Heifer Project International

Consolidated Financial Report and
Supplementary Information
June 30, 2019

Contents

Independent Auditor's Report

Board of Directors
Heifer Project International

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Heifer Project International, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heifer Project International as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Basis of Presentation
Heifer Project International adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of the Financial Statements of Not-for-Profit Entities*, during the current fiscal year. The adoption of the standard resulted in an additional footnote disclosure and significant changes to the classification of net assets and the disclosures related to net assets. The adoption was retrospectively applied to June 30, 2018, the earliest year presented. Our opinion is not modified with respect to this matter.

Supplementary and Other Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents on Pages 25 and 26, are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of Heifer Project International's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
October 7, 2019

Heifer Project International

Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	**$ 44,559,730**	$ 47,128,790
Restricted cash	**2,000,000**	6,998,825
Accounts and interest receivable, net of allowance and discount	**3,019,204**	2,728,847
Grant reimbursements receivable	**1,727,191**	382,009
Prepaid expenses and other	**4,006,177**	2,177,696
Contributions receivable, net of allowance and discount (Note 3)	**2,410,128**	2,307,146
Interest in net assets of Heifer International Foundation (Note 4)	**136,324,328**	124,242,028
Property and equipment, net of accumulated depreciation (Note 5)	**43,988,821**	44,932,716
Total assets	**$ 238,035,579**	$ 230,898,057
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 5,690,027**	$ 4,227,039
Accrued expenses	**5,462,140**	4,124,768
Deferred revenue	**13,148,048**	10,152,192
Bonds and notes payable (Note 7)	**-**	9,770,000
Line of credit (Note 6)	**5,133,259**	-
Total liabilities	**29,433,474**	28,273,999
Commitments and contingencies (Notes 6, 7, 9 and 15)		
Net assets:		
Without donor restrictions	**69,216,181**	72,547,996
With donor restrictions (Note 8)	**139,385,924**	130,076,062
Total net assets	**208,602,105**	202,624,058
Total liabilities and net assets	**$ 238,035,579**	$ 230,898,057

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ 100,042,948	$ 2,941,591	$ 102,984,539
Federal government grants	513,538	-	513,538
Other grants	18,225,098	58,358	18,283,456
Educational programs	974,424	-	974,424
Promotional events and material sales, net of cost	483,508	-	483,508
Other	2,004,686	-	2,004,686
Change in interest in net assets of Heifer International Foundation (Note 4)	1,546,199	12,082,300	13,628,499
Net assets released from restrictions (Note 8)	5,772,387	(5,772,387)	-
Total revenues, gains and other support	129,562,788	9,309,862	138,872,650
Expenses and losses:			
Program services (Note 11)	102,026,301	-	102,026,301
Management and general (Note 11)	6,507,673	-	6,507,673
Fundraising (Note 11)	24,145,192	-	24,145,192
Total expenses and losses	132,679,166	-	132,679,166
Change in net assets from operations	(3,116,378)	9,309,862	6,193,484
Other changes in net assets:			
Foreign currency translation adjustment	(215,437)	-	(215,437)
Total change in net assets	(3,331,815)	9,309,862	5,978,047
Net assets, beginning of year	72,547,996	130,076,062	202,624,058
Net assets, end of year	$ 69,216,181	$ 139,385,924	$ 208,602,105

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ 102,132,146	$ 3,903,248	$ 106,035,394
Federal government grants	891,699	-	891,699
Other grants	11,268,431	3,575,542	14,843,973
Educational programs	1,157,085	-	1,157,085
Promotional events and material sales, net of cost	464,858	-	464,858
Other	2,552,042	-	2,552,042
Change in interest in net assets of Heifer International Foundation (Note 4)	(5,150,233)	10,513,655	5,363,422
Net assets released from restrictions (Note 8)	7,832,560	(7,832,560)	-
Total revenues, gains and other support	121,148,588	10,159,885	131,308,473
Expenses and losses:			
Program services (Note 11)	91,054,230	-	91,054,230
Management and general (Note 11)	6,410,077	-	6,410,077
Fundraising (Note 11)	23,692,129	-	23,692,129
Total expenses and losses	121,156,436	-	121,156,436
Change in net assets from operations	(7,848)	10,159,885	10,152,037
Other changes in net assets:			
Foreign currency translation adjustment	(144,789)	-	(144,789)
Total change in net assets	(152,637)	10,159,885	10,007,248
Net assets, beginning of year	72,700,633	119,916,177	192,616,810
Net assets, end of year	$ 72,547,996	$ 130,076,062	$ 202,624,058

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 5,978,047	$ 10,007,248
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,484,290	3,538,089
Change in allowance for bad debts	(7,513)	(32,652)
Amortization of pledge discount	(12,018)	(11,590)
Change in interest in net assets of Heifer International Foundation	(13,628,499)	(5,363,422)
Loss (gain) on disposals of equipment	22,640	(811,893)
Unrealized foreign exchange differences of fixed assets	109,602	35,623
Net realized and unrealized (gains) losses on investments	(4,054)	12,132
Stock donation	(2,523,962)	(1,790,473)
Proceeds from sales of donated stock	1,032,708	1,791,519
Changes in:		
Restricted cash	4,998,825	(4,061,780)
Accounts and interest receivable	(278,056)	(66,738)
Grant reimbursements receivable	(1,345,182)	(84,449)
Prepaid expenses and other	(333,173)	(37,243)
Contributions receivable	(95,752)	225,011
Accounts payable	932,658	275,019
Accrued expenses	1,337,372	(26,692)
Deferred revenue	2,995,856	7,121,471
Net cash provided by operating activities	2,663,789	10,719,180
Cash flows from investing activities:		
Purchase of property and equipment	(2,711,341)	(2,175,555)
Proceeds from disposals of property and equipment	143,534	1,054,145
Proceeds from distributions from Heifer International Foundation	1,546,199	1,141,139
Contributions to Heifer International Foundation	-	(6,291,372)
Net cash used in investing activities	(1,021,608)	(6,271,643)
Cash flows from financing activities:		
Net borrowings under line of credit	425,500	-
Proceeds from loan	5,133,259	-
Principal payments on bonds payable	(9,770,000)	(1,215,000)
Net cash used in financing activities	(4,211,241)	(1,215,000)
(Decrease) increase in cash and cash equivalents	(2,569,060)	3,232,537
Cash and cash equivalents—beginning of year	47,128,790	43,896,253
Cash and cash equivalents—end of year	$ 44,559,730	$ 47,128,790
Supplemental schedule of noncash operating and investing activities:		
Purchases of property and equipment in accounts payable	$ 104,830	$ 55,125
Donation of stock	$ 2,523,962	$ 1,790,473
Supplemental disclosures of cash flow information—interest paid	$ 271,438	$ 399,164

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 or Heifer) is a global development organization on a mission to end hunger and poverty in a sustainable way. Heifer works with communities in 20 countries around the world to strengthen local economies and build secure livelihoods that help close the gap to living income for small-scale farmers.

Founded in 1944 and originally incorporated in Indiana in 1953, Heifer was registered as an Arkansas corporation in 1997 and is headquartered in Little Rock, Arkansas. Heifer's model focuses on building social capital by increasing income and assets within farming families, improving their food security and nutrition, and protecting the environment—with women's empowerment and connected communities at the very center.

Heifer strengthens local farmer organizations—helping to set them up where they do not already exist—and provides livestock and seeds, which serve as important sources of food and income. As farmers continue to grow their businesses, they pass on animals, seeds or other assets to their neighbors, creating stronger, interdependent communities.

As their farms expand, Heifer connects farmers to markets and helps them develop the production experience and expertise to make their businesses thrive and grow. Through partnering with governments, companies and nonprofit coalitions, they develop local solutions to global problems and build strong, resilient communities.

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

Principles of consolidation: 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 U.S. and others of which are registered 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 *FASB 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 Heifer's U.S. domestic operations with operations of Heifer's country offices for which the control and economic interest criteria prevail. All significant intercompany accounts and transactions are eliminated in consolidation.

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

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

Africa	Asia	Americas	Europe
Ethiopia*	Bangladesh	Heifer Bolivia LSE**	Armenia**
Ghana	Cambodia	Heifer Ecuador LSE	
Kenya	Heifer Cambodia LSE	Guatemala	
Malawi	India	Haiti	
Rwanda	Heifer India LSE	Honduras	
Senegal	Nepal	Mexico	
Tanzania	Heifer Nepal LSE	Nicaragua	
Uganda	Philippines**	Peru**	
Zambia	Vietnam**	Shared Wealth Ventures LLC***	
Zimbabwe			

* Registration of Ethiopia Branch completed in fiscal year 2019; operations to begin in fiscal year 2020
** Heifer office closed in fiscal year 2019
***Added to consolidation in fiscal year 2019

In addition to its U.S. program and operations, Heifer's financial statements for the fiscal year ended June 30, 2019, included activity for the 29 international offices listed above. For the year ended June 30, 2018, Heifer's financial statements included activity for 27 international offices.

Shared Wealth Ventures LLC is a legally separate entity wholly owned by Heifer that was formed in fiscal year 2018 for the express purpose of providing access to capital to significantly enhance social impact for small scale farmers. 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, Heifer collaborates with other LSEs connected to the Organization by relationship agreement. These entities are excluded from financial consolidation by Heifer management under ASC Subtopic 958-810. The following list includes the primary LSEs in this category. Under agreement, some of these entities carry the Heifer name, and all are involved in either project implementation using a shared Heifer model or funding of Heifer projects, and in some cases, both. Common factors for each of these entities include formation and country registration as independent entities legally separate from Heifer, an independent governing board, and a relationship agreement with Heifer. All such LSEs are encouraged to be self-supporting in their fundraising efforts and to be self-governing. The Organization does, however, solicit contributions under agreements to support Heifer projects with these entities.

Organization	Country
Heifer International Foundation (Note 4)	United States
Sichuan Haihui Poverty Alleviation Service Center	China
Heifer Hong Kong Ltd	Hong Kong
Stichting Heifer Nederland	Netherlands

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

Operations for the China entity are primarily programmatic in nature, and the China organization and Hong Kong organization receive no grant funding from Heifer. The organization in the Netherlands provides support to Heifer projects internationally; support from Heifer Hong Kong is concentrated on projects in China. For the fiscal years ended June 30, 2019 and 2018, respectively, $618,731 and $918,070 of the Organization's expenses consisted of programmatic 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's mission, to educate people on how planned charitable giving supports Heifer's mission, and to serve as a fiduciary for the Foundation's donors. Heifer 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. Heifer's limited representation on the Foundation's board does not rise to the level of control through a majority voting interest. Heifer 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.

Restricted cash: Heifer maintains separate cash or equivalent accounts for amounts required by agreement to be separately held.

Investments and investment return: The Organization's investments, primarily consisting of mutual funds, were $1,741,387 and $518,620 at June 30, 2019 and 2018, respectively. Investments in equity and debt securities having readily determinable fair values are carried at fair value. 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 statement 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 prepaid expenses and other assets on the consolidated statements of financial position as of June 30, 2019 and 2018. Net investment return is recorded within other income on the consolidated statements of activities for the years ended June 30, 2019 and 2018.

Beneficial interest in assets held by HIF: Heifer and HIF are financially interrelated entities with a common mission. HIF seeks private support for and holds net assets on behalf of Heifer. HIF transfers assets to Heifer when approved by HIF's trustees. Heifer'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 Heifer's consolidated statements of financial position at an amount equal to HIF's net assets held for Heifer. Heifer's overall interest in net assets of HIF was $136,324,328 and $124,242,028 at June 30, 2019 and 2018, respectively.

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

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.

Accounts receivable also includes receivables from dairy farmer business associations (DFBAs) for project equipment procured by the Organization using the 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, 2019 and 2018, $801,215 and $799,970, respectively, remained in accounts receivable from the DFBAs against which was recorded an allowance for doubtful accounts of $547,850 and $545,853 for the years ended June 30, 2019 and 2018, 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 Heifer 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, 2019 and 2018, the Organization had $36,630,516 and $34,044,202, 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, 2019 and 2018.

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

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 by participants for fee-based education programs.

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:

Without donor restrictions: These net assets that 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.

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's net assets with donor restrictions include the Organization's interest in the net assets of HIF. While Heifer'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, as well as amounts donors have stipulated be held in perpetuity, with the income thereon to be used as specified by the donor. The Foundation 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 and revenue recognition: Revenue is recognized when earned. Program fees and advance payments received under grants and contracts are deferred to the applicable period in which the related services are performed, or expenditures are incurred.

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. 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.

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

Donated services and in-kind contributions: Gifts of land, buildings, equipment and other long-lived assets are reported as without donor restrictions revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

In-kind contributions of media and broadcast time in the form of public service announcements was received during the fiscal years ended June 30, 2019 and 2018, with estimated values of $4,862,085 and $1,788,851, respectively. The estimated fair value was provided by an independent third party.

Unpaid volunteers make significant 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 Section 958-605-15 through 958-605-55, Not-for-Profit Entities—Revenue Recognition, is 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: Heifer 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 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, 2019 and 2018. Certain countries in which Heifer operates do not exempt charitable companies from taxes; therefore, Heifer may be subject to taxes in those countries.

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. Heifer'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 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.

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

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 pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net assets classes from three to two. The new classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Therefore, this ASU will be effective for the Organization's fiscal year ending June 30, 2019. The Organization has adopted the standard and retrospectively applied the changes to the 2018 classifications.

The following three pronouncements, regarding revenue, will become effective for the Organization for the fiscal year ending June 30, 2020.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.* This update is to clarify the scope of Subtopic 610-20 and to add guidance for partial sales of nonfinancial assets. Adoption should be concurrent with adoption of ASU No. 2014-09 (as disclosed below). The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. These amendments clarify narrow aspects of the guidance issued in ASU No. 2014-09. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance is intended to improve comparability of accounting treatment for revenue recognition across geographies and industries, and to provide more useful information to financial statement readers through enhanced disclosure requirements. It replaces industry-specific guidance with a principles-based approach for revenue recognition, and is a step toward convergence of U.S. GAAP and International Financial Reporting Standards. In general, it requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU permits the use of either of two methods: a full retrospective, or a retrospective with the cumulative effect and additional disclosures. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

The following two pronouncements, regarding the consolidated statements of cash flows, will also become effective for the Organization for the fiscal year ending June 30, 2020. Management is in the process of evaluating the impact of each new guidance.

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

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).* This guidance clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance will be applied retrospectively, and early adoption is permitted.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force).* The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Early adoption is permitted, provided that all the amendments are adopted in the same period. The guidance requires application using a retrospective transition method.

The following pronouncement will also become effective for the Organization for the fiscal year ending June 30, 2021. Management is in the process of evaluating the impact of each new guidance.

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. The standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Therefore, this ASU will be effective for the Organization beginning with the fiscal year ending June 30, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Therefore, this ASU will be effective for the Organization on July 1, 2020. 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

Heifer 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, 2019 and 2018, the following financial assets are available to meet annual operating needs of the upcoming fiscal year:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 44,559,730	$ 47,128,790
Accounts receivable, net	702,999	738,861
Grants receivable	1,727,191	382,009
Pledge payments available for operations	831,791	1,157,582
Distribution from beneficial interest in assets held by HIF	2,607,538	1,546,199
	$ 50,429,249	$ 50,953,441

Heifer has various sources of liquidity at its disposal, including cash and cash equivalents, and two lines of credit with HIF totaling $15,500,000. See Note 6 for information about the Organization's line of credit.

Note 3. 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, 2019 and 2018, consisted of the following:

	2019	2018
Due within one year	$ 831,791	$ 1,157,582
Due within five years	1,404,543	897,990
Due beyond five years	486,376	571,386
	2,722,710	2,626,958
Less:		
Allowance for uncollectible pledges	136,136	131,348
Unamortized discount	176,446	188,464
	$ 2,410,128	$ 2,307,146

Note 4. 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 transfers to the HIF endowment. The Organization accounts for distributions from HIF to Heifer as asset transfers, decreasing the Organization's interest in the net assets of HIF. Conversely, transfers by Heifer to the HIF endowment are recognized as increases to Heifer's interest in net assets of HIF. During the years ended June 30, 2019 and 2018, Heifer's overall interest in net assets of HIF increased by $12,082,300 and $10,513,655, respectively.

Note 4. Interest in Net Assets of Heifer International Foundation (Continued)

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

	2019	2018
Beginning balance, July 1	$ 124,242,028	$ 113,728,373
HIF distributions to Heifer	(1,546,199)	(1,141,139)
Undesignated bequests transferred	-	6,291,372
Heifer's change in interest in net assets to HIF	13,628,499	5,363,422
Net increase in Heifer's interest in net assets	12,082,300	10,513,655
Ending balance, June 30	$ 136,324,328	$ 124,242,028

The Organization and HIF both receive contributions in the form of testamentary bequests wherein Heifer is named beneficiary which, unless otherwise restricted by the donor, are accounted for as contributions without donor restrictions to Heifer and may, at the Organization's discretion, be transferred to HIF. For the years ended June 30, 2019 and 2018, Heifer contributed bequest revenues of $0 and $6,291,372, respectively, to the HIF endowment. Heifer's contributions to the HIF endowment are recorded through the Organization's interest in net assets of HIF. Heifer 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 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 permanent net assets. To ensure a meaningful financial statement presentation, Heifer management has elected to retain HIF's permanent net asset classification for these funds in recognizing the Organization's change in interest in net assets of HIF.

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

The Foundation recorded net assets with donor restrictions at June 30, 2019 and 2018, of $136,324,328 and $124,242,028, respectively, which make up a portion of Heifer'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 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, 2019 and 2018, HIF reported net assets without donor restrictions of $9,362,544 and $6,753,387, respectively, which are included as a portion of Heifer's net asset with donor restrictions balance.

Note 5. Property and Equipment

Property and equipment is carried at cost, net of accumulated depreciation, and at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Land and improvements	$ 11,740,285	$ 11,613,955
Buildings	44,839,533	44,505,982
Vehicles	5,853,756	5,602,385
Furniture, fixtures and equipment	17,776,899	16,415,851
Construction in progress	300,318	474,751
	80,510,791	78,612,924
Less accumulated depreciation	36,521,970	33,680,208
	$ 43,988,821	$ 44,932,716

Heifer 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 $3,484,290 and $3,538,089 for the years ended June 30, 2019 and 2018, respectively, of which $880,817 and $795,177, 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 11.

Note 6. Lines of Credit

The Organization has a revolving credit facility with HIF. The available line of credit is the greater of $8,000,000 or 10% of the market value of the HIF total endowment, 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.

The Organization entered into a new revolving line of credit agreement with HIF during 2018. The available line of credit is the greater of $7,500,000. Draws against the line accrue interest at 3% and are only available to the Organization for use in connection with the impact investments made by Shared Wealth Ventures LLC. The Organization made three draws totaling $425,500 during fiscal year 2019, and the outstanding balance as of June 30, 2019, is $425,500.

Note 7. Bonds Payable and Long-Term Loans

Bond issuance: In December 2008, the City of Little Rock (the City), Arkansas (Heifer Project International) Public Facilities Board issued $5,700,000 Series 2008A Revenue Bonds and $4,300,000 Series 2008B Revenue Bonds. On December 4, 2008, the Organization entered into a contract with the City to service these bonds in accordance with terms of the Bond Purchase Agreement. The 2008A bonds bear interest at a variable rate equal to the 30-day LIBOR plus a spread not to exceed 6.25% per annum. Interest is payable semiannually, plus principal of $285,000 due annually through December 1, 2018. The interest rate for the 2008A bonds was 2.11% as of June 30, 2019 and 2018. The 2008B bonds bear interest at a fixed rate of 4.80%, due semiannually, plus annual principal reduction payments of various amounts through December 1, 2023. In February 2009, $9,300,000 Series 2009 Revenue Bonds were issued. The 2009 bonds bear interest at a fixed rate of 4.80%, due semiannually, plus annual principal reduction payments of various amounts through February 1, 2024. Proceeds from the issuance of these bonds were used to finance and refinance the Organization's capital improvements. This debt is collateralized by a lien and security interest in this same mortgaged property, including underlying real estate. All bonds are tax-exempt.

On November 30, 2018, Heifer redeemed the City of Little Rock, Arkansas (Heifer Project International) Public Facilities Board Revenue Bonds Series 2008B and Series 2009.

On December 3, 2018, the City of Little Rock, Arkansas (Heifer Project International) Public Facilities Revenue Bond 2008A matured and Heifer made full payment.

Long-term loans: In November 2018, Heifer entered into a five-year unsecured loan agreement with HIF for $5,655,000. The loan bears interest at a fixed rate of 3.50% with semiannual interest and principal payments of $622,688 through December 1, 2023. Proceeds from the loan were used to finance Heifer's capital improvements.

As of June 30, 2019, the remaining principal balance for the HIF loan was $5,133,259. Annual maturities of loans payable as of June 30, 2019, are due as follows:

Years ending June 30:	
2020	$ 1,070,616
2021	1,109,743
2022	1,149,829
2023	1,191,363
2024	611,708
	$ 5,133,259

Note 8. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions at June 30, 2019 and 2018, are restricted for the following purposes:

	2019	2018
Subject to expenditure for specified purpose:		
Sustainable projects	$ 338,886	$ 3,207,076
Promises to give, the proceeds from which have been restricted by donors for:		
Sustainable projects	1,500,000	1,000,000
	1,838,886	4,207,076
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	1,222,710	1,626,958
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by HIF	136,324,328	124,242,028
	$ 139,385,924	$ 130,076,062

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:

	2019	2018
Satisfaction of purpose restrictions:		
Sustainable projects	$ 4,488,139	$ 6,448,561
Promises to give, the proceeds from which have been restricted by donors for:		
Sustainable projects	500,000	-
	4,988,139	6,448,561
Expiration of time restrictions	784,248	1,383,999
	$ 5,772,387	$ 7,832,560

Note 9. Operating Leases

The Organization has entered into noncancelable operating leases expiring in calendar years 2019 through 2024 representing leases for office space. Future minimum lease payments at June 30, 2019, were as follows:

	U.S. Offices	International Offices	Total
Years ending June 30:			
2020	$ 111,859	$ 473,315	$ 585,174
2021	-	266,715	266,715
2022	-	117,380	117,380
2023	-	96,325	96,325
2024	-	48,000	48,000
	$ 111,859	$ 1,001,735	$ 1,113,594

Note 9. Operating Leases (Continued)

Rental expense for all Heifer U.S. operating leases was $134,705 and $148,771 for the years ended June 30, 2019 and 2018, respectively. Many of the Organization's international country offices lease office space, for which rental expense amounted to approximately $774,000 and $709,000 for the years ended June 30, 2019 and 2018, respectively.

Note 10. 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 both the 2019 and 2018 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 2019 and 2018 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 $1,285,468 and $1,241,111 for the years ended June 30, 2019 and 2018, respectively.

Note 11. Functional Expenses

The Organization classified expenses functionally for the years ended June 30, 2019 and 2018, as follows:

	2019			
	Program Services	Management and General	Fundraising	Total Expenses
Program costs—grants and field operations	$ 58,282,051	$ -	$ -	$ 58,282,051
Salaries and wages	11,758,137	2,737,495	4,866,820	19,362,452
Payroll taxes	865,816	187,812	365,945	1,419,573
Retirement plan contributions	743,765	104,513	278,976	1,127,254
Other employee benefits	1,213,322	258,729	448,214	1,920,265
Other personnel expenses	478,995	47,268	458,356	984,619
Volunteer expenses	89,780	-	-	89,780
Travel	1,779,052	183,559	348,919	2,311,530
Conferences and meetings	423,676	42,944	74,967	541,587
Occupancy	788,282	260,894	240,059	1,289,235
Equipment—minor purchases, rentals maintenance	1,012,559	473,427	861,986	2,347,972
Supplies	470,331	39,530	51,511	561,372
Printing and other media expense	4,337,398	89,314	3,906,541	8,333,253
Marketing and promotion expense	6,512,018	96,161	1,308,854	7,917,033
Accounting and audit fees	228,498	197,311	104,815	530,624
Legal fees	133,537	147,414	54,550	335,501
Other professional and consulting fees	5,673,126	303,600	5,084,776	11,061,502
Property and casualty insurance	229,703	158,699	59,496	447,898
Communications charges	378,344	124,231	209,456	712,031
Postage, shipping and freight	3,255,887	36,003	2,984,592	6,276,482
Depreciation	1,659,624	433,931	509,918	2,603,473
Interest expense	116,718	81,432	73,288	271,438
Other expenses	1,595,682	503,406	1,853,153	3,952,241
Total expenses and losses	$ 102,026,301	$ 6,507,673	$ 24,145,192	$ 132,679,166

Note 11. Functional Expenses (Continued)

	2018			
	Program Services	Management and General	Fundraising	Total Expenses
Program costs—grants and field operations	$ 51,438,328	$ -	$ -	$ 51,438,328
Salaries and wages	11,108,769	2,717,549	4,707,592	18,533,910
Payroll taxes	829,820	180,915	356,418	1,367,153
Retirement plan contributions	733,284	182,324	299,816	1,215,424
Other employee benefits	1,092,737	246,307	417,970	1,757,014
Other personnel expenses	477,166	24,401	486,332	987,899
Volunteer expenses	180,487	-	1,478	181,965
Travel	1,903,394	206,447	372,285	2,482,126
Conferences and meetings	220,032	32,130	61,913	314,075
Occupancy	904,184	253,944	243,116	1,401,244
Equipment—minor purchases, rentals maintenance	915,656	432,701	531,136	1,879,493
Supplies	436,306	40,151	50,474	526,931
Printing and other media expense	3,916,917	32,826	3,270,210	7,219,953
Marketing and promotion expense	4,205,540	66,847	2,789,197	7,061,584
Accounting and audit fees	84,506	227,233	96,730	408,469
Legal fees	130,555	202,777	57,977	391,309
Other professional and consulting fees	4,608,697	253,989	4,018,570	8,881,256
Property and casualty insurance	235,446	185,090	55,676	476,212
Communications charges	411,637	121,090	197,352	730,079
Postage, shipping and freight	3,694,796	42,336	3,342,687	7,079,819
Depreciation	1,776,732	456,212	509,968	2,742,912
Interest expense	175,632	115,758	107,774	399,164
Other expenses	1,573,609	389,050	1,717,458	3,680,117
Total expenses and losses	$ 91,054,230	$ 6,410,077	$ 23,692,129	$ 121,156,436

Note 12. Allocation of Joint Costs

Heifer 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, 2019 and 2018, the costs of conducting these appeals included a total of $9,684,428 and $10,788,552, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	2019	2018
Fundraising	$ 4,885,945	$ 4,689,711
Educational programs	4,798,483	6,098,841
	$ 9,684,428	$ 10,788,552

Note 13. 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.

Level 3: Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

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.

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. All available-for-sale investments have readily determinable fair values as determined by the quoted prices in active markets for identical assets, using the market approach. The estimated fair value of these securities represents market price multiplied by the quantity held. Accordingly, all investments are classified by management as Level 1 assets in the fair value hierarchy as of June 30, 2019 and 2018.

Note 14. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require 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, 2019 and 2018, cash balances totaling $7,368,977 and $8,737,117, respectively, were held by banks in foreign countries, and property and equipment with a net carrying value of approximately $2,976,238 and $3,120,273, respectively, was held by foreign program offices.

Note 14. Significant Estimates and Concentrations (Continued)

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 15. 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.

Guarantees: As of June 30, 2019 and 2018, the Organization has guaranteed the loans of seven farmers' cooperatives operating within current Heifer projects. The amount of the guarantee at June 30, 2019 and 2018, is $1,029,990 and $907,682, respectively.

Note 16. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including October 7, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

Heifer Project International

Consolidating Statement of Financial Position
June 30, 2019

	Headquarters	Africa	Asia	Americas	Europe	Eliminations	Total
Assets							
Cash and cash equivalents	$ 37,190,754	$ 3,879,068	$ 1,303,409	$ 2,186,499	$ -	$ -	$ 44,559,730
Restricted cash	2,000,000	-	-	-	-	-	2,000,000
Accounts and interest receivable, net of allowance and discount	2,149,426	257,214	193,537	419,027	-	-	3,019,204
Intercompany account receivable	52,819	24,272	93,342	(9,753)	-	(160,680)	-
Grant reimbursements receivable	111,812	804,494	643	810,242	-	-	1,727,191
Prepaid expenses and other	3,598,226	257,132	52,550	98,269	-	-	4,006,177
Contributions receivable, net of allowance and discount	2,410,128	-	-	-	-	-	2,410,128
Interest in net assets of Heifer International Foundation	136,324,328	-	-	-	-	-	136,324,328
Property and equipment, net of accumulated depreciation	41,012,583	1,655,434	444,537	1,026,167	-	(149,900)	43,988,821
Total assets	$ 224,850,076	$ 6,877,614	$ 2,088,018	$ 4,530,451	$ -	$ (310,580)	$ 238,035,579
Liabilities and Net Assets							
Liabilities:							
Accounts payable	$ 2,295,773	$ 1,080,800	$ 516,044	$ 1,797,410	$ -	$ -	$ 5,690,027
Intercompany accounts payable	-	43,694	55,345	-	-	(99,039)	-
Accrued expenses	2,012,001	1,386,475	558,559	1,352,013	-	153,092	5,462,140
Deferred revenue	11,202,755	1,221,810	140,015	583,468	-	-	13,148,048
Bonds and notes payable	5,133,259	-	-	-	-	-	5,133,259
Total liabilities	20,643,788	3,732,779	1,269,963	3,732,891	-	54,053	29,433,474
Net assets:							
Without donor restrictions	64,820,364	3,144,835	818,055	797,560	-	(364,633)	69,216,181
With donor restrictions	139,385,924	-	-	-	-	-	139,385,924
Total net assets	204,206,288	3,144,835	818,055	797,560	-	(364,633)	208,602,105
Total liabilities and net assets	$ 224,850,076	$ 6,877,614	$ 2,088,018	$ 4,530,451	$ -	$ (310,580)	$ 238,035,579

Heifer Project International

Consolidating Statement of Activities (Without Donor Restrictions)
Year Ended June 30, 2019

	Headquarters	Africa	Asia	Americas	Europe	Eliminations	Total
Revenues, gains and other support:							
Contributions	$ 99,398,121	$ 18,445,325	$ 8,603,720	$ 13,123,115	$ 1,716	$ (39,529,049)	$ 100,042,948
Federal government grants	371,267	69,225	-	4,648	68,398	-	513,538
Other grants	9,392,011	5,939,251	575,902	2,317,934	-	-	18,225,098
Educational programs	974,424	-	-	-	-	-	974,424
Promotional events and material sales, net of cost	483,508	-	-	-	-	-	483,508
Other	1,602,205	64,170	50,234	224,578	(810)	64,309	2,004,686
Change in interest in net assets of Heifer International Foundation	1,546,199	-	-	-	-	-	1,546,199
Net assets released from restrictions	5,772,387	-	-	-	-	-	5,772,387
Total revenues, gains and other support	119,540,122	24,517,971	9,229,856	15,670,275	69,304	(39,464,740)	129,562,788
Expenses and losses:							
Program services	89,923,272	25,872,930	9,354,573	16,028,054	210,067	(39,362,595)	102,026,301
Management and general	6,507,673	-	-	-	-	-	6,507,673
Fundraising	24,145,192	-	-	-	-	-	24,145,192
Total expenses and losses	120,576,137	25,872,930	9,354,573	16,028,054	210,067	(39,362,595)	132,679,166
Change in net assets from operations	(1,036,015)	(1,354,959)	(124,717)	(357,779)	(140,763)	(102,145)	(3,116,378)
Other changes in net assets:							
Foreign currency translation adjustment	(1,952)	3,314	(36,181)	(187,248)	3,691	2,939	(215,437)
Total change in net assets	(1,037,967)	(1,351,645)	(160,898)	(545,027)	(137,072)	(99,206)	(3,331,815)
Net assets, beginning of year	65,858,331	4,496,480	978,953	1,342,587	137,072	(265,427)	72,547,996
Net assets, end of year	$ 64,820,364	$ 3,144,835	$ 818,055	$ 797,560	$ -	$ (364,633)	$ 69,216,181

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