the functional expense tables presented in Note 13 and were allocated as follows:

	2022	2021
Fundraising	$ 5,876,895	$ 5,847,105
Educational programs	4,769,470	4,791,350
	$ 10,646,365	$ 10,638,455

Note 15. Disclosures About Fair Value of Financial Instruments

ASC Topic 820, Fair Value Measurements, defines fair value as the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Topic 820 requires certain assets and liabilities to be presented within the fair value hierarchy. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2: Valuations are based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Fair values are determined through the use of models or other valuation methodologies.

Level 3: Valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These inputs into the determination of fair value require significant management judgment or estimation.

The following methods were used by management to estimate the fair value of financial instruments:

Cash and cash equivalents and restricted cash: The carrying amount is a reasonable estimate of fair value due to the short-term nature of these assets.

Accounts and contributions receivable: Receivables expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received. For short-term receivables, the carrying amount is a reasonable estimate of fair value due to the short-term nature of the balances.

Accounts payable: The carrying amount is a reasonable estimate of fair value due to the short-term nature of these liabilities.

Program-related investments: Program-related equity investments described in Note 1 are carried on the consolidated statements of financial position at estimated fair value. The Organization has valued these investments at acquisition cost when acquired. Subsequent valuation will be at net asset value (NAV) per share as a practical expedient. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Investments: Investments described in Note 1 and included in prepaid expenses and other are carried on the consolidated statements of financial position at estimated fair value. A significant portion of the investment assets are classified within Level 2 because they are private equity securities that are not available for sale and do not have readily determinable fair values. The fair values are determined by a Market Approach valuation analysis conducted by an independent third party. Accordingly, these investments are classified by management as Level 2 assets in the fair value hierarchy as of June 30, 2022 and 2021.

Note 16. Significant Estimates and Concentrations

U.S. GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Assets maintained in foreign countries: The Organization maintains significant assets in the countries in which it operates. These assets generally are composed of cash and property and equipment that are used in programs. At June 30, 2022 and 2021, cash balances totaling $10,042,841 and $11,426,860, respectively, were held by banks in foreign countries, and property and equipment with a net carrying value of $3,124,815 and $2,206,844, respectively, was held by foreign program offices.

Cash balances that are held in the denominations of the foreign country 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 and may not be insured by any other means. Transfers of 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 assets are maintained.

Note 17. Contingencies

Legal: The Organization is a party to certain legal proceedings arising in the normal course of business. Management believes the ultimate outcome of pending legal matters will not be material to the financial condition and future operations of the Organization. Liability insurance is maintained as coverage against risks arising in the normal course of its business.

Grants: The Organization has received grants for specific purposes that are subject to review and audit by the grantor. Such audits could lead to a request for reimbursement to the grantor for expenditures disallowed under the terms of the grant. Organization management believes the disallowances, if any, will be immaterial to the financial statements.

COVID-19: On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic. In many of the countries where Heifer Project International operates, economies have ceased or limited operations for long or indefinite periods of time. The resulting disruptions have included travel bans, lockdowns, quarantines and other actions to control the spread of the virus. The impact on Heifer Project International’s operations have included challenges in implementing some of the Organization’s programmatic activities and, at the same time, allowed the Organization to address broken supply chains for its small holder farmers through alternate interventions. Overall, COVID-19 has not had a material impact on the financial results.

Note 18. Subsequent Events

The Organization has evaluated events that occurred until October 31, 2022, the date the financial statements were issued.

Supplementary Information

Heifer Project International

Consolidating Statement of Financial Position
June 30, 2022

	Headquarters	Africa	Asia	Americas	Europe	Eliminations	Total
Assets							
Cash and cash equivalents	$ 32,121,876	$ 3,429,491	$ 2,959,521	$ 3,629,681	$ 24,149	$ -	$ 42,164,718
Restricted cash	17,849,759						17,849,759
Accounts and interest receivable, net of allowance and discount	6,149,766	112,553	873,406	554,229	-	-	7,689,954
Intercompany account receivable	4,326,519	38,579	18,463	65,029	-	(4,448,590)	-
Grant reimbursements receivable	241,610	198,188	45,428	30,348	-	(6,888)	508,686
Prepaid expenses and other	4,991,466	337,094	68,151	65,910	-	-	5,462,621
Contributions receivable, net of allowance and discount	3,417,658	-	3,943	-	-	-	3,421,601
Interest in net assets of Heifer International Foundation	183,059,147	-	-	-	-	-	183,059,147
Property and equipment, net of accumulated depreciation	36,944,731	1,546,414	806,491	921,811	-	(149,900)	40,069,547
Total assets	$ 289,102,532	$ 5,662,319	$ 4,775,403	$ 5,267,008	$ 24,149	$ (4,605,378)	$ 300,226,033
Liabilities and Net Assets							
Liabilities:							
Accounts payable	$ 4,547,456	$ 634,098	$ 833,665	$ 2,661,682	$ -	$ -	$ 8,676,901
Intercompany accounts payable	4,312,987	51,910	301,324	136,848	-	(4,803,069)	-
Accrued expenses	1,995,880	1,582,782	664,778	1,103,129	-	-	5,346,569
Deferred revenue	9,421,037	1,022,734	103,738	1,470,817	-	2,545	12,020,871
Notes payable and long-term loans	-	-	-	-	-	-	-
Line of credit	2,685,067	-	-	-	-	-	2,685,067
Total liabilities	22,962,427	3,291,524	1,903,505	5,372,476	-	(4,800,524)	28,729,408
Net assets:							
Without donor restrictions	73,556,289	2,370,795	2,871,898	(105,468)	24,149	195,146	78,912,809
With donor restrictions	192,583,816	-	-	-	-	-	192,583,816
Total net assets	266,140,105	2,370,795	2,871,898	(105,468)	24,149	195,146	271,496,625
Total liabilities and net assets	$ 289,102,532	$ 5,662,319	$ 4,775,403	$ 5,267,008	$ 24,149	$ (4,605,378)	$ 300,226,033

Heifer Project International

Consolidating Statement of Activities (Without Donor Restrictions)
Year Ended June 30, 2022

	Headquarters	Africa	Asia	Americas	Europe	Eliminations	Total
Revenues, gains and other support:							
Contributions	$ 130,179,052	$ 18,672,180	$ 16,315,835	$ 15,824,125	$ -	$ (50,829,521)	$ 130,161,671
Federal government grants	1,220,573	30,229	-	359,355	-	-	1,610,157
Other grants	9,115,878	4,131,103	3,630,801	4,140,162	-	-	21,017,944
Educational programs	190,217	-	-	-	-	-	190,217
Promotional events and material sales, net of cost	27,657	-	-	-	-	-	27,657
Contributed nonfinancial assets	6,686,363	-	-	-	-	-	6,686,363
Other	2,005,763	191,769	52,620	84,429	-	-	2,334,581
Change in interest in net assets of Heifer International Foundation	3,688,227	-	-	-	-	-	3,688,227
Net assets released from restrictions	9,711,213	-	-	-	-	-	9,711,213
Total revenues, gains and other support	162,824,943	23,025,281	19,999,256	20,408,071	-	(50,829,521)	175,428,030
Expenses and losses:							
Program services	116,517,105	22,496,299	19,886,923	21,726,809	809	(51,177,313)	129,450,632
Management and general	7,610,252	-	-	-	-	-	7,610,252
Fundraising	37,224,053	-	-	-	-	-	37,224,053
Total expenses and losses	161,351,410	22,496,299	19,886,923	21,726,809	809	(51,177,313)	174,284,937
Change in net assets from operations	1,473,533	528,982	112,333	(1,318,738)	(809)	347,792	1,143,093
Other changes in net assets:							
Foreign currency translation adjustment	(131,480)	(46,123)	(312,272)	(199,730)	(3,438)	-	(693,043)
Total change in net assets	1,342,053	482,859	(199,939)	(1,518,468)	(4,247)	347,792	450,050
Net assets, beginning of year	72,214,236	1,887,936	3,071,837	1,413,000	28,396	(152,646)	78,462,759
Net assets, end of year	$ 73,556,289	$ 2,370,795	$ 2,871,898	$ (105,468)	$ 24,149	$ 195,146	$ 78,912,809