Heifer Project International

Consolidated Financial Report and
Supplementary Information
June 30, 2020

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RSM US LLP

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, 2020 and 2019, 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, 2020 and 2019, 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

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 24 and 25, 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 5, 2020

Heifer Project International

Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	**$ 38,997,102**	$ 44,559,730
Restricted cash	**8,268,660**	2,000,000
Accounts and interest receivable, net of allowance and discount	**3,733,852**	3,019,204
Grant reimbursements receivable	**679,261**	1,727,191
Prepaid expenses and other	**3,993,856**	4,006,177
Contributions receivable, net of allowance and discount	**8,631,842**	2,410,128
Interest in net assets of Heifer International Foundation	**139,041,713**	136,324,329
Property and equipment, net of accumulated depreciation	**43,077,827**	43,988,821
Total assets	**$ 246,424,113**	$ 238,035,580
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 5,918,422**	$ 5,264,527
Accrued expenses	**5,719,161**	5,462,140
Deferred revenue	**11,590,699**	13,148,048
Notes payable and long-term loans	**8,111,843**	5,133,259
Line of credit	**2,059,996**	425,500
Total liabilities	**33,400,121**	29,433,474
Commitments and contingencies (Notes 6, 7, 10 and 16)		
Net assets:		
Without donor restrictions	**61,997,009**	69,216,181
With donor restrictions	**151,026,983**	139,385,925
Total net assets	**213,023,992**	208,602,106
Total liabilities and net assets	**$ 246,424,113**	$ 238,035,580

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ 95,376,291	$ 12,606,817	$ 107,983,108
Federal government grants	433,874	-	433,874
Other grants	16,892,651	68,897	16,961,548
Educational programs	367,094	-	367,094
Promotional events and material sales, net of cost	162,229	-	162,229
Other	1,137,723	-	1,137,723
Change in interest in net assets of Heifer International Foundation	1,648,899	2,717,384	4,366,283
Net assets released from restrictions	3,752,040	(3,752,040)	-
Total revenues, gains and other support	119,770,801	11,641,058	131,411,859
Expenses and losses:			
Program services	93,727,596	-	93,727,596
Management and general	7,094,862	-	7,094,862
Fundraising	25,670,286	-	25,670,286
Total expenses and losses	126,492,744	-	126,492,744
Change in net assets from operations	(6,721,943)	11,641,058	4,919,115
Other changes in net assets:			
Foreign currency translation adjustment	(497,229)	-	(497,229)
Total change in net assets	(7,219,172)	11,641,058	4,421,886
Net assets, beginning of year	69,216,181	139,385,925	208,602,106
Net assets, end of year	$ 61,997,009	$ 151,026,983	$ 213,023,992

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	1,546,199	12,082,301	13,628,500
Net assets released from restrictions	5,772,387	(5,772,387)	-
Total revenues, gains and other support	129,562,788	9,309,863	138,872,651
Expenses and losses:			
Program services	102,026,301	-	102,026,301
Management and general	6,507,673	-	6,507,673
Fundraising	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)	9,309,863	6,193,485
Other changes in net assets:			
Foreign currency translation adjustment	(215,437)	-	(215,437)
Total change in net assets	(3,331,815)	9,309,863	5,978,048
Net assets, beginning of year	72,547,996	130,076,062	202,624,058
Net assets, end of year	$ 69,216,181	$ 139,385,925	$ 208,602,106

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 4,421,886**	$ 5,978,048
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**3,383,983**	3,484,290
Change in allowance for bad debts	**344,787**	(7,513)
Amortization of contribution receivable discount	**225,303**	(12,018)
Change in interest in net assets of Heifer International Foundation	**(4,366,283)**	(13,628,500)
(Gain) loss on disposals of equipment	**(5,236)**	22,640
Unrealized foreign exchange differences of fixed assets	**134,516**	109,602
Net realized and unrealized losses (gains) on investments	**6,317**	(4,054)
Stock donation	**(1,879,465)**	(2,523,962)
Proceeds from sales of donated stock	**1,867,979**	1,032,708
Changes in:		
Accounts and interest receivable	**(720,118)**	(278,056)
Grant reimbursements receivable	**1,047,930**	(1,345,182)
Prepaid expenses and other	**17,490**	(333,173)
Contributions receivable	**(6,786,334)**	(95,752)
Accounts payable	**653,895**	932,658
Accrued expenses	**257,021**	1,337,372
Deferred revenue	**(1,557,349)**	2,995,856
Net cash used in operating activities	**(2,953,678)**	(2,335,036)
Cash flows from investing activities:		
Purchase of property and equipment	**(2,872,186)**	(2,711,341)
Proceeds from disposals of property and equipment	**269,917**	143,534
Proceeds from distributions from Heifer International Foundation	**1,648,899**	1,546,199
Contributions to Heifer International Foundation	**-**	-
Net cash used in investing activities	**(953,370)**	(1,021,608)
Cash flows from financing activities:		
Net borrowings under line of credit	**1,634,496**	425,500
Notes payable	**4,049,200**	-
Long-term loan payable	**(1,070,616)**	5,133,259
Bonds payable	**-**	(9,770,000)
Net cash provided by (used in) financing activities	**4,613,080**	(4,211,241)
Increase (decrease) in cash and cash equivalents	**706,032**	(7,567,885)
Cash and cash equivalents—beginning of year	**46,559,730**	54,127,615
Cash and cash equivalents—end of year	**$ 47,265,762**	$ 46,559,730

(Continued)

Heifer Project International

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Supplemental schedule of noncash operating and investing activities:		
Purchases of property and equipment in accounts payable	**$ 114,173**	$ 104,830
Donation of stock	**$ 1,879,465**	$ 2,523,962
Supplemental disclosures of cash flow information—interest paid	**$ 178,715**	$ 271,438
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	**$ 38,997,102**	$ 44,559,730
Restricted cash (assets restricted for long-term purposes)	**8,268,660**	2,000,000
Total cash, cash equivalents and restricted cash	**$ 47,265,762**	$ 46,559,730

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 over 75 years, the Organization has invested in small-scale 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, the Organization connects farmers to markets.

Founded in 1944 and originally incorporated in Indiana in 1953, the Organization was registered as an Arkansas corporation in 1997 and is headquartered in Little Rock. Operating in 21 countries across Africa, Asia and the Americas, the Organization 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. The Organization works across a range of value chains, including food crops, livestock, spices and textiles.

Through partnerships with governments, the private sector, small businesses, nonprofit organizations and other entities, the Organization and its partners create unique solutions to local challenges, designed to build inclusive, resilient economies.

The Organization's revenues 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 International 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 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.

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

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

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

* Added to consolidation in fiscal year 2020.
** Heifer office closed in fiscal year 2019; final activities were completed in fiscal year 2020.
*** Registration of Heifer Mexico LSE was completed in fiscal year 2020; operations to begin in fiscal year 2021.

In addition to its U.S. program and operations, the Organization's financial statements for the fiscal year ended June 30, 2020, included activity for the 28 international offices listed above. Country offices with operations substantially discontinued during fiscal year 2019 or prior, yet with residual financial activities, including the Organization's Philippines and Vietnam branch offices. For the year ended June 30, 2019, the Organization's financial statements included activity for 29 international offices, including final closing transactions for the Organization's Armenia branch office.

Shared Wealth Ventures LLC is a legally separate entity wholly owned by Heifer International 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.

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

In addition to the consolidated branch offices and LSEs, the Organization collaborates with other LSEs connected to the Organization by relationship agreement. These entities are excluded from financial consolidation by Heifer International 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 International projects, and in some cases, both. Common factors for each of these entities include formation and country registration as independent entities legally separate from the Organization, an independent governing board, and a relationship agreement with Heifer International. 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 International 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
Bóthar Limited	Ireland

Operations for the China entity are primarily programmatic in nature, and the China organization and Hong Kong organization receive no grant funding from the Organization. The organization in the Netherlands provides support to Heifer International projects internationally; support from Heifer Hong Kong is concentrated on projects in China. For the fiscal years ended June 30, 2020 and 2019, $583,072 and $618,731, 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 International’s mission, to educate people on how planned charitable giving supports Heifer International’s mission, and to serve as a fiduciary for the Foundation’s donors. Heifer 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.

Restricted cash: Heifer International maintains separate cash or 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)

Investments and investment return: The Organization's investments, primarily consisting of mutual funds and private stock, were $1,917,717 and $1,741,387 at June 30, 2020 and 2019, 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 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 prepaid expenses and other assets on the consolidated statements of financial position as of June 30, 2020 and 2019. Net investment return is recorded within other income on the consolidated statements of activities for the years ended June 30, 2020 and 2019.

Beneficial interest in assets held by HIF: Heifer International and HIF are financially interrelated entities with a common mission. HIF seeks private support for and holds net assets on behalf of Heifer International. HIF transfers assets to Heifer International 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 the Organization's consolidated statements of financial position at an amount equal to HIF's net assets held for Heifer International. The Organization's overall interest in net assets of HIF was $139,041,713 and $136,324,329 at June 30, 2020 and 2019, 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.

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, 2020 and 2019, $775,210 and $801,215, respectively, remained in accounts receivable from the DFBAs, against which was recorded an allowance for doubtful accounts of $529,788 and $547,850 for the years ended June 30, 2020 and 2019, 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.

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

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, 2020 and 2019, the Organization had $34,602,201 and $36,630,516, 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, 2020 or 2019.

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:

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.

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

Heifer International's net assets with donor restrictions include the Organization's interest in the net assets of HIF. While Heifer 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 International, 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: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This 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. The standard replaced the most recently existing revenue recognition guidance under U.S. GAAP. This standard also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Organization adopted the new standard effective for the year ended June 30, 2020, using the modified retrospective transition approach. Based on the Organization's review of their contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Due to the nonreciprocal nature of contributions, this revenue stream is not considered a contract with customers and therefore does not fall under the guidance of ASC 606.

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.

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 as 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, 2020 and 2019, with estimated values of $2,400,377 and $4,862,085, 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.

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

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: 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 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, 2020 and 2019. 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.

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 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 pronouncements: The Organization has adopted Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. This standard resulted in no significant changes in the way the Organization classifies cash receipts or cash payments and therefore no changes to the previously issued financial statements are required on a retrospective basis.

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

The Organization has adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* with retrospective application to the consolidated statement of cash flows. This guidance clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows.

The Organization has adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue and therefore no changes to the previously issued financial statements are required on a retrospective basis. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

The Organization has adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended with ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, with retrospective application to the prior periods presented in Note 9. The adjustment was applied to all contracts that were not complete as of the date of initial application. The application of the provisions did not have a material effect on the amounts presented or disclosed.

Concurrent with the above, the Organization has adopted 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.* The application of the provisions did not have a material effect on the financial statements.

The following pronouncement will also become effective for the Organization for the fiscal year ending June 30, 2023.

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, with early adoption permitted. 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, 2020 and 2019, the following financial assets are available to meet annual operating needs of the upcoming fiscal year:

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 38,997,102	$ 44,559,730
Accounts receivable, net	1,030,227	702,999
Grants receivable	679,261	1,727,191
Pledge payments available for operations	3,414,413	831,791
Distribution from beneficial interest in assets held by HIF	3,521,876	2,607,538
	$ 47,642,879	$ 50,429,249

Heifer International has various sources of liquidity at its disposal, including cash and cash equivalents, and two lines of credit with HIF totaling $20,405,426. 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, 2020 and 2019, consisted of the following:

	2020	2019
Due within one year	$ 3,414,413	$ 831,791
Due within five years	5,693,266	1,404,543
Due beyond five years	401,365	486,376
	9,509,044	2,722,710
Less:		
Allowance for uncollectible pledges	475,452	136,136
Unamortized discount	401,750	176,446
	$ 8,631,842	$ 2,410,128

At June 30, 2020, one donor accounted for 74% of total contributions receivable.

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 International transfers to the HIF endowment. The Organization accounts for distributions from HIF to Heifer International as asset transfers, decreasing the Organization's interest in the net assets of HIF. Conversely, transfers by Heifer International to the HIF endowment are recognized as increases to Heifer's interest in net assets of HIF. During the years ended June 30, 2020 and 2019, the Organization's overall interest in net assets of HIF increased by $2,717,384 and $12,082,301, respectively.

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

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

	2020	2019
Beginning balance, July 1	$ 136,324,329	$ 124,242,028
HIF distributions to Heifer	(1,648,899)	(1,546,199)
Heifer's change in interest in net assets to HIF	4,366,283	13,628,500
Net increase in Heifer's interest in net assets	2,717,384	12,082,301
Ending balance, June 30	$ 139,041,713	$ 136,324,329

The Organization and HIF both receive contributions in the form of testamentary bequests wherein Heifer International is named beneficiary, which, unless otherwise restricted by the donor, are accounted for as contributions without donor restrictions to Heifer International and may, at the Organization's discretion, be transferred to HIF. For the years ended June 30, 2020 and 2019, the Organization contributed no bequest revenues in the fiscal years ended June 30, 2020 and 2019, to the HIF endowment. Heifer 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 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 permanent net assets. To ensure a meaningful financial statement presentation, Heifer International 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.

The Organization'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, 2020 and 2019, of $139,041,713 and $136,324,329, respectively, which make up a portion of Heifer 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 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, 2020 and 2019, HIF reported net assets without donor restrictions of $11,918,546 and $9,362,544, respectively, which are included as a portion of the Organization'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, 2020 and 2019, consisted of the following:

	2020	2019
Land and improvements	$ 11,590,841	$ 11,740,285
Buildings	44,929,111	44,839,533
Vehicles	5,680,164	5,853,756
Furniture, fixtures, hardware & software	19,364,035	17,776,899
Construction in progress	388,434	300,318
	81,952,585	80,510,791
Less accumulated depreciation	38,874,758	36,521,970
	$ 43,077,827	$ 43,988,821

Heifer 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 $3,383,983 and $3,484,290 for the years ended June 30, 2020 and 2019, respectively, of which $864,712 and $880,817, 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 12.

Note 6. 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, $12,905,426, 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 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 12 draws totaling $1,898,721 and three draws totaling $425,500 during the years ended June 30, 2020 and 2019, respectively. Two principal payments totaling $264,225 were made during the year ended June 30, 2020. The outstanding balance as of June 30, 2020 and 2019, is $2,059,996 and $425,500, respectively.

Note 7. Notes Payable and Long-Term Loans

Notes payable: In April 2020, Heifer International entered into a Small Business Association Paycheck-Protection-Program (PPP) unsecured loan with Southern Bancorp for $4,049,200. The loan bears interest at a fixed rate of 1.0% with interest payable monthly starting in November 2020 and principal payment of $4,049,200 due April 28, 2022. The Organization intends to file an application for forgiveness for the total amount of the PPP loan during fiscal year 2021.

Note 7. Notes Payable and Long-Term Loans (Continued)

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, 2020 and 2019, the remaining principal balance for the HIF loan was $4,062,643 and $5,133,259, respectively. Annual maturities of loans payable as of June 30, 2020, are due as follows:

Years ending June 30:	
2021	$ 1,109,743
2022	1,149,829
2023	1,191,363
2024	611,708
	$ 4,062,643

Note 8. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions at June 30, 2020 and 2019, are restricted for the following purposes:

	2020	2019
Subject to expenditure for specified purpose:		
Sustainable projects	$ 2,476,226	$ 338,886
Promises to give, the proceeds from which have been restricted by donors for:		
Sustainable projects	8,000,000	1,500,000
	10,476,226	1,838,886
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	1,509,044	1,222,710
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by HIF	139,041,713	136,324,329
	$ 151,026,983	$ 139,385,925

Note 8. 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:

	2020	2019
Satisfaction of purpose restrictions:		
Sustainable projects	$ 2,476,208	$ 4,488,139
Promises to give, the proceeds from which have been restricted by donors for:		
Sustainable projects	751,116	500,000
	3,227,324	4,988,139
Expiration of time restrictions	524,716	784,248
	$ 3,752,040	$ 5,772,387

Note 9. Revenue from Contracts with Customers

Significant changes in deferred revenue for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Deferred revenue, beginning of year	$ 13,148,048	$ 10,152,192
Revenue recognized that was included in deferred revenue at the beginning of the year	(18,916,148)	(20,282,747)
Increases in deferred revenue due to cash received during the year	17,358,799	23,278,603
Deferred revenue, end of year	$ 11,590,699	$ 13,148,048

Note 10. Operating Leases

The Organization has entered into noncancelable operating leases expiring in calendar years 2021 through 2025 representing leases for office space. Future minimum lease payments at June 30, 2020, were as follows:

	U.S. Offices	International Offices	Total
Years ending June 30:			
2021	$ 284,327	$ 439,630	$ 723,957
2022	291,435	124,445	415,880
2023	298,721	96,650	395,371
2024	306,189	48,271	354,460
2025	313,844	-	313,844
Thereafter	2,024,539	-	2,024,539
	$ 3,519,055	$ 708,996	$ 4,228,051

Note 10. Operating Leases (Continued)

Rental expense for all Heifer International U.S. operating leases was $181,191 and $134,705 for the years ended June 30, 2020 and 2019, respectively. Many of the Organization's international country offices lease office space, for which rental expense amounted to approximately $792,000 and $774,000 for the years ended June 30, 2020 and 2019, respectively.

Note 11. 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 2020 and 2019 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 2020 and 2019 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 $1,513,920 and $1,285,468 for the years ended June 30, 2020 and 2019, respectively.

Note 12. Functional Expenses

The Organization classified expenses functionally for the years ended June 30, 2020 and 2019, as follows:

	2020			
	Program Services	Management and General	Fundraising	Total Expenses
Program costs—grants and field operations	$ 52,045,901	$ -	$ -	$ 52,045,901
Salaries and wages	12,139,727	3,416,851	4,440,101	19,996,679
Payroll taxes	889,560	250,380	325,137	1,465,077
Retirement plan contributions	755,397	182,049	258,967	1,196,413
Other employee benefits	1,255,015	319,726	456,931	2,031,672
Other personnel expenses	515,505	41,955	391,750	949,210
Volunteer expenses	60,569	-	-	60,569
Travel	1,008,442	118,174	193,746	1,320,362
Conferences and meetings	274,185	14,905	26,277	315,367
Occupancy	766,535	267,576	233,034	1,267,145
Equipment—minor purchases, rentals maintenance	551,326	363,109	465,594	1,380,029
Supplies	319,947	30,711	54,552	405,210
Printing and other media expense	3,703,679	73,273	3,287,256	7,064,208
Marketing and promotion expense	6,552,105	116,494	1,735,758	8,404,357
Accounting and audit fees	172,773	178,663	126,608	478,044
Legal fees	115,307	104,975	44,679	264,961
Other professional and consulting fees	4,505,389	247,664	6,924,238	11,677,291
Property and casualty insurance	677,055	327,757	577,411	1,582,223
Communications charges	359,522	163,345	220,568	743,435
Postage, shipping and freight	4,154,571	99,986	3,789,234	8,043,791
Depreciation	1,607,212	420,005	492,054	2,519,271
Interest expense	74,576	58,382	46,427	179,385
Other expenses	1,223,298	298,882	1,579,964	3,102,144
Total expenses and losses	$ 93,727,596	$ 7,094,862	$ 25,670,286	$ 126,492,744

Note 12. Functional Expenses (Continued)

	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 13. 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, 2020 and 2019, the costs of conducting these appeals included a total of $9,336,528 and $9,684,428, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	2020	2019
Fundraising	$ 4,478,971	$ 4,885,945
Educational programs	4,857,557	4,798,483
	$ 9,336,528	$ 9,684,428

Note 14. 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, 2020 and 2019.

Note 15. 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, 2020 and 2019, cash balances totaling $6,685,976 and $7,368,976, respectively, were held by banks in foreign countries, and property and equipment with a net carrying value of approximately $2,632,742 and $2,976,238, respectively, was held by foreign program offices.

Note 15. 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 16. 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, 2020 and 2019, the Organization has guaranteed nine revolving loan funds for farmers' cooperatives operating within current Heifer International projects. The amount of the guarantees at June 30, 2020 and 2019, is $866,967 and $1,029,990, respectively.

Note 17. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. As of October 5, 2020, the Organization is aware of changes in its business as a result of COVID-19 but uncertain of the impact of those changes on their financial position, results of operations, or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, management of the Organization is unable to estimate the potential impact on its business as of the date of this report.

Supplementary Information

Heifer Project International

Consolidating Statement of Financial Position
June 30, 2020

	Headquarters	Africa	Asia	Americas	Europe	Eliminations	Total
Assets							
Cash and cash equivalents	$ 32,311,126	$ 2,803,677	$ 1,017,886	$ 2,836,472	$ 27,941	$ -	$ 38,997,102
Restricted cash	8,268,660	-	-	-	-	-	8,268,660
Accounts and interest receivable, net of allowance and discount	3,313,674	220,132	173,783	26,263	-	-	3,733,852
Intercompany account receivable	1,712,487	31,234	-	6,103	-	(1,749,824)	-
Grant reimbursements receivable	12,766	206,637	161,275	298,583	-	-	679,261
Prepaid expenses and other	3,572,118	290,035	36,224	95,479	-	-	3,993,856
Contributions receivable, net of allowance and discount	8,631,842	-	-	-	-	-	8,631,842
Interest in net assets of Heifer International Foundation	139,041,713	-	-	-	-	-	139,041,713
Property and equipment, net of accumulated depreciation	40,445,085	1,474,389	340,273	967,980	-	(149,900)	43,077,827
Total assets	$ 237,309,471	$ 5,026,104	$ 1,729,441	$ 4,230,880	$ 27,941	$ (1,899,724)	$ 246,424,113
Liabilities and Net Assets							
Liabilities:							
Accounts payable	$ 2,845,821	$ 513,887	$ 678,563	$ 1,880,151	$ -	$ -	$ 5,918,422
Intercompany accounts payable	1,760,110	15,259	-	-	-	(1,775,369)	-
Accrued expenses	1,901,542	1,852,432	516,776	1,448,411	-	-	5,719,161
Deferred revenue	9,040,396	1,737,573	77,535	732,651	-	2,544	11,590,699
Bonds and notes payable	10,171,839	-	-	-	-	-	10,171,839
Total liabilities	25,719,708	4,119,151	1,272,874	4,061,213	-	(1,772,825)	33,400,121
Net assets:							
Without donor restrictions	60,562,780	906,953	456,567	169,667	27,941	(126,899)	61,997,009
With donor restrictions	151,026,983	-	-	-	-	-	151,026,983
Total net assets	211,589,763	906,953	456,567	169,667	27,941	(126,899)	213,023,992
Total liabilities and net assets	$ 237,309,471	$ 5,026,104	$ 1,729,441	$ 4,230,880	$ 27,941	$ (1,899,724)	$ 246,424,113

Heifer Project International

Consolidating Statement of Activities (Without Donor Restrictions)
Year Ended June 30, 2020

	Headquarters	Africa	Asia	Americas	Europe	Eliminations	Total
Revenues, gains and other support:							
Contributions	$ 95,132,721	$ 14,487,747	$ 7,699,736	$ 13,145,404	$ 27,941	$ (35,117,258)	$ 95,376,291
Federal government grants	125,849	230,101	-	77,924	-	-	433,874
Other grants	10,058,222	2,928,636	587,749	3,318,044	-	-	16,892,651
Educational programs	367,094	-	-	-	-	-	367,094
Promotional events and material sales, net of cost	162,229	-	-	-	-	-	162,229
Other	938,867	123,126	18,685	57,045	-	-	1,137,723
Change in interest in net assets of Heifer International Foundation	1,648,899	-	-	-	-	-	1,648,899
Net assets released from restrictions	3,752,040	-	-	-	-	-	3,752,040
Total revenues, gains and other support	112,185,921	17,769,610	8,306,170	16,598,417	27,941	(35,117,258)	119,770,801
Expenses and losses:							
Program services	83,622,608	19,867,846	8,532,201	17,065,729	-	(35,360,788)	93,727,596
Management and general	7,094,862	-	-	-	-	-	7,094,862
Fundraising	25,670,286	-	-	-	-	-	25,670,286
Total expenses and losses	116,387,756	19,867,846	8,532,201	17,065,729	-	(35,360,788)	126,492,744
Change in net assets from operations	(4,201,835)	(2,098,236)	(226,031)	(467,312)	27,941	243,530	(6,721,943)
Other changes in net assets:							
Foreign currency translation adjustment	(55,749)	(139,646)	(135,457)	(160,581)	-	(5,796)	(497,229)
Total change in net assets	(4,257,584)	(2,237,882)	(361,488)	(627,893)	27,941	237,734	(7,219,172)
Net assets, beginning of year	64,820,364	3,144,835	818,055	797,560	-	(364,633)	69,216,181
Net assets, end of year	$ 60,562,780	$ 906,953	$ 456,567	$ 169,667	$ 27,941	$ (126,899)	$ 61,997,009

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