

A N N U A L

2018

R E P O R T

SECTION 1

Our Mission

4

SECTION 2

Our Work

6

SECTION 3

Strategic Partnerships

20

SECTION 4

Leadership

24

SECTION 5

Financials

28



Letter from the President and CEO

The past year showed us in stark relief that the world is changing fast. It was a year of paradox: reduced poverty yet surging food prices that mean more are going hungry; failed action on global climate agreements yet an increase in severe weather events and patterns linked to warming temperatures and oceans; conflicts that sent people fleeing from their homes only to be met with widespread border closings and increased xenophobia.

While the pace of global change is astounding, I believe we are working just as fast to address the shifting landscape. In my tenure in the development sector, I have pressed time and again for us to find an answer to the question, “How can we work differently and fast enough to meet the needs of more people?” At Heifer, we’re constantly assessing whether what we’re doing is evolving and growing economies, increasing incomes, caring for the environment, and providing ample access to proper nutrition.

In the last few years, our focus has shifted to not only working with local farmers to find ways to increase their incomes, but also to close the gap between the poverty line and a living income. We have focused our work to ensure value chains that work for the poor are in place in each country. Now, as we look to accelerate the work, we are zooming out to examine the market systems in each area. This broader view is informing how we link small-scale farmers in these inclusive value chains to the larger economy. We believe it is these wealth-creating systems that will help communities reach a living income.

In an increasingly unstable world, all of us are leaning on — consciously or unconsciously — small-scale farmers in the developing world who produce the food we eat, look after the land and ensure our water is safe to drink. Ultimately, it is these enterprising and hardworking individuals that can help reverse the course of some of the most troubling issues that we see today.

Let’s continue to work together so we can foster success for small-scale farmers around the world and work toward achieving the Sustainable Development Goals by 2030.

Yours for a better world,

A handwritten signature in black ink that reads "Pierre A. Ferrari". The signature is written in a cursive, flowing style.

Pierre Ferrari

01





SECTION 1

Our Mission

The mission of Heifer International is to end hunger and poverty while caring for the Earth.

It has been our goal for nearly 75 years. But three years ago, we set a refined goal of moving small-scale farmers to a living income. We know that for our work to be sustainable, it needs to not only get families above the poverty line, but to a point where they have sufficient income to meet the basic needs of everyone in the household. Over the last year, we learned how we can support more people to reach living income faster. We've seen more countries implement living income benchmarks and expand their efforts to develop strong markets. More farmers and producers are making and growing goods for which demand is growing. As sellers connect with buyers, economies grow and more families thrive.

As we continue to test and implement innovative approaches, we are reducing the time it takes to learn lessons about what works, so that we can scale up and replicate successes around the world. The changes are ongoing, but we are closing the income gap for marginalized farmers and making strides forward to zero hunger and zero extreme poverty by 2030.



02

SECTION 2

Our Work

For every family who receives livestock, training and other support directly from Heifer, there are others who benefit indirectly. We estimate that in fiscal year 2018, we assisted 2.05 million families, or a total of 14.5 million people with direct and indirect benefits across the 20 countries where we work.

In the past, our programs counted families who had completed training and asset transfer during the fiscal year. In working to move families to living incomes, we are focused on supporting families, communities, cooperatives and businesses for the full life of the project. This means there is not the same distinct point in time of asset transfer and training. The support across all components of work allows us to

support families to a much deeper scale of change — to achieve living income. In order to truly close the income gap, we must identify the proper mix of commodities and interventions within the market system and continue driving for that goal. This requires ongoing support and focusing on the same families.

Total number of projects in fiscal year 2018

152

Newly initiated projects in fiscal year 2018

42

Planned number of families in new projects

295,293

Portfolio at a Glance

AMERICAS

Ecuador
Guatemala
Haiti
Honduras
Mexico
Nicaragua
United States

136,424

Families directly supported
in fiscal year 2018



34.3
MILLION

Total number of families assisted since
Heifer began operations in 1944



AFRICA

- Ghana
- Kenya
- Malawi
- Rwanda
- Senegal
- Tanzania
- Uganda
- Zambia
- Zimbabwe

392,721

Families directly supported
in fiscal year 2018

ASIA

- Bangladesh
- Cambodia
- India
- Nepal

** China and Vietnam
transitioning
from direct
Heifer management*

321,439

Families directly supported
in fiscal year 2018

Applying Living Income Across the Portfolio

All new projects are required to build living income benchmarks into project design and show how proposed activities will close the gap between current income and living income. We are also applying return-on-investment analysis to understand

how activities will contribute to closing the gap. Ongoing monitoring and evaluation will allow us to build a better picture of what does and does not work, adjust activities, and make progress toward living income faster.

**Examples of Living Income Analysis from Honduras, India and Kenya
(Benchmark vs. Actual Income FY17 and FY18)**



To help families close the gap between their current incomes and reach a true living income so they do not fall back into poverty when projects end, we are evaluating project length and farmer access to value-chains.

We are reviewing the economic analysis to ensure projects are designed with the end goal of closing the income gap, rather than only increasing income. Options include extending project length and value chain additions to achieve living income faster.



LIVING INCOME IS THE TOTAL NET INCOME NEEDED TO LIVE A DIGNIFIED LIFE – A LIFE WITH ADEQUATE NUTRITIOUS FOOD, ACCESS TO RESOURCES, EDUCATION, HEALTHCARE AND MONEY SAVED FOR EMERGENCIES. WE WORK WITH FAMILIES AND COMMUNITIES TO CLOSE THE GAP BETWEEN CURRENT INCOME LEVELS AND LIVING INCOME.

Progress Toward Our Mission

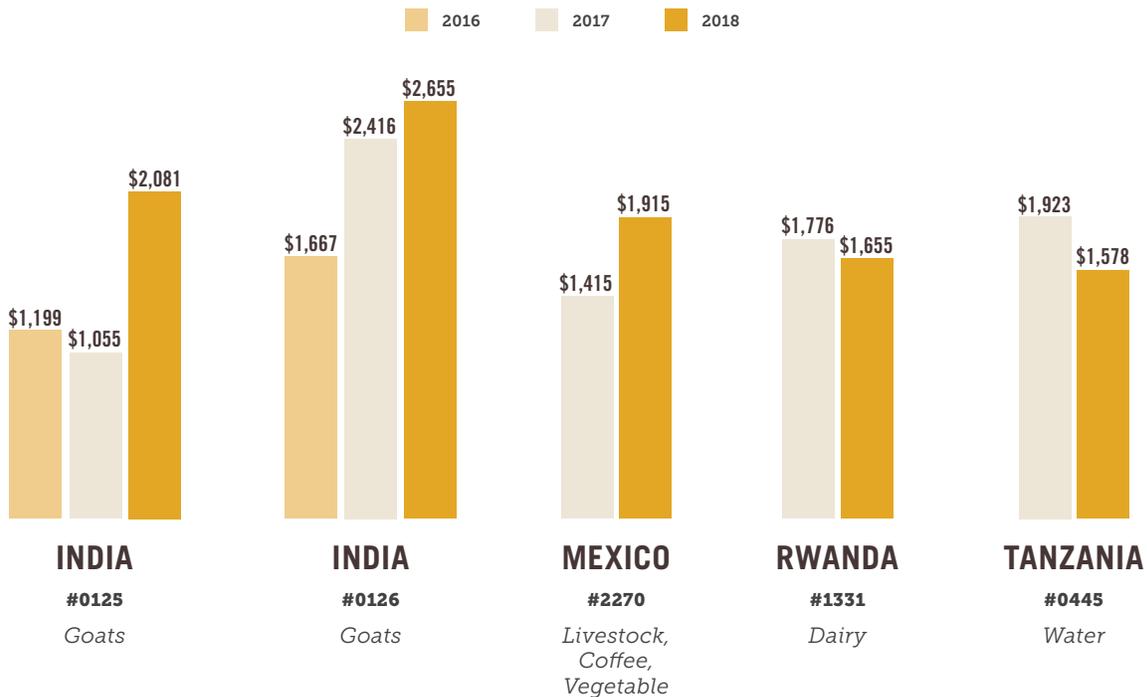
As we monitor progress toward living income more closely, we are learning from program interventions more quickly and making connections across both regions and countries when we see things that work. The following stories examine the lessons we are learning and how we are applying them to get farmers to living incomes faster — while also ensuring we’re meeting the objectives of increasing incomes, protecting the environment, empowering women, increasing social capital and improving nutrition — in ways that will last, long after our projects end.

Increasing Incomes

Reviewing annual household income year-over-year across a sample of projects allows us to see change over time in different communities. It remains a relevant measure, despite our shift toward living income, as it helps us to understand year-on-year progress, given that we might not be able to undertake the research to track progress toward living income for every project, every year.

In 2017, we shifted to reporting on net income, as opposed to gross income. Net income accounts for the value of goods that are self-produced and consumed, and therefore reflects disposable income. This change in approach allows us to compare the living income benchmarks across multiple countries.

AVERAGE HOUSEHOLD ANNUAL NET INCOME (SAMPLE OF PROJECTS)



Fluctuations in living income, particularly in Tanzania and Rwanda, show the impact of climate change on local farmers around the world. New figures released by the United Nations in September 2018 revealed that global hunger had risen to 821 million, largely due to climate variability and extremes.

CASE STUDY

Improving Income and Nutrition through Community Empowerment Project – Cambodia

Heifer's Improving Income and Nutrition through Community Empowerment (INCOME) Project in Cambodia set out to improve the livelihoods and food security of 30,000 farming families by focusing on swine and poultry value chains.

As the project progressed, families decided to focus solely on poultry production. This was due to the signing of a Free Trade Agreement by all ASEAN* countries, which resulted in cheap pork products arriving in Cambodia from factory farms in Thailand and Vietnam, undercutting local producers. Knowing that they would not be able to compete with the cheaper imports, farmers decided to focus on improving poultry production.

Demand for chicken in Cambodia outstrips supply. Although 57 percent of Cambodian families had backyard poultry production, chickens were poorly managed. Farmers were producing eggs and chicken meat to sell, while also producing baby chicks to expand and sustain their businesses. Without artificial incubators, each chicken would spend two months hatching and caring for baby chicks. During this time, they would not lay any eggs, which decreased farmers' income.

The project has focused on improving and specializing farmers' production. Some farmers have started using artificial incubators to produce baby chicks that are then sold within their communities to meet demand,



as farmers expand their flocks. The artificial incubators reduce the time between clutches, meaning that laying hens are not required to provide natural incubation. As a result, egg production has gone up.



Combined with other specialist inputs such as improved chicken housing, feeding and nutrition, regular vaccinations and deworming, with strict biosecurity measures for managing disease outbreaks, along with value chain mapping that has connected farmers to catering businesses, restaurants and retailers, farmers have been able to increase their profits.

The cooperatives, which are formed by local farmers with support and facilitation from Heifer, are now able to take on the marketing of their produce (chicken meat, pork, eggs, vegetables and crops), establishing direct connections with catering businesses, restaurants and retailers. By successfully cutting out the middlemen who used to dictate prices and take a substantial cut of the profits, they are ensuring that more money gets back to the farmers, increasing their incomes.

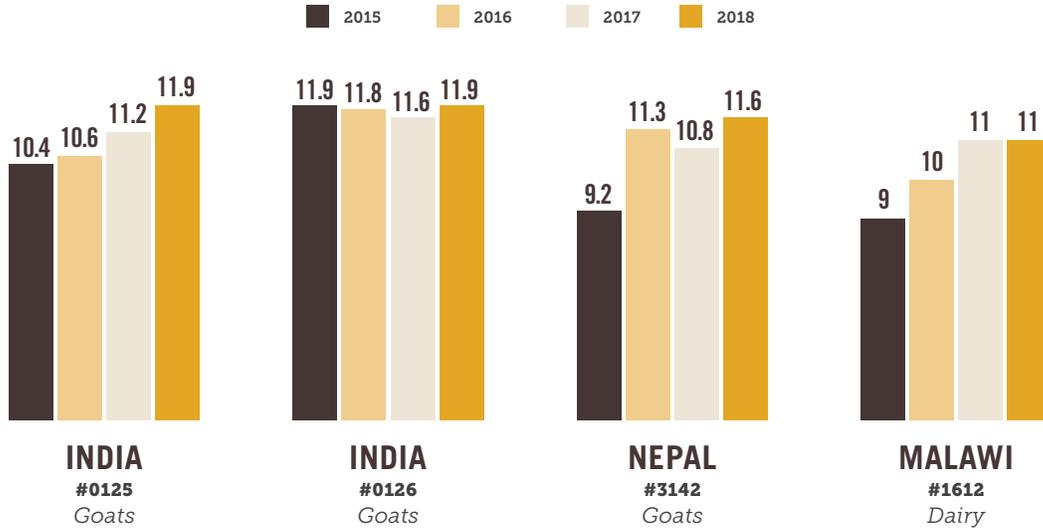
* Association of Southeast Asian Nations

Improving Food Security and Nutrition

Communities are considered to be food secure when they have year-round access to sufficient, safe and

nutritious food that meets their dietary needs and food preferences for an active and healthy life.

AVERAGE MONTHS OF ADEQUATE FOOD PROVISION (SAMPLE OF PROJECTS FY15-18)



CASE STUDY

East Africa Dairy Development Project – Kenya, Tanzania and Uganda

The East Africa Dairy Development Project is the biggest individual project undertaken in organizational history. By 2019, more than 1 million people in Kenya, Rwanda, Tanzania and Uganda will have increased their incomes linked to dairy farming.

In Tanzania, the *East Africa Dairy Development Project* has been implementing a school milk feeding program since July 2017. With malnutrition levels in the region far above the national average, the program has been providing a seven-ounce sachet of pasteurized milk each day to 12,000 students in its first year, from nursery to seventh grade. The initiative will expand to 15,000 students a day in its second year. After a successful pilot, the government and private sector partners have expressed interest in scaling up the program. Together with an advertising campaign on local radio, the program seeks to build awareness of the benefits of milk and create a local market for farmers who currently ship their product to Dar es Salaam.

The school milk program grew out of market challenges to sell milk from farms surrounding Dar es Salaam and the Southern Highlands. In order to strengthen demand, the *East Africa Dairy Development Project* is pursuing partnerships for farmer organizations with new processors. These include Tanga Fresh, a dairy processor with a capacity greater than 13,000 gallons per day, which has launched a new line of long-life milk, who is helping supply the milk to schools.

Few of the children in Heifer Tanzania's school milk project have been lifelong milk drinkers. This is a region where many homes lack both electricity for refrigeration and enough money to buy milk. Dairy products simply haven't been a big part of the daily diet, especially among poorer families. "There are some children here who never tasted milk after breastfeeding," explained Cosmos Mfugale, a dairy farmer and father of three.

And so, before the project began, some people were skeptical. Without the ingrained culture and habit of daily milk drinking, would these children even want to drink milk?

It turns out those worries were unfounded. The program was an immediate hit, with universally rave reviews from the students.

"I like it so much," said Francis Mlowe, a third grader at Uwemba Primary. "It tastes like sugar."

Greyson Dennis, a student at Itunduma Primary, looks forward to his 10 a.m. milk break every day because, he said, "It's a treat, like a biscuit."

The biggest challenge, it turns out, is not what to do with unwanted milk, but instead how to meet the overwhelming demand. Children, teachers and parents are clamoring to see the project expand so more children can get a taste of the health-giving vitamins and minerals milk provides.

Currently, milk is transported from the Southern Highlands to processors in Dar es Salaam — a distance of up to 600 miles. The project has tackled this problem by supporting work to expand the processing capacity of the Njombe Milk Factory from 800 to 5,300 gallons per day. Plans are also in progress for a new processing plant in the Southern Highlands.

This will mean farmers can get their milk processed locally and transport pasteurized milk to Dar es Salaam, improving quality and reducing the likelihood of the milk spoiling. The processing plant also serves as part of a plan to produce consumer dairy products and boost farmers' incomes by increasing milk consumption in the southern part of the country.

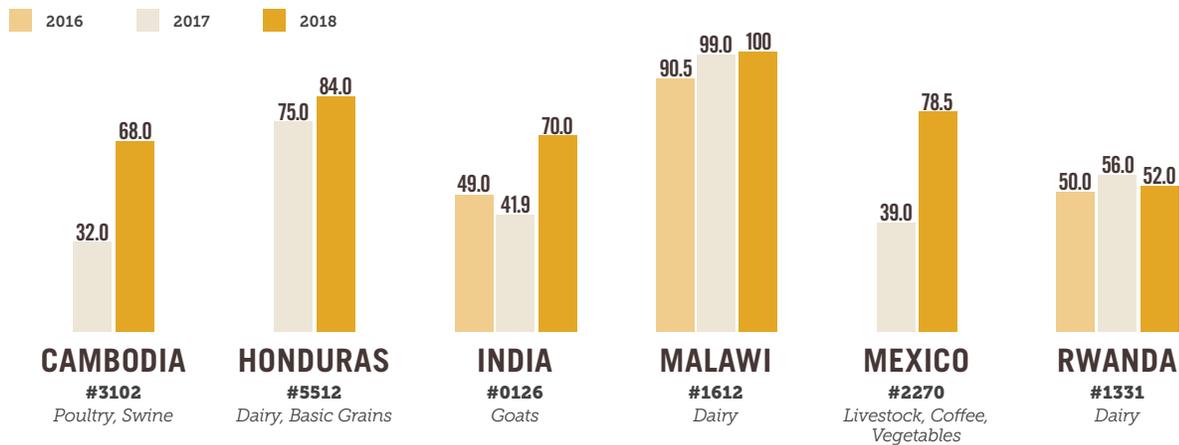
Empowering Women and Strengthening Social Capital

Gender equity remains at the very center of our work. We support women to develop the skills they need to take on leadership roles at the group and community levels.

Our evaluations look at women’s decision-making power over productive assets. We are starting to incorporate gender strategies as projects move

beyond production, to incorporate cooperatives, enterprises and value chain activities, and so ensure continued women’s empowerment and the full inclusion of women in the benefits of market development. This is highlighted by the *Women’s Economic Empowerment and Entrepreneurship project* in Guatemala case study on the next page.

PERCENTAGE OF WOMEN WITH EQUAL DECISION-MAKING POWER OVER PRODUCTIVE ASSETS (SAMPLE OF PROJECTS)

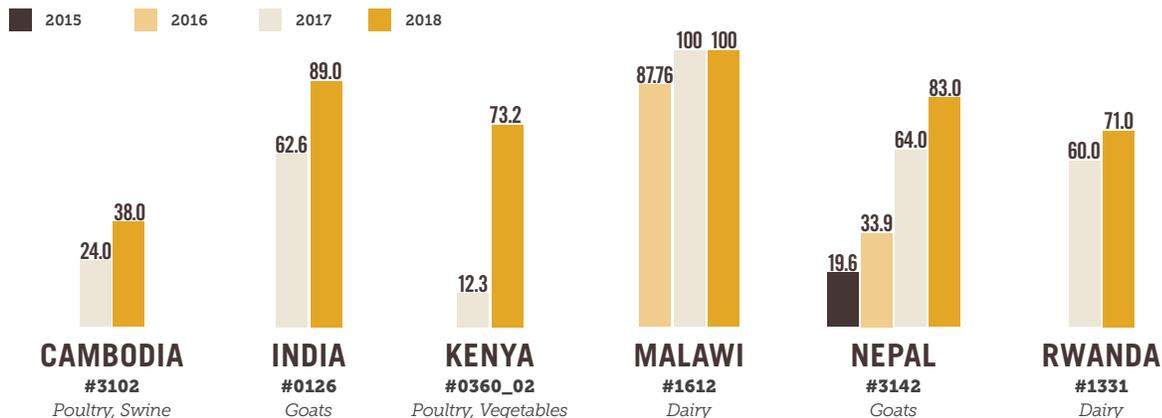


Social Capital

In line with the World Bank’s definition of social capital, we use participation in community-based organizations to measure the shared norms, values,

attitudes and beliefs that predispose people toward mutually beneficial collective action.

PERCENTAGE OF HOUSEHOLDS PARTICIPATING IN NON-HEIFER COMMUNITY-BASED ORGANIZATIONS (SAMPLE OF PROJECTS)



CASE STUDY

Women's Economic Empowerment and Entrepreneurship Project – Guatemala

Women's empowerment, together with social capital, is one of two multipliers for change across all our work toward improved and sustainable livelihoods.

The *Women's Economic Empowerment and Entrepreneurship Project*, started in Guatemala in January 2018, is working to reduce the living income gap for 5,959 rural women in the Sololá, Alta and Baja Verapaz departments. Although it's a new area for Heifer, the project builds on previous work by Oxfam and a Guatemalan organization called IEPADES, which helped established savings groups for local women.

A value chain analysis conducted in these high poverty areas that are home to a majority of Guatemala's indigenous population, focused on three types of enterprises with significant opportunities for women – producing fibers and dyes for textiles, cage-free poultry raising, and farming vegetables with high commercial value.

Analysis completed in the project design phase showed the importance of access and control over income for women to be able to exert power. Almost all households in this area are male-led and income generation was identified as transformative, given the high unpaid work burden placed on women.

The project will strengthen and build women's community organizations with Values-Based Holistic Community Development (VBHCD) training and create savings groups, so women can generate their own investment funds. Groups that have been saving for at least five years will have specific financial and banking products for rural women to develop business ventures and create their own companies.

Access to markets is key to the long-term success of this project. Local markets remain a priority, due to the large number of tourists that pass through this area and the potential to sell better quality handicrafts. The project is also exploring potential partnerships with the textiles commission of the Guatemalan Association of Exporters and companies GIVE and Indigo, who market textiles and raw materials, as well as the Hortifruti company, a preferred supplier for Walmart and La Torre Supermarkets, and restaurants such as Saúl and San Martín, which have more than 15 stores selling eggs and poultry.



Environment

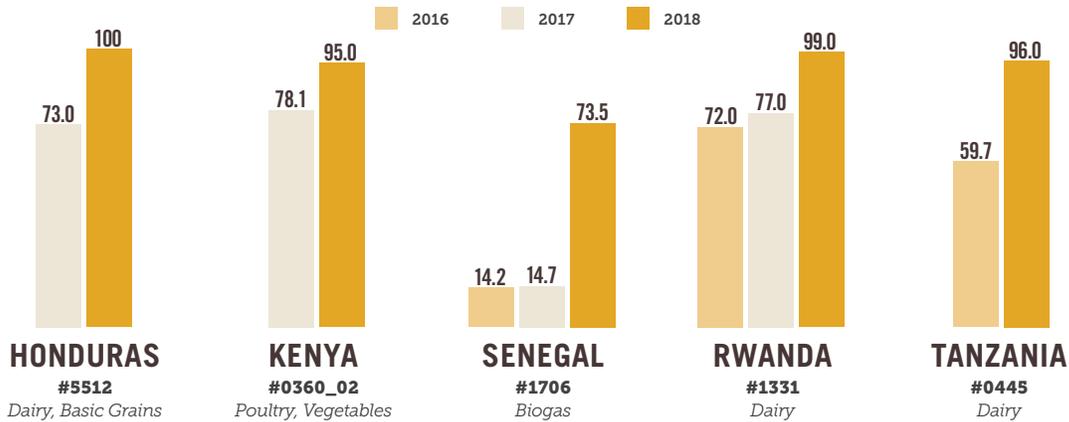
In parts of the world where agricultural productivity is already low, and farmers are unable to cope with adverse shocks, climate change is expected to reduce productivity to even lower levels.

In order to stabilize output and income, production systems must become more resilient. Climate-smart agriculture seeks to address this by sustainably

increasing agricultural productivity and incomes, adapting and building resilience to climate change, and reducing and/or removing greenhouse gas emissions, where possible.

We have seen a significant increase in the adoption of climate-smart agriculture across the program portfolio.

PERCENTAGE OF HOUSEHOLDS ADOPTING CLIMATE SMART AGRICULTURE PRACTICES (SAMPLE OF PROJECTS)



LEAD FARMER PROGRAM PROGRESS



21,824
Total Families Assisted

Lead Farmers Trained

704

Tree Seedlings Placed with Families

1,761,285

Main Value Chain Commodities



Chickens Placed with Families

35,730

Project Timeline



CASE STUDY

The Sustainable Agriculture Lead Farmer Program – Malawi

The Sustainable Agriculture Lead Farmer Program is working with 24,000 small-scale farmers in Malawi, half of which are women, to ensure sustainable food security, improve the livelihoods of participants and increase their resilience to the impacts of drought caused by climate change.

Participants like Delia Chakwera are using integrated farming practices that cohesively combine the power of livestock and sustainable agriculture. Chakwera lives in Lilongwe District, Malawi, one of the poorest and most populous areas in a country where half the population lives below the poverty line. Although 84 percent of the population of Malawi lives in rural areas, dependence on rain and poor access to training and materials have led to low agriculture productivity throughout the country. Droughts, floods and climate change have not helped.

Families are learning to use climate-smart farming techniques to lessen the impact of drought caused by climate change on household food production in the drought prone region, providing for improved yields and increasing food security. Participants also have focused training the multiplying effects of sustainable agriculture approaches such as pairing efficient irrigation methods with pit planting, both combining to manage available water much more efficiently than would be possible by using either method individually.

They are also learning how to make energy-efficient stoves, how to establish homestead woodlots, and how to regenerate natural woodlands to aid in soil moisture retention.

Chakwera is one of the lead farmers in the Lead Farmer Program, chosen by fellow farmers when Heifer began working with them. Heifer taught Delia about manure fertilizer, pit planting, climate-smart agriculture, and environmental management. She also learned about planting trees, and energy saving stoves.

Chakwera was taught the pit system of planting that helps keep in moisture, so even when rains are erratic there is still water. It involves a planting grid that breaks crops into small uniform sized pits, each

of which is filled with manure and a specific number and type of plants. In the first year she dug 1,200 pits. In past she harvested four 110-pound bags of maize. It was the first time in her life she harvested five bags of maize. She was amazed. Harvests grew rapidly from there, especially after the family received a dairy cow and were able to use the cow's manure on their crops.

They now have more maize than they could consume. Heifer helped them build a small cement storage container for the maize. They sold 100 bags of maize for \$1,401.65. From that, they bought 4 acres of land and later another 4 more acres. They now have 9 acres.





SECTION 3

Strategic Partnerships

Strong alliances are key to advancing our mission. We believe the private sector plays an essential role in achieving our mission to end hunger and poverty while caring for the Earth. We work with ethical, values-driven companies that align with our mission, values and holistic community development approach. We prioritize local, national and multinational corporate relationships that provide access to capital and technology, strengthen inclusive local economies, connect small-scale farmers to markets through pro-poor, wealth-creating value chains, and contribute to our living income goal.

The following is a sampling of corporations we initiated agreements with or started new projects or fundraising programs with in 2018.

03



Institutional Funding

Over the last year, Heifer secured more than \$8 million in institutional funding from donors like the *World Bank*, the *Swedish International Development Cooperation Agency*, the *African Development Bank* and the *International Fund for Agricultural Development* through strong positioning, relationship building, and competitive proposal writing and negotiating. Of that sum, nearly \$5 million was co-created. We continued to build strong partnerships with a wide range of actors including new donors like *Norwegian Agency for Development Cooperation* and the *Danish International Development Agency*, leading research entities such as the *International Livestock Research Institute* and the *International Food Policy Research Institute*, and respected peer nonprofits and non-governmental organizations, like *PATH*, *World Vision* and the *Rainforest Alliance*, in addition to in-country actors, like local governments and private sector businesses.



Nearly \$5 million co-created



Hatching Hope

The Hatching Hope Initiative is the start of something bold. Co-created with Cargill, the partnership will work in three pathways to improve nutrition and economic livelihoods of 100 million people by 2030. The initiative's programs will:

- Transform rural poor in vulnerable communities into sustainable poultry farmers, and build demand and provide access to markets for their poultry meat and eggs. This strengthened agribusiness approach provides participants with income to access nutritious foods, education, healthcare and other basic needs
- Use mass marketing and digital channels to build awareness and extend reach of Hatching Hope's nutrition education and training on poultry farming practices
- Create low-cost products and services that help small-scale farmers improve their production and strengthen their business skills to become successful participants in the poultry value chain.

This innovative program combines private sector expertise with Heifer's community development capabilities to lift communities out of poverty through sustainable animal agriculture. The results: Farmers prosper. Family nutrition improves. Communities are enriched. And business grows.



Forever Chocolate

In Ghana, Heifer is participating in Barry Callebaut's "Forever Chocolate," pilot project to support 300 cocoa farmers with poultry raising and mushroom production as an income diversification effort to supplement the earnings realized from their sales of cocoa. The farmers are suppliers of cocoa to Barry Callebaut, one of the world's leading manufacturers of high-quality chocolate and cocoa products, which operates in more than 30 countries.



Rural Entrepreneurs: Connecting Field to Table

Heifer Mexico secured a grant from Walmart Foundation to move 6,125 farmers in Chiapas, Oaxaca, Puebla and Yucatán states in Mexico to living incomes and meet the growing market demand for high-quality, sustainably sourced eggs, beef and honey. The project will build the entrepreneurial capacity of small-scale farmers, especially women who head the majority of rural households, link them with inclusive value chains and provide them with technology, management skills, capital and entrepreneurship training. It also seeks to improve rural producer productivity based upon a market-led approach, as well as to forge long-term relationships between consumers and producers. Ultimately, all the value chain actors will benefit, consumers will have access to high quality, sustainably produced food, and farmers will attain a living income.



Chiapas Coffee Matters

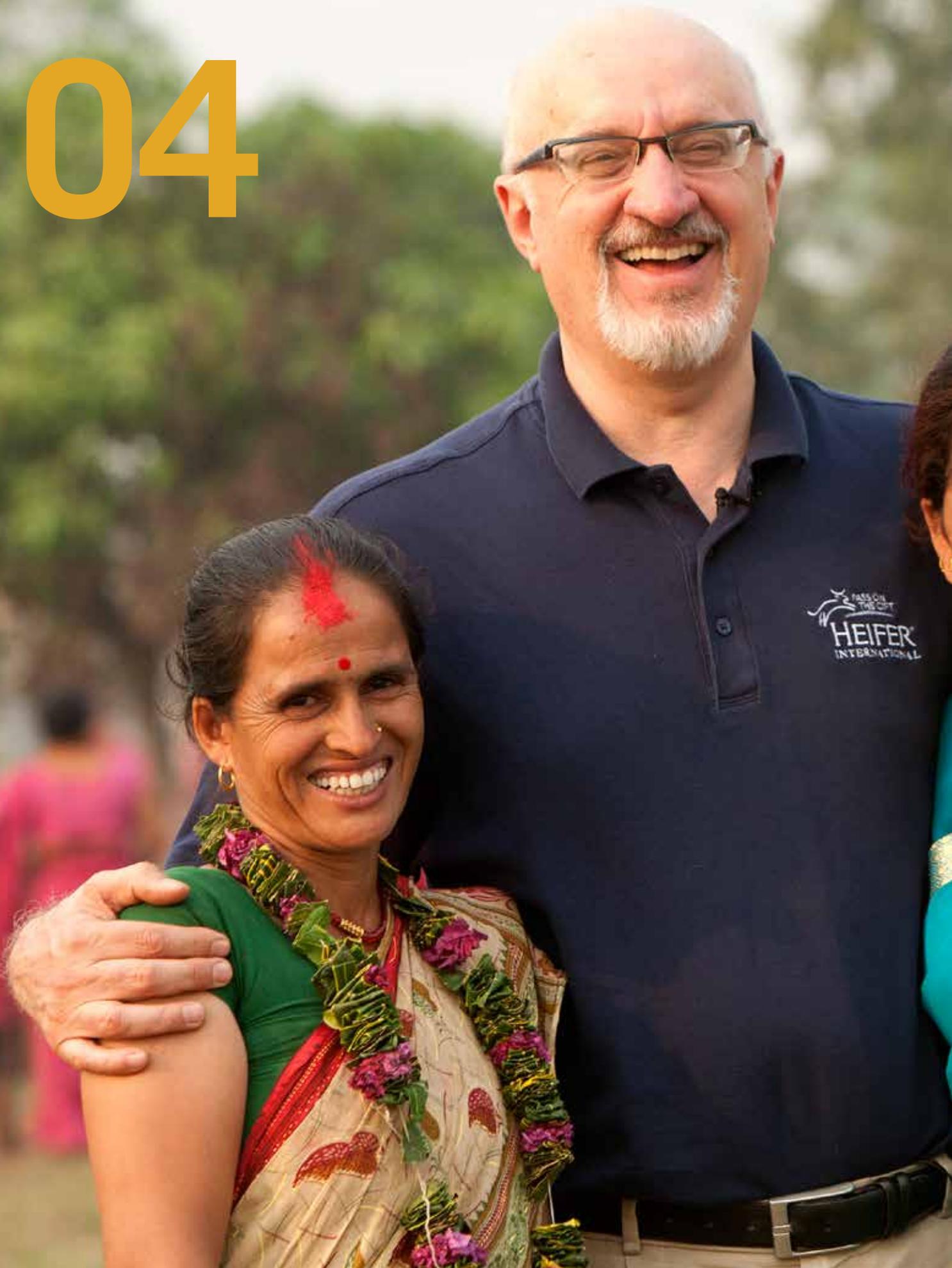
Chiapas Coffee Matters is a unique collaboration between four organizations in the coffee supply chain who bring distinctive yet complementary roles and motivations: Keurig Dr Pepper, the funder and buyer committed to responsible sourcing; ECOM, a coffee exporter providing agronomy expertise and farmer services; GRAPOS, a farmer led cooperative; and Heifer Mexico, the social impact partner. The project seeks to improve the livelihoods of 375 smallholder coffee farmers in Chiapas, Mexico, by combining social interventions including living income, nutrition, women's empowerment and environmental management, with supply chain interventions, including production, productivity, quality and traceability. Using a market systems development approach, the project is a proof of concept test to examine causality between social programs and business metrics in the coffee value chain.



P.A.C.E. Program Pilot

Thanks to a new partnership between Gap Inc., a leading global retailer, and Heifer International, 9,000 female farmers in rural Cambodia are receiving important life-skills training and personal leadership development. The collaboration centers around Gap Inc.'s P.A.C.E. (Personal Advancement & Career Enhancement) program, which provides critical skill development to increase women smallholder farmers' capacity to successfully engage in their communities and in the marketplace. More than 200,000 women in 16 countries have participated in P.A.C.E. since it was launched in 2007. The collaboration between Gap Inc. P.A.C.E. and Heifer International is part of an effort to unlock new possibilities for women and adolescent girls in the communities where Gap Inc. sources product. These 9,000 Cambodian women are expected to complete this training with Heifer International to gain skills that contribute to increased community trust, harmony, coordination and cooperation. Additionally, the learning will enable the women to improve knowledge for themselves, their families and their communities on the importance of water, sanitation and hygiene, improved nutrition (especially in children) and increase the number of women holding leadership roles at various levels in the communities.

04



SECTION 4

Leadership



Executive Leadership Cabinet



Pierre Ferrari
*President and
Chief Executive Officer*



Hilary Haddigan
*Chief of Mission
Effectiveness*



Bob Bloom
*Chief Financial
Officer*



Mahendra Lohani
*Senior Vice President
for Programs*



Oscar Castaneda
*Senior Vice President
for the Americas Program*



David Norman
*Senior Vice President of
Investment Programs*



Christy Moore
*Senior Vice President
of Marketing*



Julie Wood
*Vice President of
Human Resources*



Stephanie Brown
*Vice President of
Philanthropy*



Marleen New
*Vice President of
Global Partnerships*



Michelle Dusek-Izaguirre
*Vice President of
Marketing and Resource
Development Operations*



Martha Hirpa
*Vice President of
Institutional Partnerships*



Chad Avery
General Counsel



Jessica Ford
*Executive Assistant
and Board Liaison*

Board of Directors

 <p>18 Members</p>	<p>14</p> <p>At-large directors holding board-specific skill sets; at least one director resides in each of the international program areas where Heifer works</p>	<p>3</p> <p>faith-based groups representing various spiritual paths</p>	<p>1</p> <p>representative from the Heifer International Foundation's Board of Trustees (Chair or Vice Chair)</p>
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All Directors come from a wide range of backgrounds in the business, agriculture, academic and private sectors. All of the following directors are independent voting members, as defined in IRS Form 990.

Francine Anthony
At-Large Director since 2011

Nikolaus Hutter
At-Large Director since 2013

Doug Galen
At-Large Director since 2014

Randi Hedin
At-Large Director since 2017

Susan Grant
Chair, At-Large Director since 2011

Jerry Jones
At-Large Director since 2013

Josephine Oguta
At-Large Director since 2014

Thomas Kemper
UMC Global Missions since 2017

Arlene Withers
At-Large Director since 2006

Esther Cohen
Episcopal Relief and Development since 2013

Steven Yung
At-Large Director since 2015

Ambassador Ertharin Cousin
At-Large Director since 2018

Jay A. Wittmeyer
Church of the Brethren since 2012

Ashley Stone
At-Large Director since 2014

Tom Hadfield
At-Large Director since 2016

Daryn Dodson
Non-Voting Liaison Representing Heifer Foundation

Pete Kappelman
Vice Chair, At-Large Director since 2013

Dr. Eduardo Stein
At-Large Director since 2014

George Petty
Heifer International Foundation Chair since 2014

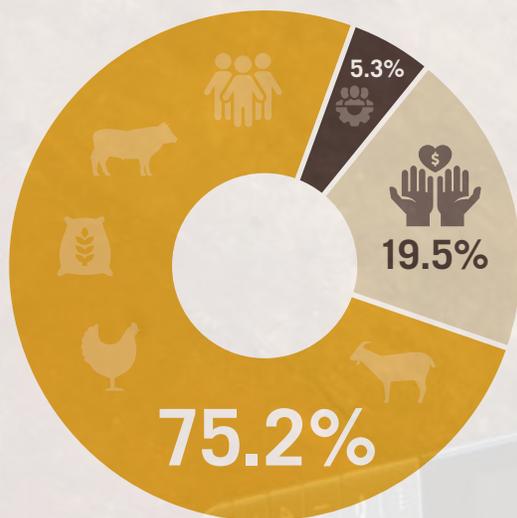
**As of June 30, 2018*



SECTION 5

Financials

Fiscal Year 2018 Consolidated Expenses



Management

\$6.4

Fundraising

\$23.7

Programming

\$91.1

\$121.2

Dollar figures in millions

05

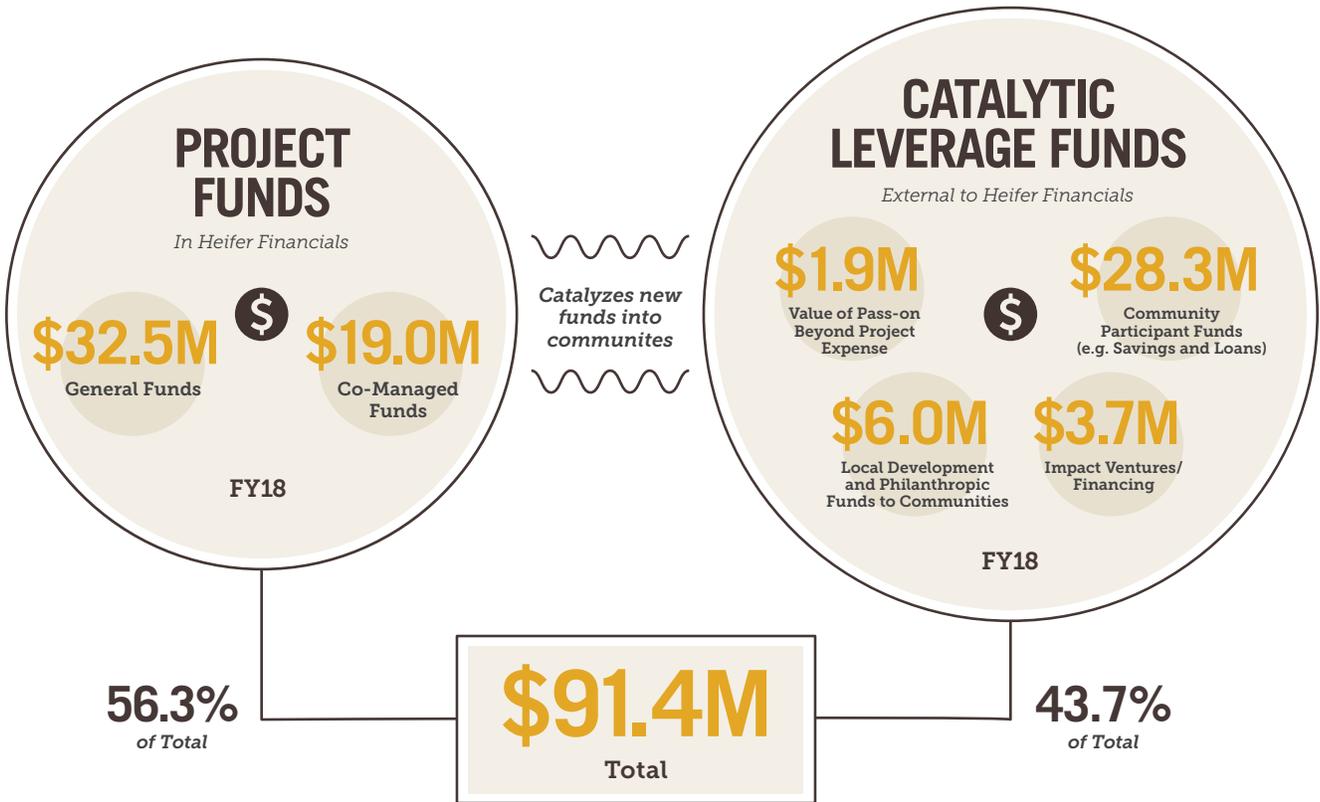


Catalytic Leverage Funds

Key to our success in helping families reach living income is the ability to leverage funds external to our financials. This is what we refer to as Catalytic Leverage Funds.

These amounts are not included in Heifer’s consolidated financial statements but are included here to illustrate the scale of funding outside of Heifer’s financial system that is contributing to

impact and sustained change at the community level in the 20 countries where we work. The dollar values for Catalytic Leverage Funds are forecast based on prior year data.



This graphic shows the power of Catalytic Leverage Funds. We are finding that progress from our projects is more sustainable and more likely to extend beyond the project end period, when communities and other stakeholders are actively engaged in the implementation and financing.

Essential to building inclusive market systems is ensuring that everyone in the community benefits.

Passing on the Gift®, which requires families who receive gifts to pass on one or more of their animal’s offspring, along with other inputs, training and skills to another family, supports this. Impact Ventures helps farmers and cooperatives access the money they need while also increasing the impact of our programs.

Consolidated Statements of Financial Position

June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$47,128,790	\$43,896,253
Restricted cash	6,998,825	2,937,045
Accounts and interest receivable, net of allowance and discount	2,728,847	2,640,157
Grant reimbursements receivable	382,009	297,560
Prepaid expenses and other	2,177,696	2,153,631
Contributions receivable, net of allowance and discount (Note 2)	2,307,146	2,509,867
Interest in net assets of Heifer International Foundation (Note 3)	124,242,028	113,728,373
Property and equipment, net of accumulated depreciation (Note 4)	44,932,716	46,518,000
Total Assets	\$230,898,057	\$214,680,886
Liabilities and Net Assets		
	2018	2017
Liabilities		
Accounts payable	\$4,227,039	\$3,896,895
Accrued expenses	4,124,768	4,151,460
Deferred revenue	10,152,192	3,030,721
Bonds payable (Note 6)	9,770,000	10,985,000
Total Liabilities	28,273,999	22,064,076
<i>Commitments and contingencies (Notes 5, 6, 8 and 14)</i>		
Net Assets		
Unrestricted	72,547,996	72,700,633
Temporarily restricted (Note 7)	22,085,280	20,307,539
Permanently restricted (Note 7)	107,990,782	99,608,638
Total Net Assets	202,624,058	192,616,810
Total Liabilities and Net Assets	\$230,898,057	\$214,680,886

Based on audited financial statements available on Heifer.org

2018 Consolidated Statement of Activities

Year Ended June 30, 2018

Revenues, Gains and Other Support	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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 3)	(5,150,233)	2,131,511	8,382,144	5,363,422
Net assets released from restrictions (Note 7)	7,832,560	(7,832,560)	-	-
Total Revenues, Gains and Other Support	121,148,588	1,777,741	8,382,144	131,308,473
Expenses and Losses				
Program services (Note 10)	91,054,230	-	-	91,054,230
Management and general (Note 10)	6,410,077	-	-	6,410,077
Fundraising (Note 10)	23,692,129	-	-	23,692,129
Total Expenses and Losses	121,148,588	1,777,741	8,382,144	131,308,473
Change in Net Assets	(7,848)	1,777,741	8,382,144	10,152,037
Other Changes in Net Assets:				
Foreign currency translation adjustment	(144,789)	-	-	(144,789)
Total Change in Net Assets	(152,637)	1,777,741	8,382,144	10,007,248
Net Assets, Beginning of Year	72,700,633	20,307,539	99,608,638	192,616,810
Net Assets, End of Year	\$72,547,996	\$22,085,280	\$107,990,782	\$202,624,058

Based on audited financial statements available on Heifer.org

2017 Consolidated Statement of Activities

Year Ended June 30, 2017

Revenues, Gains and Other Support	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	\$94,314,974	\$7,528,510	\$ -	\$101,843,484
Federal government grants	1,372,181	-	-	1,372,181
Other grants	9,305,835	3,183,552	-	12,489,387
Educational programs	1,309,435	-	-	1,309,435
Promotional events and material sales, net of cost	413,106	-	-	413,106
Other	830,418	-	-	830,418
Change in interest in net assets of Heifer International Foundation (Note 3)	693,355	7,820,564	19,949,658	28,463,577
Net assets released from restrictions (Note 7)	18,084,778	(18,084,778)	-	-
Total Revenues, Gains and Other Support	126,324,082	447,848	19,949,658	146,721,588
Expenses and Losses				
Program services (Note 10)	87,191,209	-	-	87,191,209
Management and general (Note 10)	6,184,966	-	-	6,184,966
Fundraising (Note 10)	21,673,999	-	-	21,673,999
Total Expenses and Losses	115,050,174	-	-	115,050,174
Change in Net Assets	11,273,908	447,848	19,949,658	31,671,414
Other Changes in Net Assets:				
Foreign currency translation adjustment	(62,509)	-	-	(62,509)
Total Change in Net Assets	11,211,399	447,848	19,949,658	31,608,905
Net Assets, Beginning of Year	61,489,234	19,859,691	79,658,980	161,007,905
Net Assets, End of Year	\$72,700,633	\$20,307,539	\$99,608,638	\$192,616,810

Based on audited financial statements available on Heifer.org

Consolidated Statements of Cash Flows

Years Ended June 30, 2018 and 2017

Cash flows from operating activities:	2018	2017
Change in net assets	\$10,007,248	\$31,608,905
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,538,089	3,468,571
Change in allowance for bad debts	(32,652)	18,840
Amortization of pledge discount	(11,590)	21,611
Change in interest in net assets of Heifer International Foundation	(5,363,422)	(28,463,577)
(Gain) loss on disposals of equipment	(811,893)	481,466
Unrealized foreign exchange differences of fixed assets	35,623	(35,254)
Net realized and unrealized (gains) losses on investments	12,132	(32,355)
Stock donation	(1,790,473)	(1,809,120)
Proceeds from sales of donated stock	1,791,519	1,805,853
Changes in:		
Restricted cash	(4,061,780)	6,913,929
Accounts and interest receivable	(66,738)	(941,720)
Grant reimbursements receivable	(84,449)	24,997
Prepaid expenses and other	(37,243)	80,712
Contributions receivable	225,011	(589,896)
Accounts payable	275,019	621,171
Accrued expenses	(26,692)	10,363
Deferred revenue	7,121,471	1,851,135
Net cash provided by operating activities	10,719,180	15,035,631
Cash flows from investing activities		
Purchase of property and equipment	(2,175,555)	(2,233,227)
Proceeds from disposals of property and equipment	1,054,145	142,674
Proceeds from distributions from Heifer International Foundation	1,141,139	1,443,351
Contributions to Heifer International Foundation	(6,291,372)	(749,997)
Net cash used in investing activities	(6,271,643)	(1,397,199)
Cash flows from financing activities		
Principal payments on bonds payable	(1,215,000)	(1,170,000)
Net cash used in financing activities	(1,215,000)	(1,170,000)
Increase in cash and cash equivalents	3,232,537	12,468,432
Cash and cash equivalents—beginning of year	43,896,253	31,427,821
Cash and cash equivalents—end of year	\$47,128,790	\$43,896,253
Supplemental schedule of noncash operating and investing activities		
Purchases of property and equipment in accounts payable	\$55,125	\$15,142
Donation of stock	1,790,473	1,809,120
	\$1,845,598	\$1,824,262
Supplemental disclosures of cash flow information—interest paid	\$399,164	\$435,895

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